

## Commissioner's Speech at the National Water Resources Association Annual Meeting 11/17/11

**Wade Noble, President, NWRA:** It is my pleasure to introduce the Commissioner of the Bureau of Reclamation, Michael L. Connor. I will be brief as Commissioner Connor has a busy day of appointments. Commissioner Connor was confirmed by the United States Senate on May 21, 2009. Mike has more than 15 years experience in the public sector, including having served as counsel to the US Energy and Natural Resources Committee since May of 2001. From 1993 to 2001, the Commissioner served at the Department of the Interior, including as deputy director and then director of the Secretary's Indian Water Rights Office from 1998 to 2001. Before joining the Secretary's Office, he was employed with the Interior's Solicitor's Office in Washington, DC and in Albuquerque, New Mexico. He began his Interior career in the Solicitor's Honors Program in 1993.

Mike received his JD from the University of Colorado School of Law and a Bachelor of Science degree in chemical engineering from New Mexico State University.

Before we bring him up, would all the regional directors, including those who are retiring and those who are acting, please stand. Let's give them a round of applause.

[applause]

**Wade:** We'll turn the time over to our commissioner.

**Michael Connor:** Thank you very much, Wade, for the very kind introduction. Thank you for recognizing our regional directors. As I said in a recent conference, they're the real power structure in the Bureau of Reclamation, and they help make me look very good. That's also why I mention this because if they don't make me look good, then you need to talk to them about that, too. As always, this is something I look forward to, coming and talking to NWRA. It's a valuable event. It's a great networking opportunity. It's a way for me to get back in touch with issues beyond just those that exist in the state of California. It's great I get to sit here at the head table here with the likes of Bob Johnson, Mark, Don, and Ben, former feds. I've tried to have a discussion about whether a job swapping opportunity might be available over the next year, but they've professed that they've done their time in federal service and are no longer interested in that. You're stuck with me, and I'm stuck with you. From my perspective, that's a very, very good thing.

Looking over at the agenda and evaluating that what it is of interest to NWRA's members and what's the concerns that you have, and of course, we're going to engage in one-on-one conversations throughout the course of the day in our meetings. I just think that's a very valuable exercise that we go through. It's always a chance to verify or not verify that the programs and initiatives that we've got going on in the administration, with respect to the Bureau of Reclamation are responsive to those issues of concerns to NWRA members. Of course, you are a large constituency, a large set of our stakeholders that we have.

My job, I always envision it as to take the administration's initiatives and the goals that we have overall, tailor to the Bureau of Reclamation in a way that ensures that I'm doing my job of furthering the President's and the Secretary's overall objectives for the federal government, but also doing it in a way that is responsive to the needs out west with all of you all. I hope we're doing that. I'm sure I'm going to hear a lot today during our meetings about whether we're doing it well or not. I think that's going to be valuable feedback as we move forward.

There's a whole array of things that I could talk to you about, but I only have about 15 to 20 minutes. I do want to leave some time for questions and answers. In thinking it through, what is the primary thing that I want our message or discussion I want to have with you today. I think it's how Reclamation and I and the

Secretary and the Assistant Secretary, how we're trying to deal with the new dynamics that exist in Washington, DC, today.

There's always shifting dynamics. There's always something going on, but I think right now, there's a focus on the economic situation in this country, the economy. There's differing views on how to deal with the economy. That's brings us to an issue that I think is cutting across the board in the political spectrum, which is deficit reduction and having to exist in that environment and the discussions that are going on in DC. Really, I think that weaves into a broader role set of discussions about the scope and role of the federal government. Once again, it's always an ongoing back-of-the-mind thing that anybody in any administration is trying to deal with.

I think there's a very central focus on that these days because of the issues about the economy and the budget, etc. I want to talk a little bit about that, how we're trying to respond and how we're trying to advocate for the mission of the Bureau of Reclamation.

Coming to NWRA the first time in November of 2009, it's a much different environment than existed in that point in time. In 2009, when I came and did my first speech as commissioner in front of NWRA, at that point in time, we were investing \$950 million of Recovery Act money, determining which various sectors of Reclamation's programs that we were going to make those investments. We were developing a 2011 budget at that point in time. That budget ended up being the first time that Reclamation's budget, the net discretionary budget had exceeded one billion dollars. I was feeling pretty good at that point in time that we were getting the resources we needed to make the investments in a whole range of areas that I thought were needed.

Fast forward a year to November 2010, last year, when I came and spoke to NWRA, at that point in time, we were wondering whether we were going to get any of those 2011 appropriations. We were trying to figure out whether we were going to go into a shutdown mode, and that continued well into the spring, unfortunately. We were developing a 2012 budget at that point in time, which was back well under one billion dollars. We were at a net discretionary budget of \$965 million. That was, from the administration's perspective, about a five percent reduction from what we had proposed in 2011.

At that point in time, I think there had been some good news in the economy, since there was a turn going on. We had several good months of job creation numbers. I think there was a sense of the stimulus had helped reverse of what was going on with respect to the economy, and it was now time to focus on the growing deficit. That's what we were going through about a year ago.

Now, here I am in November 2011, and I think one of the good news items based on the turmoil of the last year is that I think a shutdown is not in the cards right now. I think both parties in Congress have decided that that unnecessary drama is unproductive and doesn't reflect very well on them. I think whatever we're doing and this uncertainty about what we're going to get as far as 2012 appropriations, we're not going to have a showdown, at least I don't think so at this point in time, with respect to our appropriations and the prospects of a government shutdown.

But, at the same time, I think where we're going to be with respect to our FY 2012 appropriations is pretty uncertain. As I mentioned before, our budget was \$965 million. We were absorbing a five percent reduction. The House would cut, based on what they've done with the energy and water appropriations bill; they would cut another \$113 million from that budget, about \$47 million in appropriations and somewhere in the neighborhood of \$60 million that they would rescind from funds already made available for San Joaquin River restoration.

The Senate, on the other hand, would restore those cuts and allocate an additional \$20 million for generic priorities that they have. I say generic priorities because we all know earmarking is not allowed these days, so they're trying to get some priorities through different means.

We really won't know, I think, how 2012 will play out until after the so-called "super committee" does its business or doesn't do its business in the next couple of weeks with respect to the overall deficit

reduction. That has implications for 2013 budget, and I certainly wouldn't be up here disclosing what we're doing in the 2013 budgets and the numbers associated with that. Even if I wanted to, I couldn't because everything's a little uncertain at this point in time until the super committee process plays out, and we see what really is going to go on in the years forward.

It's a much different environment than it was in my first NWRA speech. In addition, as I mentioned very briefly before, there is this ongoing dialogue about the scope and the role of the federal government. That is also occurring with respect to water resources. Most of you have probably already seen the op-ed that was published in the *Washington Post* a few weeks back. I think it was on October 23rd from one of the analysts of Cato Institute that questioned the value of any federal investment in water resources.

That elicited a quick response from a number of folks. We had put together a response that wasn't published. Basically what we did in our response, one of them was published, and I thought it was a very good analysis of what the values of federal investment of water resources are. Our response merely tried to stress the myriad of benefits that exist for people, essentially, as part of the Reclamation program specifically, but also the landscapes and waterways, which we all depend on.

It acknowledged, in putting together that response, that there are certainly issues that have existed over time with respect to federal investments and whether or not we've accounted for all of the certain costs of investments as we've developed our water resources. I certainly wouldn't presume to not recognize that there have been issues. I think ignoring how we built this country and the ongoing benefits that exist because of the Reclamation program is simply elevating simplistic sound bites over sound analysis, and in every opportunity, I want to rebut that. I think there's too much of that that goes on in Washington, DC, and I think it does a disservice to a lot of the good works and the programs and the ongoing benefits that exist from federal investments.

Nonetheless, I think that dialogue is going to be ongoing for this period of time that we exist in. We're going to have to keep defending what we're doing, explaining the benefits, adjusting where we think necessary, and people make valid points. That's going to be part of this ongoing dialogue.

The question really comes down to, I think from your perspective, what are you doing as commissioner of Reclamation? What is the leadership at the Department of the Interior doing to try and manage through this timeframe that we're in now to try and stress those benefits that exist and why it is important that we have a strong and active role, if you think that way. Obviously, if you don't, we should have that discussion, too.

First of all, I think I just discounted the use of simplistic sound bites, and now I'm going to use simplistic sound bites to stress how it is that we're trying to respond to this environment that we exist in now. Basically, it's a three-part approach. I feel it's incumbent upon me to always continually to stress the investments, that the investments in the Reclamation program have value, both the core mission areas that Reclamation have with respect to water supply and power production, but also as you can well tell over the last decade, Congress has heaped on a lot more with respect to programs and expectations on the Bureau of Reclamation. I think those programs also have value.

We want to stress the value of those investments, both in the short term and in the long term. We want to continue to educate folks in Washington, DC, that the cuts being proposed in some places for our programs, and I know there's a difference of view point in the house and the senate and where we are with respect to our 2012 appropriations, those cuts have impacts. We need to just be blunt about where it is that we won't get to some of the expectations that people have with the Bureau of Reclamation assisting in water development and ecosystem restoration and helping to plan for the future challenges that are going to be faced in water resources management.

Even while we tout the idea of investments, even while we stress the impacts of budget cuts, I do think to be credible in this dialogue we have to have an ongoing set of initiatives that recognize the tight budget times that we're in at the Bureau of Reclamation.

We've got to do our share to improve how we do business, to do it more efficiently, to do it in a more financial responsible manner, and to be dynamic with respect to reassessing our programs and highlighting where changes are necessary as part of the organizational changes we need to be doing to meet these tight budget times that we exist in.

Let me just touch on quickly the three-part story and demonstrate that there is a little depth to my three simplistic talking points. Investments have value, and we intuitively all understand that. I think in every press release, or most every press release, we tout that the Bureau of Reclamation has 476 dams. We have 348 reservoirs which have a storage capacity of 245 million acre/feet.

We irrigate 10 million acres, and we provide water to 31 million people. We have 58 power plants. Those 58 power plants have close to 15 gigawatts of generating capacity, and we annually produce about 48 million megawatt hours per year of electricity generation.

Obviously those have some value, but the Department of the Interior under Secretary Salazar's leadership has really tried to take it a step further and quantify those benefits so the people would understand, both externally and within the administration, the value of DOI's programs including those that exist in Reclamation.

We did an economic report from the department's perspective back in December of 2009. That was updated just recently in June of 2011, and it demonstrated that the value of the water, energy, and recreation opportunities provided by the Bureau of Reclamation annually, that projects out to about 19.6 billion dollars per year. That's just the core, the raw value of those commodities and those services.

That activity and those programs support overall, though, about 55 billion dollars in economic activity and sustain, create, or overall support 416,000 jobs per year. I think that's a pretty outstanding record for an agency that exists on about one billion dollars of appropriations per year. I think that demonstrates the value that we have and the need to maintain that value because there's a lot of local, regional, and even, I think, we have an impact on the national economy.

That demonstrates, in a quantified basis, what I think it is that the Bureau of Reclamation brings, not by ourselves, obviously, but in partnership with all of you who are producing crops, who are servicing the needs in your communities, municipal and industrial needs, etc. It's a pretty impressive record and one that we need to tout and protect.

In addition, fundamentally, with respect to the economy and job creation, which is always a metric that we are looking at these days and trying to respond to, the overall value I see from the investments, whether it be Recovery Act or our annual appropriations are...we have a benefit in what we do at the Bureau of Reclamation when we invest these dollars because a lot of what we do is construction-related.

We are a construction-based agency, historically dams, canals, power plants, etc. We're still doing some of that. We're doing more M&I systems these days. We're doing a lot of reconstruction with respect to environmental services. Those investments create jobs immediately in the construction sector. We've had 20 months of overall job creation in the private sectors, notwithstanding the fact that I think the President very much recognizes that it's not enough job creation in the private sector.

I don't think people understand that we've had steady growth for the last 20 months in the private sector. That's been without any positive net impact from the construction industry. That's where we've really been hurting. I think Reclamation and the immediate value of our investments are our construction opportunities and job creation immediately.

But even more importantly than that, construction goes, happens, and then those construction workers have to move on, but we have sustained benefits from those investments that we're making long term. They're reinvesting in infrastructure through our agent infrastructure program. That's going to give more certainty as you move forward that the crop production, the water supply reliability will continue on for the next several decades.

The rural water supply projects, particularly where there are declining aquifers, and these communities are worried about where their water supply is going to come in the future. We're providing more certainty that that economic base that's been developed in those rural areas can continue. So I think it's an investment that pays off in the short term and the long term.

With respect to the second bullet the people need to understand that cuts have impacts. You don't have to look much farther than the five to six billion dollar backlog we have in authorized projects. In infrastructure needs we've identified approximately one to two billion dollars. Overall it's at three plus billion dollars, but from our perspective of what federal investment that we need to bring to the table, it's in the one to two billion dollar area.

The water supply projects that I talked about, we've got about a 1.5 to two billion dollar backlog. Indian water rights settlements we've got, notwithstanding the influx of mandatory resources that Congress has made available to implement Indian water rights settlements, we still have about a one billion dollar backlog of funding that we don't know exactly where it's going to come from.

We've got our environmental responsibilities that are fundamental to our programs, and we can't deliver water, and we can't generate power unless we take care of those. That's another 1.5 billion dollars.

Bottom line is those benefits that I've talked about won't happen in some areas if we have these cuts, and it'll undermine some of the certainty that people are looking for in the area of water resources. Those cuts will have impacts. We're not going to be able to address all those needs in the timeframe that people want even if we're in a budget growth period, a modest budget growth period, which I don't foresee in the next couple years.

Finally, there's the obligation that we have to improve management and respond to circumstances that we find ourselves in these days. Once again I think it's critical to our credibility as an organization to try and get as much support in the budget... in the five percent reduction that I mentioned in the 2012 budget, relatively speaking, I think the Bureau of Reclamation did pretty well. There are lots of agencies out there with double digit reduction in their 2012 budgets.

We're trying to have credibility. We're trying to stress the value. I think we're having some success. I can't stress enough the seriousness that exists on this part of the equation with respect to the activity going on in Washington, D.C.

I had the extreme pleasure to meet with the President about six to eight weeks ago in September. Of all the things that I could meet with the president about, of serious issues that exist in California, or maybe some opportunities that we're looking to get done in the area of Indian water rights settlements, stuff that the White House has been interested in, the 15 minutes I spent with the President was part of an overall hour-long meeting about efficiency in government, about improving the way we do business.

It was a small dialog with about 10 political appointees that he's having with various meetings. It was just a very eye-opening discussion. He was very engaged on this very subject. It was very substantive, the discussion we had. I can tell you if I'm getting to spend time with the president on this particular issue, it indicates his seriousness overall with respect to the administration.

Some of the things that we're doing are obviously we're looking for cost savings wherever we can. We've got a lot of initiatives department wide, IT, travel, etc., trying to do business in a better way and a smarter way.

I'd also say we're a relatively conservation organization and a very well managed organization. These regional directors, the deputy commissioners just do a great job, but we're a cautious group overall, and so we've been cautious in our hiring. I think our overall employment level at the Bureau of Reclamation is the lowest it's been in 20 years, perhaps the lowest that it's ever been.

It's not that we don't have needs. It's not that we're not stressing the organization and asking people to do more with less, but we want to ensure that we're being cautious in this environment with respect to budgets, etc.

But I think one of the things that's come out of the Managing for Excellence that my predecessors instituted are a lot of these efficiencies. They did a great job with respect to a lot of these areas. I'm taking full credit for it these days, quite frankly. But I'll give them credit here [laughs].

A lot of the things that you're seeing right now, and I know there's going to be discussions during this course of this conference, the draft directives and standards that are in place are part of our trying to do business better, of trying to improve how we do things, be more financially responsible. I know that there are issues out there. It's a dialog, though, and we do want your comments. We do incorporate them before we finalize those items.

Just to wrap up here with respect to the 2013 budget, we are reviewing, and we're evaluating a number of the programs that we have. We're looking at cost shares, quite frankly. We're looking at reinvestment of revenue streams that come in as a result of Reclamation projects. We're looking at cost allocations. You see a little bit of that in the D&S's that are already out there.

We're also looking at our ongoing role. All of this is being done as part of the overall administration initiatives, but also with an eye towards what we're going to roll out with respect to our 2013 budget.

One of the things I can tell you, with respect to our role is the title transfer program proposals that were developed in the Bush Administration, we think that there's a large value to that. We think it's worth moving forward on. That's something you're going to see us moving forward engaging you in a dialog about over the next several months.

With respect to other programs and the things that I have mentioned, all of that is under discussion right now. I guess I wanted to flag that ongoing discussion and make the commitment that as we talk about proposals, and as we roll out some of our thoughts on how we might do business differently, we intend to engage you all directly in that.

We don't intend to have these proposals roll out and be in any way, shape, or form close to final until we've had an opportunity through each one of them to engage you all in a dialog to fulfill kind of the way of doing business that was envisioned as part of the Managing for Excellence program.

We're going to talk about some of these things, but I've been in active discussion with OMB, one, to try to figure out which ones will move forward and which ones won't, but also just so the process is one that we manage correctly, and that we have the dialog that we need to have with our stakeholders.

That's it. I think I took a lot more time than I thought I was going to take, Wade. I need a concluding line is that 2012 will be anything short of boring. But I look forward to working closely with all of you on those things.

A few questions. Let's open it up for a few questions. Sorry to take up all the time. I actually only had three pages here. I can't believe I spoke for 25 minutes on three pages. But that's the danger of letting me have the mike, and now I'm just wasting time until somebody raises their hand...

[laughter]

**Michael:** ...and throws a pointed question my way. Brad.

**Wade:** Commissioner, the Reclamation states are very fortunate to have you at the helm and have your leadership. I'm wondering if you'd care to comment on any benefit that you've found among your other experiences in the past of having served as counsel to the Senate Energy and Natural Resources committee. Has that been helpful to you in your leadership with Congress?

**Michael:** [laughs] I would have said up until the last three months that it had been helpful because of the relationships that I'd formed over time. I seem to be fraying those relationships, particularly on the House of Representatives side. I think the biggest value of those eight years I spent on the Hill is to try and one, message some of these things in a way people that can understand and understanding the value of trying to succinctly describe what it is that you're doing and what you're trying to accomplish. I think that overall those skills and understanding how the Hill works has been beneficial overall.

Also, I think it's a value of not overreacting to some things going on up there because you recognize, understand when things have legs and they might move, and when things are just part of a dialog that people want to have.

I think those are probably the two biggest ongoing benefits. I hope I can keep the relationships going before they fray any further. That was a plant, too. He started off with a complimentary thing, so, thank you very much. I appreciate that. Anybody else? Wade, I'll turn it back over to you

**Man 3:** [chuckles] . Thank you.

**Michael:** Thank you. [applause]