

Statement for the Record

by

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for

*****H.R. 4910*****

to

Subcommittee on Water and Power

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Statement of Clayton Friend

**House Subcommittee on Water and Power
July 25, 2002**

Mr. Friend. Thank you Mr. Chairman and I thank the members of the committee for allowing me to come and be here today and present to you the problems facing the Tom Green County Water Control & Improvement District #1 which I will refer to in the remainder of my statement as the “District”.

History:

The San Angelo Project was constructed with oversight by the Bureau of Reclamation and completed around 1962. The project included the Twin Buttes Reservoir which was to provide municipal, industrial and recreational water for the City of San Angelo, Texas with storage capacity of approximately 180,000 acre feet of water. In addition, the San Angelo Project was to provide irrigation water to the District by using a 65-mile concrete lined irrigation canal system that was constructed with Bureau of Reclamation oversight during the same period. This canal system was to provide access to the water stored in the Twin Buttes Reservoir to irrigate 10,000 acres of farmland. Ten years passed before there was enough water in the Reservoir to release any water into the canal system. In 1972 the first irrigation releases were made to the District through the canal system. Both the City of San Angelo and the District have repayment contracts with the Bureau of Reclamation, Department of the Interior for their portion of the costs of the San Angelo Project.

The District’s outstanding loan with the Department of Interior for the construction of the irrigation canal is Contract No. 14-06-500-369, San Angelo Project. The original amount of the District’s loan was \$4,000,000. The District has paid \$1,506,132, and the remaining balance is \$2,487,707.

Problems:

The farmers in the District have made diligent efforts to make timely payments on the contract. They have, in fact, paid 38% of the original debt owed to the Department of the Interior. One of the problems is that the farmers haven’t received a fair return on their investment. The farmers have received a full year’s allocation of irrigation water, 24 inches per acre, only 50% of the time since 1962 when the canal was completed. However, for the other 50% of the time the farmers received either less than the annual 24 inches per acre of irrigation water or no irrigation water at all. Payment on the debt has never been forgiven, even in years when the District received no water. Deferments have been granted 7 times due to drought conditions. Those payments, however still have to be made. They are added to the remaining balance and the payments continue to get higher annually because the original contract end date does not change.

The last time the farmers have had any water available from Twin Buttes Reservoir was in 1998 when they received 1 1/2 inches of water per acre. The last time they had the full allocation of 24 inches per acre was in 1997. Farmers cannot exist paying the operation and maintenance costs of the District and the repayment to the Bureau of Reclamation when there is little or no water available.

The following chart represents the amounts of irrigation water available from Twin Buttes reservoir since completion of the canal system:

1962 – 0 inches	1973 – 24 inches	1984 – 0 inches	1995 – 10 inches
1963 – 0 inches	1974 – 24 inches	1985 – 0 inches	1996 – 4 inches
1964 – 0 inches	1975 – 24 inches	1986 – 0 inches	1997 – 24 inches
1965 – 0 inches	1976 – 24 inches	1987 – 24 inches	1998 – 1.5 inches
1966 – 0 inches	1977 – 24 inches	1988 – 24 inches	1999 – 0 inches
1967 – 0 inches	1978 – 24 inches	1989 – 24 inches	2000 – 0 inches

1968 – 0 inches	1979 – 24 inches	1990 – 24 inches	2001 – 0 inches
1969 – 0 inches	1980 – 24 inches	1991 – 24 inches	2002 – 0 inches
1970 – 0 inches	1981 – 24 inches	1992 – 24 inches	
1971 – 0 inches	1982 – 24 inches	1993 – 24 inches	
1972 – 24 inches	1983 – 4.5 inches	1994 – 24 inches	

As indicated in the chart above, the District has received little or no water in 21 of 40 years.

Current lake level and water credit procedures:

At the present time, Twin Buttes Reservoir only has 5% of water in storage. This amounts to approximately 9100 acre feet. There is a water accounting system that credits water to the District and to the City of San Angelo. The District gets credit for all of the water above 50,000 acre feet of stored water. With the current lake level at 9100 acre feet, the lake would have to have inflow of over 40,000 acre feet before the District gets even one drop of water in storage credits. To irrigate 10,000 acres, it takes about 867 acre feet to equal one inch of water per acre of farmland. Evaporation also must be considered which sometimes can amount to 15% to 20%, so additional water must be available to allow for evaporation. As has been stated previously in this report, a normal irrigating season with a full allocation of irrigation water (24 inches per acre) there must be approximately 22,000 acre feet available for 10,000 acres of farmland.

Additional Problems:

There has been an additional problem facing the farmers in the District. The concrete lining that was placed in the canal system in the early 60's has started to deteriorate after 40 years and now repairs are necessary. The canal lining was designed without any reinforcement steel of any kind and has progressively become worse over time. To repair the canal lining places additional burdens on the farmers because the repairs are very expensive. The farmers in the District have to pay the annual payment for the construction of the canal plus the operation and maintenance costs for the operation of the District. If you have to add the expensive repair costs that need to be done, it makes it virtually impossible for the farmers to make a profit when there is no water available from Twin Buttes Reservoir. The District is, however, trying to repair parts of the canal system that need the most attention. With Bureau of Reclamation approval, the District is using up to \$30,000 of its reserve funds to pay for some of the necessary repairs. The amount of reserve funds available is very limited and will only cover a small amount.

The slides following my testimony show the deteriorating canal lining and small places where repairs have been made at the District's own expense.

Looking for an alternate water supply:

Because there was no water available in Twin Buttes Reservoir, the District has contracted with the City of San Angelo for the use of its reclaimed wastewater from its wastewater treatment plant. This provides for 8 inches of wastewater per acre of land annually. This water has to be used on a continual basis because the City of San Angelo produces wastewater daily and has limited storage capacities. This reduces the amount of water that can be provided to farm crops during the growing season, which is typically during the spring, and summer months. There was additional stress placed on the District because a return flow pumping system had to be installed to keep the wastewater from entering into the Concho River. A loan from the Texas Water Development Board in the amount of \$150,000 was made available to the District to help finance the cost of the pumping system, which cost around \$190,000. Annual payments to the TWDB are made by assessing fees to the farmers in the District. These fees are in addition to the fees already mentioned. The amount of water available from the wastewater treatment plant is only 8 inches per acre per

year. The farmers have to pay full irrigation prices yet they only receive 8 inches of wastewater per acre per year and nothing from Twin Buttes Reservoir.

Effects of drought and depressed commodity prices on farmers in the District:

The local Texas Agricultural Extension Agents assisted the District personnel in preparing the following data. The data compares the average income during the years from 1988-1992 when 24 inches of irrigation water per acre was available and the year 2000 when there was no water available for irrigation from Twin Buttes Reservoir.

Crop Years 1988-1992	<u>Crops Grown</u>	<u>Cash Receipts</u>
Cotton		\$1,705,312.50
	Cotton	\$1,705,312.50
	Grain Sorghum	\$ 232,232.00
	Wheat	\$ 61,620.00
	Corn Ensilage	\$ <u>200,000.00</u>
Total all crops		\$2,199,164.50
Crop Year 2000		
	Cotton	\$1,085,280.00
	Grain Sorghum	\$ 94,500.00
	Wheat	\$ 115,670.00
	Corn Ensilage	\$ <u>124,800.00</u>
Total all crops		\$1,420,250.00
Difference		(\$778,914.50.)

This equals a 33.3% loss in income.

The results for the year 2000 would be very similar to the years 2001 and 2002 as well as other years that there was no irrigation water available from Twin Buttes Reservoir. The Extension Agent was only asked to provide the most recent year's data available which, at the time, was the year 2000.

Possible solutions:

Included below are several suggestions that would help solve the current problem.

- Extend the repayment period of the loan from 40 to 50 years. This would allow the annual payments to be reduced because they would be extended for an additional 10 years. This same option was granted to the City of San Angelo in 1971.
- Reduce the amount owed to the Bureau of Reclamation on the repayment contract to allow the District to have funds available for the repairs on the canal system. The canal system is going to continue to deteriorate and must be repaired.
- Restructuring the loan would also help. If the end date of the repayment contract could be extended for each year that a deferment was granted this would keep the payments the same each year and not get bigger each time a deferment was granted.
- Have payments to be made only when water in Twin Buttes Reservoir is available for irrigation use. If a full 24 inches per acre were available, then the full payment would be due. If 12 inches, for example,

per acre were only available, then 1/2 the payment would be due. This would give some relief to the farmers when the full allocation is not available.

If we continue as we are, the payments will only get bigger and the ability of the farmers to pay the debt will only get more difficult. In August 29, 2000, then Regional Director Maryanne Bach states "Reclamation is aware of the drought conditions in the State of Texas which continue to impact the availability of water within the San Angelo project. Although the deferments received by the District to date have not increased the District's remaining obligation to the United States, the deferments have increased the amount of the annual payments for the remaining repayment period because Reclamation does not have the authority to extend the repayment period without congressional approval. The increased annual payments place additional burden on the District. This financial burden has been exacerbated by current drought conditions and Reclamation believes any additional increase will only lead to future financial difficulty that cannot be offset by Reclamation under its limited authority."

Conclusions:

The Tom Green County Water Control & Improvement District #1 does not ask for a handout. Instead, the District is asking for a helping hand. Any consideration in the form of relief will be greatly appreciated. The District has tried to be a good partner in this effort. The District also has an excellent working relationship with the Bureau of Reclamation and has welcomed any and all support or suggestions made by its personnel.

Honorable members of the Subcommittee, we have a deteriorating canal system and we still owe over 19 years on the debt. It's like owning an old worn out car but still making payments. Repairs can be devastating.

Thank you