

Updated July 8, 2020

# Reclamation Water Storage Projects: Section 4007 of the Water Infrastructure Improvements for the Nation Act

Section 4007 of the Water Infrastructure Improvements for the Nation Act (WIIN Act; P.L. 114-322) created a new authority for the Bureau of Reclamation (Reclamation, part of the Department of the Interior) to build water storage projects in the western United States. From FY2017 to FY2020, Congress appropriated \$469 million for these projects, and Reclamation has allocated a portion of these funds to progress on a number of water storage projects in its service area.

## Background

In the early and mid-20<sup>th</sup> century, Reclamation built hundreds of large dams and water diversion structures throughout the West. Traditionally, Reclamation's role in water project development has been limited to geographically specific projects authorized in federal statute. Typically the federal government, through discretionary appropriations to Reclamation, has provided full, up-front funding for the construction costs of these facilities. Project beneficiaries, which are irrigators, municipal water suppliers, and hydropower contractors, repay their portion of "reimbursable" project construction or development costs over a 40-50 year term. The amount recouped by the federal government typically depends on several factors, including the portion of project benefits that are classified as "nonreimbursable" under federal law because they are considered federal in nature (e.g., fish and wildlife enhancements, flood control, recreation), as well as adjustments for irrigators' ability to pay. Additionally, irrigation beneficiaries are not charged interest on their repayment obligations. As a result, the total amount repaid to the federal government for these projects is typically less than the full cost of construction.

## Section 4007 of the WIIN Act

Section 4007 of the WIIN Act authorized a new structure for Reclamation to support water storage infrastructure projects, including both surface water and groundwater storage projects. The act authorized \$335 million in discretionary appropriations for new and improved federal and nonfederal water storage projects. Any appropriated funds are to be made available for qualifying water storage projects approved for construction prior to January 1, 2021.

Funding for water storage project construction under Section 4007 is available for two primary project types. "Federally owned storage projects" (surface or groundwater storage projects to which the United States holds title and which were authorized to be constructed pursuant to reclamation law and regulations) may be no more than 50% federally funded. "State-led" storage projects (surface water or groundwater storage projects constructed, operated, and maintained by states or political

subdivisions that are found to have a federal benefit in accordance with reclamation law) may be no more than 25% federally funded.

For federal participation in the construction of a project under either designation, the Secretary of the Interior must find that the project is feasible and provides federal benefits proportionate to the federal government's cost share (e.g., a project providing 50% federal support requires that at least 50% of its benefits be federal in nature). Project sponsors also must agree to pay their portion of project costs up front. After the Secretary's recommended projects have been transmitted to Congress, the project must be designated by name in an enacted appropriations act before it can receive funding.

## Differences from Traditional Reclamation Water Storage Project Model

Instead of full, up-front federal financing, with reimbursable funding to be repaid by beneficiaries over time (i.e., the "traditional" model for Reclamation projects), Section 4007 has been interpreted to authorize partial, up-front federal funding (i.e., funding for both reimbursable and nonreimbursable costs), with the corresponding nonfederal share of funding also required up-front. Proponents of these changes argue that they stretch scarce federal funds and provide increased incentive for local involvement in storage projects. At the same time, in requiring a large initial cost share from nonfederal users, the new authority may not be attractive for sponsors who cannot afford large, up-front payments.

Section 4007 also significantly altered the role of congressional authorizing and appropriations committees in project development. It allows Reclamation to move forward with construction *without* direct legislative approval from congressional authorizing committees. By requiring designation of Administration recommendations by name in appropriations acts, Section 4007 effectively shifted project approval (i.e., authorization) decisions to the appropriations process.

## Recent Funding, Project Allocations

Congress has appropriated \$469 million for Section 4007 projects as of mid-2020, including funding in enacted Energy and Water Development appropriations acts for FY2017 (\$67 million), FY2018 (\$134 million), FY2019 (\$134 million), and FY2020 (\$134 million). For its part, Reclamation has issued three rounds of funding allocations for Section 4007 that, once approved by Congress, release portions of this funding to individual projects. Reclamation's recommendations in January 2018 and February 2019 were approved by Congress, and the latest

recommendations (from June 2020) are awaiting congressional action as of the date of this report (**Table 1**).

**Table 1. Approved and Proposed Allocations for Section 4007 Water Storage Projects**  
(\$ in millions)

Project (State)	Jan 2018 (approved)	Feb 2019 (approved)	June 2020 (proposed)
Shasta Dam and Reservoir Enlargement Project (CA)	\$20.00	— <sup>a</sup>	\$15.00
Sites Reservoir Storage Project (CA)	\$4.35	\$4.00	\$4.00
Upper San Joaquin River Basin Storage Investigation (CA)	\$1.50	—	—
Friant-Kern Canal Subsidence Challenges Project (CA)	\$2.20	\$2.35	\$71.00
Boise River Basin Feasibility Study (ID)	\$0.75	\$1.75	\$2.88
Yakima River Basin Water Enhancement Project—Cle Elum Pool Raise (WA)	\$2.00	\$4.00	\$1.00
Upper Yakima System Storage Feasibility Study (WA)	\$2.50	—	—
Del Puerto Water District Feasibility Study (CA)	—	\$1.50	\$1.50
Los Vaqueros Reservoir Phase 2 Expansion (CA)	—	\$2.16	\$7.85
Delta Mendota Canal Subsidence Correction (CA)	—	—	\$3.00
San Luis Low Point Improvement Project (CA)	—	—	\$1.70
Sacramento Regional Water Bank (CA)	—	—	\$0.87
<b>Total</b>	<b>\$33.30</b>	<b>\$15.76</b>	<b>\$108.80</b>

**Sources:** Bureau of Reclamation Reports to House and Senate Committees on Appropriations, January 2018, February 2019, and June 2020; and enacted appropriations legislation for FY2018 (P.L. 115-141) and FY2020 (P.L. 116-94).

a. In 2019, Reclamation proposed \$57 million for the Shasta Dam and Reservoir Enlargement Project, but Congress did not agree to this allocation.

In the first two allocations (finalized in FY2018 and FY2020 appropriations, respectively), Congress approved Reclamation recommendations for a total of nine projects in three states. In June 2020, Reclamation recommended an additional \$108.8 million for 10 projects. If this funding were approved, approximately \$160 million of the \$469 million will have been allocated to individual projects.

The project that has been approved for the most funding as of 2020, the Shasta Dam and Reservoir Enlargement Project, is controversial. California state law prohibits any expansion of storage at Lake Shasta that would inundate state-protected portions of the McCloud River, a tributary of the reservoir. The Shasta project would raise Shasta Dam and expand the capacity of Lake Shasta, a linchpin for the federal Central Valley Project (for more information, see CRS Report R45342, *Central Valley Project: Issues and Legislation*). The project would create an estimated additional 634,000 acre-feet of storage and 51,000 acre-feet of yield (i.e., additional water supplies) for CVP contractors. To date, this project is the only project that has been recommended for funding by the Administration (in 2019) but not approved by Congress in enacted appropriations language.

## Legislation and Issues for Congress

In the future, the Administration is likely to continue proposing funding allocations for Section 4007 projects for

congressional approval. These decisions may have implications for water storage priorities throughout the West. Demand for additional funds under this authority is likely to continue, and thus Congress may also be asked to consider additional appropriations, as well as increases to and extension of Section 4007. S. 1932 would extend the authority for these projects through FY2025 and authorize \$670 million in additional funding. H.R. 2 includes an authorization for \$750 million in additional funding for these projects through FY2026, as well as alterations to eligibility requirements and the approval process for Section 4007 projects.

Supporters have advocated for continuing and increasing funding for Section 4007 projects. They argue that new construction would increase water availability in the West and help to address the effects of climate change on availability of water resources, and thus it warrants federal prioritization. They also note that more funding is required to complete the projects that initially received these funds. Opponents of extending the Section 4007 authority believe there should be little or no federal role in projects that otherwise would be the responsibility of nonfederal entities. Some would also prefer that Congress focus on promoting alternatives seen as more environmentally friendly, such as water conservation and water reuse.

**Charles V. Stern**, Specialist in Natural Resources Policy

---

## 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.