

GAO Highlights

Highlights of [GAO-14-764](#), a report to congressional requesters

Why GAO Did This Study

Since 1902, Reclamation has financed and built water projects to provide water for irrigation and various other uses in 17 western states. The costs to construct the water projects including irrigation as a project purpose—a combined total of more than \$20 billion—were primarily financed by the federal government, but irrigation districts and other water users that receive project water are obligated to repay the government for their allocated share of construction costs. Reclamation typically enters into multiyear contracts with irrigation districts that establish water delivery and repayment of their share of construction costs over time.

GAO was asked to provide information on the status of irrigation repayments. This report examines (1) the extent to which Reclamation collects and reports information on construction costs and the status of repayment and (2) the extent to which irrigation districts can repay early and the implications of early repayment. GAO reviewed laws and policies; fiscal year 2012 construction cost repayment and early repayment data; and interviewed Reclamation officials and nonprobability samples of eight irrigation districts and nine individuals knowledgeable about water projects.

What GAO Recommends

GAO recommends that Reclamation better promote to the public that information on water projects' construction costs and repayment status is available. The Department of the Interior concurred with the recommendation.

View [GAO-14-764](#). For more information, contact Steve D. Morris at (202) 512-3841 or morriss@gao.gov.

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BUREAU OF RECLAMATION

Availability of Information on Repayment of Water Project Construction Costs Could Be Better Promoted

What GAO Found

The Department of the Interior's Bureau of Reclamation collects information on water project construction costs and the status of repayment by irrigation districts—entities that have entered into contracts with the agency to receive project water for irrigation purposes—but has not publicly reported repayment information since the 1980s. Reclamation's data on water project construction cost repayments indicate that, of the \$6.4 billion in costs allocated to irrigation as of the end of fiscal year 2012, \$1.6 billion remains outstanding. The remaining \$4.8 billion has been repaid by irrigation districts or through other revenue sources or will be provided in financial assistance to the districts. Reclamation's policy is to make the statements it prepares annually on repayment available to the public upon request, but the agency does not make it readily known to the public that it prepares these statements or that they are available. GAO interviewed individuals knowledgeable of Reclamation water projects who indicated that this information would be useful for their work, such as in considering funding arrangements for the expansion of water projects; some individuals were not aware that Reclamation prepares repayment statements annually, or that the agency would make them available upon request. By more widely disseminating information to the public that construction cost and repayment data are available, Reclamation may increase interested parties' opportunities to obtain cost and repayment information. This, in turn, could further enable Congress, water users, and the public to assess past funding arrangements and enhance their ability to make informed decisions for funding potential new work, such as to expand water storage capacity.

The authority for irrigation districts—or for landholders who own or lease land for agricultural purposes within those districts—to repay their allocated share of construction costs early is limited to a small number of districts, and its use has various financial and other implications. Early repayment authority allows irrigation districts or landholders to repay their total outstanding repayment obligations in advance of the date specified in the districts' contracts. As of December 2013, 87 irrigation districts—representing about 15 percent of all districts with contracts—had authority for the district or its landholders to repay early. Of those authorized, 69 irrigation districts either repaid early, or had some landholders who repaid early, with those payments totaling more than \$238.9 million. GAO found that early repayment's effect on the financial return to the federal government largely depends on whether a discount may be authorized, such as calculating the present value of the outstanding repayment obligation to determine the amount to be repaid early, and the size of that discount. If no discounts are authorized, any early repayments that occur would be worth more to the government because the repayments do not bear interest. In addition, early repayment accelerates the elimination of certain restrictions and requirements for landholders that are in place until their repayment obligation is fulfilled. For example, once landholders have fully repaid their construction cost obligations, they are no longer subject to acreage limits on the amount of land they can own or lease for agricultural purposes and irrigate with project water and may be able to receive project water on additional land.