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104TH CONGRESS, 2d Session } HOUSE OF REPRESENTATIVES { REPORT 104–531

# TO AMEND THE CENTRAL UTAH PROJECT COMPLETION ACT

APRIL 23, 1996.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. YOUNG of Alaska, from the Committee on Resources, submitted the following

## R E P O R T

[To accompany H.R. 1823]

[Including cost estimate of the Congressional Budget Office]

The Committee on Resources, to whom was referred the bill (H.R. 1823) to amend the Central Utah Project Completion Act to direct the Secretary of the Interior to allow for prepayment of repayment contracts between the United States and the Central Utah Water Conservancy District dated December 28, 1965, and November 26, 1985, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

**SECTION 1. PREPAYMENT OF CERTAIN REPAYMENT CONTRACTS BETWEEN THE UNITED STATES AND THE CENTRAL UTAH WATER CONSERVANCY DISTRICT.**

Section 210 of the Central Utah Project Completion Act (106 Stat. 4624) is amended by striking the second sentence and inserting the following: "The Secretary shall allow for prepayment of the repayment contract between the United States and the Central Utah Water Conservancy District dated December 28, 1965, and supplemented on November 26, 1985, providing for repayment of municipal and industrial water delivery facilities for which repayment is provided pursuant to such contract, under terms and conditions similar to those contained in the supplemental contract that provided for the prepayment of the Jordan Aqueduct dated October 28, 1993. The prepayment may be provided in several installments to reflect substantial completion of the delivery facilities being prepaid and may not be adjusted on the basis of the type of prepayment financing utilized by the District. The District shall exercise its right to prepayment pursuant to this section by the end of fiscal year 2002. Nothing in this section authorizes or terminates the authority to use tax exempt bond financing for this prepayment.".

29–006

## PURPOSE OF THE BILL

The purpose of H.R. 1823 is to amend the Central Utah Project Completion Act to direct the Secretary of the Interior to allow for prepayment of repayment contracts between the United States and the Central Utah Water Conservancy District.

## BACKGROUND AND NEED FOR LEGISLATION

In 1992, Congress enacted the Reclamation Projects Authorization and Adjustment Act of 1992 (Public Law 102–575). Titles II through VI of that Act are referred to as the Central Utah Project Completion Act (CUPCA). Section 210 of CUPCA authorized the Secretary to negotiate—on terms which were adequate to protect the public interest—the prepayment of the Jordan Aqueduct component of the Central Utah Project (CUP).

The Jordan Aqueduct conveys water from Provo Canyon into Salt Lake County, Utah, for municipal and industrial uses. Negotiations between the Secretary and the local water users (Central Utah Water Conservancy District, Salt Lake County Water Conservancy District and Metropolitan Water District of Salt Lake City) concluded on October 28, 1993, when the Secretary and the District signed a supplemental repayment contract for the Jordan Aqueduct which quantified the amount of the prepayment for that project feature based upon a present value calculation of the District's future repayment obligation. The Jordan Aqueduct prepayment provided the Federal Government with a lump sum of $35.2 million and saved the District taxpayers and water customers millions of dollars in future payments.

H.R. 1823 would authorize additional prepayments by the District under terms and conditions similar to those contained in the Jordan Aqueduct Prepayment Agreement. The bill would provide the Secretary of the Interior with the authority to accept prepayment from the Central Utah Water Conservancy District for the costs of project features or portions thereof associated with the Bonneville Unit of CUP which have been or will be allocated to development of the municipal and industrial water supply.

Based upon information provided by the District, it is expected that the new prepayment authority authorized by this bill will facilitate lump sum prepayments to be made by the District totaling between $145 and $200 million. The variance between these numbers reflects uncertainty with respect to the cost of features not yet constructed and the fact that final cost allocations have not been made.

Provisions similar to H.R. 1823 were included in Title IX of H.R. 2491, the Seven-Year Balanced Budget Reconciliation Act of 1995; H.R. 2491 was vetoed by the President.

## COMMITTEE ACTION

H.R. 1823 was introduced on June 13, 1995, by Congressman James V. Hansen of Utah. The bill was referred to the Committee on Resources, and within the Committee to the Subcommittee on Water and Power Resources. On June 15, 1995, the Subcommittee held a hearing on H.R. 1823. At that time, the Department of the Interior did not take a position on the bill, but subsequently trans-

mitted a written response for the record in which the Department recommended a change in the legislation to provide the Department with more flexibility in protecting the interests of the United States. On March 13, 1996, the Full Resources Committee met to consider H.R. 1823. At that time, the Subcommittee on Water and Power Resources was discharged from further consideration of H.R. 1823. An amendment in the nature of a substitute was offered by Mr. Hansen to extend the pre-existing authority of the Secretary of the Interior to accept prepayment from the Central Utah Water Conservancy District for municipal and industrial repayment contracts entered into on December 28, 1965 and supplemented on November 26, 1985. The amendment was adopted by voice vote. The bill, as amended, was then ordered favorably reported to the House of Representatives, in the presence of a quorum.

## SECTION-BY-SECTION ANALYSIS

As reported, H.R. 1823 amends section 210 of the Central Utah Project Completion Act to extend the pre-existing authority of the Secretary of the Interior to accept prepayment from the Central Utah Water Conservancy District for municipal and industrial repayment contracts entered into on December 28, 1965 and supplemented on November 26, 1985.

The bill provides that prepayment be allowed under terms and conditions similar to those that were negotiated in the Jordan Aqueduct Prepayment Agreement, dated October 28, 1993. The bill stipulates that the District shall exercise it right to prepayment by the end of fiscal year 2002. The bill stipulates that nothing in this provision authorizes or terminates the use of tax exempt bond financing for this prepayment. The bill does nothing with respect to title to the water project features for which prepayment is made. Title will remain in the name of the United States.

The Committee expects that the Secretary and the District will use terms and conditions in the prepayment contracts authorized by this legislation that are similar to the terms and conditions of the Jordan Aqueduct Agreement, including the interest rate used by the Secretary to calculate the present value of the repayment debt. The "similar to" language in the bill is intended only to give the Secretary and the District flexibility in structuring the timing of these prepayment agreements and to allow the District, at its option, to prepay Bonneville Unit municipal and industrial costs which have been incurred, but for which repayment block notices may not yet have been issued and despite the fact that a final cost allocation for project features may not have been completed. The Committee expects that it may be necessary for the District and the Secretary to enter into several prepayment agreements between the date of enactment and the end of fiscal year 2002 to prepay fully all of the municipal and industrial project costs.

## COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

With respect to the requirements of clause 2(l)(3) of Rule XI of the Rules of the House of Representatives, and clause 2(b)(1) of Rule X of the Rules of the House of Representatives, the Commit-

tee on Resources' oversight findings and recommendations are reflected in the body of this report.

## INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(l)(4) of Rule XI of the Rules of the House of Representatives, the Committee estimates that the enactment of H.R. 1823 will have no significant inflationary impact on prices and costs in the operation of the national economy.

## COST OF THE LEGISLATION

Clause 7(a) of Rule XIII of the Rules of the House of Representatives requires an estimate and a comparison by the Committee of the costs which would be incurred in carrying out H.R. 1823. However, clause 7(d) of that Rule provides that this requirement does not apply when the Committee has included in its report a timely submitted cost estimate of the bill prepared by the Director of the Congressional Budget Office under section 403 of the Congressional Budget Act of 1974.

## COMPLIANCE WITH HOUSE RULE XI

1. With respect to the requirement of clause 2(l)(3)(B) of Rule XI of the Rules of the House of Representatives and section 308(a) of the Congressional Budget Act of 1974, H.R. 1823 does not contain any new budget authority, spending authority, credit authority, or an increase or decrease in tax expenditures. The bill will result in increased revenues to the Federal Government of $77 million in 1997, $147 million in 1998 and $39 million in 2001. These revenues would be partially offset by a loss of offsetting revenues of approximately $5 million in 1997 and $13 million per year in 1998–2002, plus additional losses in further years.

2. With respect to the requirement of clause 2(l)(3)(D) of Rule XI of the Rules of the House of Representatives, the Committee has received no report of oversight findings and recommendations from the Committee on Government Reform and Oversight on the subject of H.R. 1823.

3. With respect to the requirement of clause 2(l)(3)(C) of Rule XI of the Rules of the House of Representatives and section 403 of the Congressional Budget Act of 1974, the Committee has received the following cost estimate for H.R. 1823 from the Director of the Congressional Budget Office.

## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
*Washington, DC, April 18, 1996.*

Hon. DON YOUNG,
*Chairman, Committee on Resources,*
*U.S. House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 1823, a bill to amend the Central Utah Project Completion Act to direct the Secretary of the Interior to allow for prepayment of repayment contracts between

the United States and the Central Utah Water Conservancy District dated December 28, 1965, and November 26, 1985, and for other purposes.

Enactment of H.R. 1823 would affect direct spending and receipts; therefore, pay-as-you-go procedures would apply to the bill.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

JUNE E. O'NEILL, *Director.*

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

1. Bill number: H.R. 1823.

2. Bill title: A bill to amend the Central Utah Project Completion Act to direct the Secretary of the Interior to allow for prepayment of repaying contracts between the United States and the Central Utah Water Conservancy District dated December 28, 1965, and November 26, 1985, and for other purposes.

3. Bill status: As ordered reported by the House Committee on Resources on March 13, 1996.

4. Bill purpose: H.R. 1823 would allow the Central Utah Water Conservancy District to prepay the present values of amounts due under construction repayment contracts for the Central Utah Project (CUP). The district would be authorized to pay for each portion of the project as it is completed. The authority to make such payments would expire at the end of fiscal year 2002.

5. Estimated cost to the Federal Government: Based on information provided by the Bureau of Reclamation and the Central Utah Water Conservancy District, CBO estimates that the bill would result in gross receipts to the Federal Government of about $77 million in 1997, $147 million in 1998, and $39 million in 2001. These receipts would be partially offset by a loss of offsetting receipts totaling about $5 million in 1997 and $13 million annually from 1998–2002. Additional amounts averaging $15 million a year would be forgone over the 2003–2048 period. The following table summarizes the estimated budgetary impact of H.R. 1823 from 1996 through 2002.

[By fiscal year, in millions of dollars]

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|---|---|---|---|---|---|---|
| | | | Direct Spending | | | | |
| Spending Under Current Law: | | | | | | | |
| Estimated Budget Authority | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Estimated Outlays | 4 | −2 | −10 | −10 | −10 | −10 | −10 |
| Proposed Changes: | | | | | | | |
| Estimated Budget Authority | 0 | −72 | −134 | 13 | 13 | −26 | 13 |
| Estimated Outlays | 0 | −72 | −134 | 13 | 13 | −26 | 13 |
| Spending Under H.R. 1823: | | | | | | | |
| Estimated Budget Authority | 2 | −70 | −132 | 15 | 15 | −24 | 15 |
| Estimated Outlays | 4 | −74 | −144 | 3 | 3 | −36 | 3 |

The budgetary effects of this bill fall within budget function 300.

6. Basis of estimate: CBO's estimates of repayment streams and prepayment amounts are based on current cost allocations and construction costs incurred up to September 30, 1994. Changes to the existing cost allocations and newly incurred construction costs may

affect these amounts. (The Bureau of Reclamation expects to complete an updated cost allocation for this project later this year.)

*Prepayment amounts*

CBO estimates that a prepayment for already completed segments of the CUP would total roughly $77 million in 1997. Prepayments for the remaining segments, the Jordanelle Unit and the Diamond Fork System, would occur in fiscal years 1998 and 2001, respectively, when construction on these two sets of facilities is completed.

The Central Utah Water Conservancy District would choose to prepay amounts due because that action would create room for additional borrowing under the district's voter-approved debt ceiling. By prepaying the discounted value of outstanding debt owed the federal government, the district could borrow new funds without exceeding its debt ceiling and thus have available for spending the difference between the undiscounted amount of CUP debt and the discounted amount reflected by any prepayments. In addition, if the district is able to use tax-exempt financing for any new borrowing, its annual debt payments after prepayment could be lower than its current annual costs.

*Loss of the Current Repayment Stream*

Prepayment of the Central Utah Project also would result in a loss of the existing repayment stream. This stream is made up of offsetting receipts totaling about $5 million in 1997, $13 million annually over the following 10 years, and an additional $12 million to $17 million a year through 2048. About $2 million a year out of these amounts represents collections that are spent annually without appropriation for mandatory payments to the Ute Indian Tribe. CBO assumes that payments to the tribe would continue after prepayment even though the receipts that currently cover such payments would not continue.

7. Pay-as-you-go considerations: Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1998. CBO estimates that enactment of H.R. 1823 would affect direct spending by changing the stream of payments received by the U.S. Treasury under an existing federal contract. Therefore, pay-as-you-go procedures would apply to the bill. The estimated pay-as-you-go effects are shown below.

[By fiscal year, in millions of dollars]

| | 1996 | 1997 | 1998 |
|---|---|---|---|
| Change in outlays | 0 | −72 | −134 |
| Change in receipts | (1) | (1) | (1) |

[1] Not applicable.

8. Estimated impact on state, local, and tribal governments: H.R. 1823 contains no intergovernmental mandates as defined in Public Law 104–4 and would impose no direct costs on state, local, or tribal governments. The repayments authorized by this bill would be voluntary on the part of the Central Utah Water Conservancy District and we assume that the district would prepay only if it would benefit from doing so.

9. Estimated impact on the private sector: The bill would impose no new private sector mandates, as defined in Public Law 104–4.

10. Previous CBO estimate: On November 16, 1995, CBO provided an estimate for the conference report on H.R. 2491, the Balanced Budget Act of 1995. H.R. 2491 included a provision that was similar to H.R. 1823. At that time, CBO estimated that enactment would result in additional offsetting receipts to the Treasury totaling $190 million over the 1996–2000 period and $219 million over the 1996–2002 period. Our current estimate, which varies slightly from the previous estimate, reflects new interest rate assumptions and revised projections of receipts under current law.

11. Estimate prepared by: Federal cost estimate: Gary Brown; State and local government impact: Marge Miller; private sector impact: Amy Downs.

12. Estimate approved by: Robert A. Sunshine, for Paul N. Van de Water, Assistant Director for Budget Analysis.

COMPLIANCE WITH PUBLIC LAW 104–4

H.R. 1823 contains no unfunded mandates.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

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 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):

## SECTION 210 OF THE CENTRAL UTAH PROJECT COMPLETION ACT

**SEC. 210. JORDAN AQUEDUCT PREPAYMENT.**

Under such terms as the Secretary may prescribe, and within one year of the date of enactment of this Act, the Secretary shall allow for the prepayment, or shall otherwise dispose of, repayment contracts entered into among the United States, the District, the Metropolitan Water District of Salt Lake City, and the Salt Lake County Water Conservancy District, dated May 16, 1986, providing for repayment of the Jordan Aqueduct System. [In carrying out this section, the Secretary shall take such actions as he deems appropriate to accommodate, effectuate, and otherwise protect the rights and obligations of the United States and the obligors under the contracts executed to provide for payment of such repayment contracts.] *The Secretary shall allow for prepayment of the repayment contract between the United States and the Central Utah Water Conservancy District dated December 28, 1965, and supplemented on November 26, 1985, providing for repayment of municipal and industrial water delivery facilities for which repayment is provided pursuant to such contract, under terms and conditions similar to those contained in the supplemental contract that provided for the prepayment of the Jordan Aqueduct dated October 28, 1993. The prepayment may be provided in several installments to reflect substantial completion of the delivery facilities being prepaid and may not be adjusted on the basis of the type of prepayment financing utilized by the District. The District shall exercise its right*

*to prepayment pursuant to this section by the end of fiscal year 2002. Nothing in this section authorizes or terminates the authority to use tax exempt bond financing for this prepayment.*

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