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APPROVED
OCT 3 - 1975

Signed
10/3/75

ACTION

THE WHITE HOUSE

WASHINGTON

October 1, 1975

Last Day: October 4

To Archive
10/6

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON *[Signature]*

SUBJECT: Enrolled Bill H.R. 543 - Rehabilitation and Betterment Loans for Certain Water Resource Development Projects

Post Jd
10/6

Attached for your consideration is H.R. 543, sponsored by Representative Johnson, which expands the loan authority of the Rehabilitation and Betterment Act to permit small reclamation projects to be eligible to apply for rehabilitation and betterment loans.

A detailed analysis of the bill is provided in OMB's enrolled bill report at Tab A.

OMB, Max Friedersdorf, Counsel's Office (Lazarus) and I recommend approval of the enrolled bill.

RECOMMENDATION

That you sign H.R. 543 at Tab B.

Reid in Records office 10/4/75 (10:30 AM)
Info to Press Office, Thompson Smith's desk; 10/4/75 (10:35 AM)





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

SEP 30 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 543 - Rehabilitation and
betterment loans for certain water resource
development projects
Sponsor - Rep. Johnson (D) California

Last Day for Action

October 4, 1975 - Saturday

Purpose

Expands existing, statutory eligibility for loans to rehabilitate and improve certain Federally constructed irrigation systems to certain other Federally constructed water resource development projects.

Agency Recommendations

Office of Management and Budget	Approval
Department of the Interior	No objection

Discussion

The Rehabilitation and Betterment Act of 1949 provides authority for the Secretary of the Interior to make rehabilitation and betterment loans to entities operating irrigation systems constructed under Federal reclamation laws. This loan authority provides a mechanism for keeping these projects in good repair and for modernizing them, where applicable, to assure the continued effective, efficient and economic operation of Federally constructed irrigation systems.

In 1956, the Small Reclamation Projects Act authorized a new Federal loan program to assist the construction of certain multipurpose water resource development projects. While that Act permits the Secretary of the Interior to make certain rehabilitation and betterment loans, it contains a number of limitations which could, in the case of some projects, preclude future supplemental loans for rehabilitation purposes. In addition to these restrictions, projects constructed under the Act have recently been determined to be ineligible for rehabilitation and betterment loans under the 1949 Act.

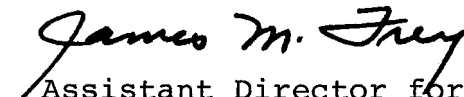
Recognizing that projects constructed under the Small Reclamation Projects Act will, at some time, be in need of rehabilitation, the enrolled bill expands the loan authority of the Rehabilitation and Betterment Act to permit small reclamation projects to be eligible to apply for rehabilitation and betterment loans. The enrolled bill also requires that in the repayment of such loans, any interest payable is to be computed at the rate which applied to the original construction loan made pursuant to the Small Reclamation Projects Act.

Since the bill does not make any specific monetary authorization, but simply expands eligibility for loan consideration to a class of existing projects, the cost of its enactment is speculative. As noted above, however, the loans are repayable, and Interior states in its enrolled bill letter that "...the budgetary impact of this legislative change is not expected to be of great magnitude."

In its enrolled bill letter, Interior also notes that the objective of H.R. 543 could have been accomplished by amending the Small Reclamation Projects Act instead of the Rehabilitation and Betterment Act. Nonetheless, the Department supports the objective of the bill and has no objection to its enactment.

The provision in the bill discussed above for computation of the interest rate for rehabilitation and betterment loans for small reclamation projects establishes an arbitrary interest rate which bears no relationship to Treasury's current borrowing costs. The interest rate formula currently produces

a rate of 4 3/8 percent compared with recent long term Treasury borrowing costs of about 8 1/2 percent. We have consistently objected to this arbitrary computation of interest rates for water resource development projects and accordingly oppose the interest rate provision of H.R. 543. We do not believe, however, that this provision is sufficiently objectionable to warrant disapproval of the bill. Furthermore, we expect that a cost-sharing/reimbursement bill adjusting the rate for all water resources projects will be transmitted to the Congress next session. The interest rate specified in H.R. 543 can be corrected in that bill.


Assistant Director for
Legislative Reference

Enclosures

To: J. Carver
9-30-75
3:30 p.m.



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

SEP 30 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 543 - Rehabilitation and
betterment loans for certain water resource
development projects
Sponsor - Rep. Johnson (D) California

Last Day for Action

October 4, 1975 - Saturday

Purpose

Expands existing, statutory eligibility for loans to
rehabilitate and improve certain Federally constructed
irrigation systems to certain other Federally constructed
water resource development projects.

Agency Recommendations

Office of Management and Budget	Approval
Department of the Interior	No objection

Discussion

The Rehabilitation and Betterment Act of 1949 provides
authority for the Secretary of the Interior to make
rehabilitation and betterment loans to entities operating
irrigation systems constructed under Federal reclamation
laws. This loan authority provides a mechanism for keeping
these projects in good repair and for modernizing them, where
applicable, to assure the continued effective, efficient and
economic operation of Federally constructed irrigation systems.

In 1956, the Small Reclamation Projects Act authorized a new Federal loan program to assist the construction of certain multipurpose water resource development projects. While that Act permits the Secretary of the Interior to make certain rehabilitation and betterment loans, it contains a number of limitations which could, in the case of some projects, preclude future supplemental loans for rehabilitation purposes. In addition to these restrictions, projects constructed under the Act have recently been determined to be ineligible for rehabilitation and betterment loans under the 1949 Act.

Recognizing that projects constructed under the Small Reclamation Projects Act will, at some time, be in need of rehabilitation, the enrolled bill expands the loan authority of the Rehabilitation and Betterment Act to permit small reclamation projects to be eligible to apply for rehabilitation and betterment loans. The enrolled bill also requires that in the repayment of such loans, any interest payable is to be computed at the rate which applied to the original construction loan made pursuant to the Small Reclamation Projects Act.

Since the bill does not make any specific monetary authorization, but simply expands eligibility for loan consideration to a class of existing projects, the cost of its enactment is speculative. As noted above, however, the loans are repayable, and Interior states in its enrolled bill letter that "...the budgetary impact of this legislative change is not expected to be of great magnitude."

In its enrolled bill letter, Interior also notes that the objective of H.R. 543 could have been accomplished by amending the Small Reclamation Projects Act instead of the Rehabilitation and Betterment Act. Nonetheless, the Department supports the objective of the bill and has no objection to its enactment.

The provision in the bill discussed above for computation of the interest rate for rehabilitation and betterment loans for small reclamation projects establishes an arbitrary interest rate which bears no relationship to Treasury's current borrowing costs. The interest rate formula currently produces

a rate of 4 3/8 percent compared with recent long term Treasury borrowing costs of about 8 1/2 percent. We have consistently objected to this arbitrary computation of interest rates for water resource development projects and accordingly oppose the interest rate provision of H.R. 543. We do not believe, however, that this provision is sufficiently objectionable to warrant disapproval of the bill. Furthermore, we expect that a cost-sharing/reimbursement bill adjusting the rate for all water resources projects will be transmitted to the Congress next session. The interest rate specified in H.R. 543 can be corrected in that bill.

(Signed) James M. Frey

Assistant Director for
Legislative Reference

Enclosures



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

SEP 26 1975

Dear Mr. Lynn:

This responds to your request for our views on the enrolled bill H.R. 543, "To expand coverage of the Rehabilitation and Betterment Act (Act of October 7, 1949, 63 Stat. 724)."

We would not object to Presidential approval of the enrolled bill.

The Rehabilitation and Betterment Act of 1949 provides authority for, and is restricted in its use to the rehabilitation and betterment of irrigation systems on projects governed by Federal Reclamation law.

H.R. 543 would extend the Rehabilitation and Betterment Act to projects constructed under the authority of the Small Reclamation Projects Act which need remedial measures to protect their financial integrity. Both Acts are administered by the Secretary of the Interior.

As originally introduced in the House, H.R. 543 would have extended the authority of the Rehabilitation and Betterment Act, not only to small reclamation projects constructed under the authority of the Small Reclamation Projects Act, but also to any irrigation or drainage system operated by a State-authorized public agency. Further, it would have granted interest-free status to loans for rehabilitation of municipal and industrial water projects as well as irrigation projects. On these two points the Department disagreed with the original bill and recommended against its enactment. The House Subcommittee on Water and Power Resources, in reporting H.R. 543, amended the bill to eliminate both of those objectionable provisions. The Subcommittee, however, chose to ignore a third objection relating to the choice of which Act to amend. The House passed H.R. 543 in its present form.

The Senate passed H.R. 543 without amendment.

The Department supports the objective incorporated in H.R. 543 to provide authority for the rehabilitation and betterment of projects authorized by the Small Reclamation Projects Act, particularly those projects which need remedial measures to protect their financial integrity. We would note, however, that this objective could also



be accomplished by amending the Small Reclamation Projects Act instead of the Rehabilitation and Betterment Act.

The Small Reclamation Projects Act already authorizes the Secretary to make certain loans for rehabilitation and betterment of projects which would be extended under H.R. 543. However, the Department recognizes that in some cases the present Small Reclamation Projects Act could preclude certain projects from being approved and constructed. The currently authorized ceiling on total project costs and Federal loans for a project may in some cases preclude a future supplemental loan for project rehabilitation.

There have been 40 projects built under the Small Reclamation Projects Act and 14 are under construction. The total cost of these 54 projects is approximately \$150 million. Under the Rehabilitation and Betterment Act, 34 projects have been aided, with an average age of 30 years at the time of improvement. The cost of the assistance amounts to about 12 percent of the total investment in the projects involved. Based on this experience, perhaps as many as one-half of the Small Loan projects could require rehabilitation and betterment in the future. The estimated cost would probably range from \$10 million to \$15 million on a very rough calculation. This estimate is based on 12 percent of half of the \$150 million total original costs of the projects. Although current construction costs are much higher than those of the past, better maintenance of projects, in contrast to the inadequate attention of the economic depression and wartime years, may be expected to reduce the need for rehabilitation and betterment. In any event, the budgetary impact of this legislative change is not expected to be of great magnitude.

Therefore, the Department has no objection to H.R. 543.

Sincerely yours,


Assistant Secretary of the Interior

Honorable James T. Lynn
Director, Office of
Management and Budget
Washington, D. C. 20503

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 407

Date: September 30

Time: 600pm

FOR ACTION: George Humphreys *GH*
Max Friedersdorf *MF*
Ken Lazarus *KL*
~~Paul Theis~~

cc (for information): Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: October 1

Time: 300pm

SUBJECT:

H.R. 543 - Rehabilitation and Betterment loans for
certain water resource development projects

ACTION REQUESTED:

- | | |
|---|---|
| <input type="checkbox"/> For Necessary Action | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

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



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 407

Date: September 30

Time: 600pm

FOR ACTION: George Humphreys
Max Friedersdorf
Ken Lazarus

cc (for information): Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: October 1

Time: 300pm

SUBJECT:

H.R. 543 - Rehabilitation and Betterment loans for
certain water resource development projects

ACTION REQUESTED:

- | | |
|---|---|
| <input type="checkbox"/> For Necessary Action | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

October 1

TO: JUDY

FROM: GEORGE W. HUMPHREYS

I have no objections or additional comments.

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.

THE WHITE HOUSE

WASHINGTON

October 1, 1975

MEMORANDUM FOR: JIM CAVANAUGH
FROM: MAX L. FRIEDERSDORF *M.G.*
SUBJECT: H. R. 543 - Rehabilitation and Betterment loans for certain
water resource development projects

The Office of Legislative Affairs concurs with the agencies
that the subject bill be signed.

Attachments

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 407

Date: September 30

Time: 600pm

FOR ACTION: George Humphreys
Max Friedersdorf
Ken Lazarus ✓

cc (for information): Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: October 1

Time: 300pm

SUBJECT:

H.R. 543 - Rehabilitation and Betterment loans for
certain water resource development projects

ACTION REQUESTED:

_____ For Necessary Action

_____ For Your Recommendations

_____ Prepare Agenda and Brief

_____ Draft Reply

_____ For Your Comments

_____ Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

No objection.

Ken Lazarus

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.

EXPANDING COVERAGE OF THE REHABILITATION AND
BETTERMENT ACT (ACT OF OCT. 7, 1949, 63 STAT. 724)

MARCH 20, 1975.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. HALEY, from the Committee on Interior and Insular Affairs,
submitted the following

REPORT

[To accompany H.R. 543]

The Committee on Interior and Insular Affairs, to whom was referred the bill (H.R. 543) to expand coverage of the Rehabilitation and Betterment Act (act of Oct. 7, 1949, 63 Stat. 724), having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Page 1, beginning on line 3, strike out all after the enacting clause and insert in lieu thereof the following:

That the first sentence of the Act entitled "An Act to provide for the return of rehabilitation and betterment costs of Federal reclamation projects", approved October 7, 1949, is amended to read as follows: "Expenditures of funds hereafter specifically appropriated for rehabilitation and betterment of any project constructed under authority of the Small Reclamation Projects Act (Act of August 6, 1956, 70 Stat. 1044, and Acts amendatory thereof and supplementary thereto) and of irrigation systems on projects governed by the Federal Reclamation laws (Act of June 17, 1902, 32 Stat. 388, and Acts amendatory thereof or supplementary thereto), shall be made only after the organizations concerned shall have obligated themselves for the return thereof, in installments fixed in accordance with their ability to pay," as determined by the Secretary of the Interior in the light of their outstanding repayment obligations, and which shall, to the fullest practicable extent, be scheduled for return with their construction charge installments or otherwise scheduled as he shall determine: *Provided*, That repayment of such loans made for Small Reclamation Projects shall include interest in accordance with the provisions of said "Small Reclamation Projects Act."

PURPOSE OF THE LEGISLATION

The purpose of H.R. 543 by Mr. Johnson of California is to clarify the eligibility of projects developed under the authority of the Small Reclamation Projects Act (70 Stat. 1077) for participation in the programs authorized by the Rehabilitation and Betterment Act of 1949 (63 Stat. 724) as amended.

BACKGROUND OF THE LEGISLATION

The Rehabilitation and Betterment Act of 1949, as amended, provides that the Secretary of the Interior may make loans to entities operating irrigation systems, constructed under the Federal Reclamation law, for the purpose of rehabilitating and betterment of such systems. Such loans may be implemented only after the Secretary enters into a repayment contract with the borrowing entity for repayment of the loan in not more than 40 years and after such contract has been before the Congress for 60 days. This program has functioned effectively as a vehicle for assuring that Federally constructed irrigation systems maintain their capability to produce the services, benefits and repayment revenues for which they were developed. Since the inception of the program in 1949 there have been 34 projects receiving loans—with an approximate aggregate value of \$55 million. There have been no defaults and there are no delinquencies.

In recent months, the Solicitor of the Department of the Interior has determined that multiple purpose water resource development projects, constructed under the authority of the Small Reclamation Projects Act, as amended, are not eligible, legally, for consideration for rehabilitation and betterment loans. His reasoning apparently is that title to "small projects" does not vest in the United States. Yet it is reasonable to assume that such programs will in the not too distant future need rehabilitation and betterment assistance.

EXPLANATION OF THE LEGISLATION

H.R. 543 will amend the Rehabilitation and Betterment Act to enable projects constructed under the Small Reclamation Projects Act to apply for Rehabilitation and Betterment Loans. The bill also requires that the repayment of such loans be in accordance with the repayment requirements of the Small Reclamation Projects Act, so that costs allocable to interest-bearing features will bear interest. It is the intent of the Committee that the interest rate for the rehabilitation and betterment loans be the same as the rate provided for the repayment of the original construction loan for the project.

The Committee also notes the continuing question of what constitutes "betterment" as distinct from "new construction." It is the view of the Committee that new facilities and features designed to improve the operability of an existing system may properly be considered as "betterment" so long as such facilities do not result in an increase in the scope of the original undertaking by increasing the acreage to be irrigated or the introduction of new project purposes.

COMMITTEE AMENDMENT

The Committee adopted one amendment to H.R. 543 substituting a completely new text. The amendment:

(1) limits the effect of the bill to the Small Reclamation Projects program only, while the bill, as introduced, would have qualified any publicly-financed irrigation and drainage project in the United States; and

(2) clarifies the repayment criteria for return of interest-bearing costs.

COSTS

As H.R. 543 does not specifically authorize a program of works, but simply extends eligibility for consideration to a class of existing projects, it is speculative as to the probable cost of the measure. The Department of the Interior testified that the ultimate use of the authority conveyed by H.R. 543 would probably be about \$9 million (at current price levels) over a term of 30 to 40 years. The Committee believes that this estimate is low and that actual expenditures may approach twice that amount due to the continuing escalation of construction costs. Accordingly, in terms of budgetary outlay, an average of \$500,000 per year for the next forty years or \$20 million represents the Committee estimate required by the Rules of the House.

INFLATION IMPACT

The Committee does not believe that H.R. 543 has an identifiable inflationary impact. First of all, the same program of budgetary outlays would be possible, in theory, if applicants for Rehabilitation and Betterment loans sought and obtained supplemental loans through the Small Reclamation Projects Act. This option is available to the borrowing entity without further legislative action, but it involves more administrative costs, overhead and procedural delay. Secondly, the effect of H.R. 543 will be to preserve the benefit and revenue-producing capability of the applicant and thereby assure the return of the existing loans, thus resulting in the return of more revenues to the Treasury than are expended for the rehabilitation purpose.

COMMITTEE RECOMMENDATION

The Committee on Interior and Insular Affairs, on the basis of a voice vote, recommends that H.R. 543 be enacted.

DEPARTMENTAL REPORTS

The report of the Department of the Interior is presented below in its entirety. This report supports the objectives of the bill but recommends that it not be enacted. The Department suggests that the same effect could be accomplished by amending the Small Reclamation Project Act. The Departmental witness testified, however, that the Committee amendment resolved 90 percent of the Department's concern with the legislation.

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., February 21, 1975.

HON. JAMES A. HALEY,
Chairman, Committee on Interior and Insular Affairs,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This responds to your request for this Department's views on H.R. 543, a bill "To expand coverage of the Rehabilitation and Betterment Act (Act of October 7, 1949, 63 Stat. 724)."

As requested by your letter of January 31, 1975, we have reviewed the subject bill, and recommend against its enactment subject to the comments discussed below.

The Department supports that objective incorporated in H.R. 543 to provide authority for the rehabilitation and betterment of projects authorized by the Small Reclamation Projects Act, as amended, particularly those projects that need remedial measures to protect their financial integrity. However, we believe that this objective can be best accomplished by amending the Small Reclamation Projects Act, as amended, instead of the Rehabilitation and Betterment Act. We have not had sufficient time to identify the changes in the Act that would be necessary, but would be most willing to work with your committee in this regard.

The Rehabilitation and Betterment Act of 1949 provides authority for the rehabilitation and betterment of irrigation systems on Federal reclamation projects. H.R. 543 would extend that authority to cover any irrigation or drainage project operated by a State authorized public agency and any project constructed with funds provided by the Small Reclamation Projects Act (Act of August 6, 1956, 70 Stat. 1044, and Acts amendatory thereof or supplementary thereto). Extension of the Rehabilitation and Betterment Act to any irrigation or drainage system operated by a State-authorized public agency goes far beyond that required to meet the needs of systems receiving water from reclamation projects, and perhaps would make this part of the reclamation program apply to all 50 States.

The Small Reclamation Projects Act already authorizes the Secretary to make certain loans for rehabilitation and betterment of projects which would be extended under H.R. 543. The Department does recognize, however, that in some cases the present Small Reclamation Projects Act, as amended, could preclude certain projects from being approved and constructed. For example, the Act states that no more than one loan may be granted for a particular project. To date, this provision has been interpreted to mean that a project constructed under a Small Reclamation Projects Act loan cannot be eligible for another loan for the rehabilitation of the same facility some time in the future. In addition, the currently authorized ceiling on total project costs and Federal loans for a project may in some cases preclude a future supplemental loan for project rehabilitation.

In summary, the Department cannot support enactment of H.R. 543, but would not object to amending the Small Reclamation Projects Act to permit the rehabilitation and betterment of projects authorized by this Act.

The Office of Management and Budget has advised that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely yours,

JACK HORTON,
Secretary of the Interior.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as re-

ported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

ACT OF OCTOBER 7, 1949 (63 STAT. 724) AS AMENDED (64 STAT. 11)

That expenditures of funds hereafter specifically appropriated for rehabilitation and betterment of *any project constructed under authority of the Small Reclamation Projects Act (Act of August 6, 1956, 70 Stat. 1044, and Acts amendatory thereof and supplementary thereto)* and of irrigation systems on projects governed by the Federal reclamation laws (Act of June 17, 1902, 32 Stat. 388, and Acts amendatory thereof or supplementary thereto) shall be made only after the organizations concerned shall have obligated themselves for the return thereof in installments fixed in accordance with their ability to pay, as determined by the Secretary of the Interior in the light of their outstanding repayment obligations, and which shall, to the fullest practical extent, be scheduled for return with their construction charge installments or otherwise scheduled as he shall determine[.]: *Provided, That repayment of such loans made for Small Reclamation Projects shall include interest in accordance with the provisions of said Small Reclamation Projects Act.* No such determination of the Secretary of the Interior shall become effective until the expiration of sixty days after it has been submitted to the Committee on Interior and Insular Affairs of the Senate and the Committee on Interior and Insular Affairs of the House of Representatives; except that, any such determination may become effective prior to the expiration of such sixty days in any case in which each such committee approves an earlier date and notifies the Secretary, in writing, of such approval: *Provided, That when Congress is not in session the Secretary's determination, if accompanied by a finding by the Secretary that substantial hardship to the water users concerned or substantial further injury to the project works will result, shall become effective when the chairman and ranking minority member of each such committee shall file with the Secretary their written approval of said findings.* The term "rehabilitation and betterment", as used in this Act, shall mean maintenance, including replacements, which cannot be financed currently, as otherwise contemplated by the Federal reclamation laws in the case of operation and maintenance costs, but shall not include construction, the costs of which are returnable, in whole or in part, through "construction charges" as that term is defined in section 2(d) of the Reclamation Project Act of 1939 (53 Stat. 1187). Such rehabilitation and betterment work may be performed by contract, by force-account, or, notwithstanding any other law and subject only to such reasonable terms and conditions as the Secretary of the Interior shall deem appropriate for the protection of the United States, by contract entered into with the organization concerned whereby such organization shall perform such work.

EXPANDING COVERAGE OF THE REHABILITATION AND BETTERMENT ACT (ACT OF OCT. 7, 1949, 63 STAT. 724)

SEPTEMBER 18 (legislative day, SEPTEMBER 12), 1975.—Ordered to be printed

Mr. JACKSON, from the Committee on Interior and Insular Affairs,
submitted the following

REPORT

[To accompany H.R. 543]

The Committee on Interior and Insular Affairs, to which was referred the bill (H.R. 543) to expand coverage of the Rehabilitation and Betterment Act (Act of Oct. 7, 1949, 63 Stat. 724), having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

PURPOSE OF THE MEASURE

The purpose of the measure is to make available to projects developed pursuant to the Small Reclamation Projects Act (70 Stat. 1077) a source of loan funds for rehabilitation and betterment purposes as provided by the programs authorized by the Rehabilitation and Betterment Act of 1949 (63 Stat. 724) as amended.

BACKGROUND AND NEED

In 1949, the Congress recognized the need to provide a mechanism for funding rehabilitation and betterment activities association with irrigation projects constructed under Federal reclamation laws. With the signing into law of the Rehabilitation and Betterment Act of 1949, the Secretary of the Interior was authorized to make loans to operating entities of such projects for such purposes thereby assuring the continued effective, efficient, and economic operation of Federally constructed irrigation systems. By keeping the projects in good repair and in those instances where applicable, modernizing the irrigation works, the projects have continued to provide valuable food and fiber resources, stable incomes for participants, and the repayment of initial Federal investments. In the 26 years since the program was initiated, there have been no defaults or delinquencies and irrigators on 34 projects have benefitted from loans amounting to \$55 million.

In 1956, a program of assistance via loans to qualified entities for construction of multipurpose reclamation projects was initiated under the Small Reclamation Projects Act of 1956. During the almost 20 years since passage of the act, it has proven to be a valuable tool for the development and effective utilization of related land and water resources. As of January, 1975, under the Small Reclamation Projects Act, construction has been completed on 41 projects with loans totaling \$95 million and 14 projects with loans totaling \$66 million were under construction.

It is evident that projects constructed under the authority of the Small Reclamation Projects Act will, in time, be in need of rehabilitation and betterment efforts if the projects are to continue or improve past performance. The Solicitor of the Interior has determined that projects constructed under the authority of the Small Reclamation Projects Act, as amended, are not eligible for rehabilitation and betterment loans under the Act of 1949.

PROPOSED LEGISLATION

H.R. 543 will amend the Rehabilitation and Betterment Act of 1949 to provide that organizations concerned with projects constructed under the terms of the Small Reclamation Projects Act, as amended, may be eligible and apply for loans in accordance with the Rehabilitation and Betterment Act of 1949; however, repayment would be subject to the terms of the Small Reclamation Projects Act.

COSTS

In accordance with Section 252 (a) of the Legislative Reorganization Act of 1970 the committee provides the following estimates of cost:

Although H.R. 543 does not contain authorization for a specific monetary program, additional expenditures will be involved as qualified entities avail themselves of the benefits to be derived from loans under the terms of the Rehabilitation and Betterment Act, as amended. The Department of the Interior estimates that expenditures at current cost levels may reach \$9 million over a period of 30 to 40 years. However, the committee, particularly in light of the enthusiastic extent to which the Small Reclamation Projects Act has been utilized, would estimate that rehabilitation and betterment loans available pursuant to this legislation may reach or exceed \$20 million for the same period of time. However, it should be pointed out that these costs are for the most part, repayable.

TABULATION OF VOTES CAST IN COMMITTEE

Pursuant to Section 133 (b) of the Legislative Reorganization Act of 1946, as amended, the following is a tabulation of votes of the Committee during consideration of H.R. 543.

H.R. 543 was ordered favorably reported to the Senate without amendments by unanimous voice vote taken in open public session on September 10, 1975, with a quorum of members present.

EXECUTIVE COMMUNICATIONS

The executive communications regarding H.R. 543 are set forth in full as follows:

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., September 9, 1975.

HON. HENRY M. JACKSON,
Chairman, Committee on Interior and Insular Affairs, U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: This responds to your request for this Department's views on H.R. 543, as it passed the House of Representatives, a bill "To expand coverage of the Rehabilitation and Betterment Act (Act of October 7, 1949, 63 Stat. 724)."

As requested by your letter of May 18, 1975, we have reviewed the subject bill, and recommend against its enactment subject to the comments discussed below.

The Rehabilitation and Betterment Act of 1949 provides authority for, and is restricted in its use to the rehabilitation and betterment of irrigation systems on projects governed by Federal Reclamation law.

H.R. 543, as passed by the House of Representatives, would extend the Rehabilitation and Betterment Act to projects constructed under the authority of the Small Reclamation Projects Act which need remedial measures to protect their financial integrity. Both Acts are administered by the Secretary of the Interior.

The Department supports the objective incorporated in H.R. 543 to provide authority for the rehabilitation and betterment of projects authorized by the Small Reclamation Projects Act, particularly those projects which need remedial measures to protect their financial integrity. However, we believe that this objective can best be accomplished by amending the Small Reclamation Projects Act instead of the Rehabilitation and Betterment Act. We have not identified the specific changes in the Act which would be necessary, but would be most willing to work with your committee in this regard.

The Small Reclamation Projects Act already authorizes the Secretary to make certain loans for rehabilitation and betterment of projects which would be extended under H.R. 543. However, the Department recognizes that in some cases the present Small Reclamation Projects Act could preclude certain projects from being approved and constructed. The currently authorized ceiling on total project costs and Federal loans for a project may in some cases preclude a future supplemental loan for project rehabilitation.

We believe, however, that it would be more appropriate to amend the Small Reclamation Projects Act to provide authority for the rehabilitation and betterment of projects authorized by that Act.

The Office of Management and Budget has advised that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely yours,

JACK HORTON,
Assistant Secretary of the Interior.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill H.R. 543, as ordered reported, are shown as follows: (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman) :

ACT OF OCTOBER 7, 1949 (63 STAT. 724) AS AMENDED (64 STAT. 11)

That expenditures of funds hereafter specifically appropriated for rehabilitation and betterment of any project constructed under authority of the *Small Reclamation Projects Act (Act of August 6, 1956, 70 Stat. 1044, and Acts amendatory thereof and supplementary thereto)* and of irrigation systems on projects governed by the Federal reclamation laws (Act of June 17, 1902, 32 Stat. 388, and Acts amendatory thereof or supplementary thereto) shall be made only after the organizations concerned shall have obligated themselves for the return thereof in installments fixed in accordance with their ability to pay, as determined by the Secretary of the Interior in the light of their outstanding repayment obligations, and which shall, to the fullest practical extent, be scheduled for return with their construction charge installments or otherwise scheduled as he shall determine[.]: *Provided, That repayment of such loans made for Small Reclamation Projects shall include interest in accordance with the provisions of said Small Reclamation Projects Act.* No such determination of the Secretary of the Interior shall become effective until the expiration of sixty days after it has been submitted to the Committee on Interior and Insular Affairs of the Senate and the Committee on Interior and Insular Affairs of the House of Representatives; except that, any such determination may become effective prior to the expiration of such sixty days in any case in which each such committee approves an earlier date and notifies the Secretary, in writing, of such approval: *Provided, That when Congress is not in session the Secretary's determination, if accompanied by a finding by the Secretary that substantial hardship to the water users concerned or substantial further injury to the project works will result, shall become effective when the chairman and ranking minority member of each such committee shall file with the Secretary their written approval of said findings.* The term "rehabilitation and betterment", as used in this Act, shall mean maintenance, including replacements, which cannot be financed currently, as otherwise contemplated by the Federal reclamation laws in the case of operation and maintenance costs, but shall not include construction, the cost of which are returnable, in whole or in part, through "construction charges" as that term is defined in section 2(d) of the Reclamation Project Act of 1939 (53 Stat. 1187). Such rehabilitation and betterment work may be performed by contract, by force-account, or, notwithstanding any other law and subject only to such reasonable terms and conditions as the Secretary of the Interior shall deem appropriate for the protection of the United States, by contract entered into with the organization concerned whereby such organization shall perform such work.





Ninety-fourth Congress of the United States of America

AT THE FIRST SESSION

*Begun and held at the City of Washington on Tuesday, the fourteenth day of January,
one thousand nine hundred and seventy-five*

An Act

To expand coverage of the Rehabilitation and Betterment Act (Act of October 7, 1949, 63 Stat. 724).

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first sentence of the Act entitled "An Act to provide for the return of rehabilitation betterment costs of Federal reclamation projects", approved October 7, 1949, is amended to read as follows: "Expenditures of funds hereafter specifically appropriated for rehabilitation and betterment of any project constructed under authority of the Small Reclamation Projects Act (Act of August 6, 1956, 70 Stat. 1044, and Acts amendatory thereof and supplementary thereto) and of irrigation systems on projects governed by the Federal reclamation laws (Act of June 17, 1902, 32 Stat. 388, and Acts amendatory thereof or supplementary thereto), shall be made only after the organizations concerned shall have obligated themselves for the return thereof, in installments fixed in accordance with their ability to pay, as determined by the Secretary of the Interior in the light of their outstanding repayment obligations, and which shall, to the fullest practicable extent, be scheduled for return with their construction charge installments or otherwise scheduled as he shall determine: *Provided*, That repayment of such loans made for small reclamation projects shall include interest in accordance with the provisions of said Small Reclamation Projects Act."*

Speaker of the House of Representatives.

*Vice President of the United States and
President of the Senate.*

September 23, 1975

Dear Mr. Director:

The following bills were received at the White House on September 23rd:

H.R. 543
H.R. 1401

Please let the President have reports and recommendations as to the approval of these bills as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk

The Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C.

