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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

RESOURCES AND ECONOMIC
DEVELOPMENT DIVISION



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B-177421

Dear Mr. Secretary:

We have reviewed the administration of a contract, referred to as the Cooperative Agreement and Habitat Management Plan, between the Bureau of Reclamation (USBR), the Bureau of ^{76 D642} Sport Fisheries and Wildlife (BSF&W), and the Grassland Water ^{C 2001} District (GWD) which consists primarily of private duck hunting clubs in the Central Valley of California. The agreement permits the sale of water from USBR's Central Valley project to GWD at reduced rates for the purpose of (1) providing GWD with the financial means for a construction and renovation program to improve its water and drainage systems and (2) insuring the retention of GWD lands for waterfowl purposes.

BACKGROUND

On September 13, 1956, USBR entered into a contract (No. 14-06-200-6106) to furnish, if and when available, 50,000 acre-feet of water annually for 40 years from the date of the contract to GWD, at \$1.50 per acre-foot, for maintaining a waterfowl habitat. The contract was let pursuant to Public Law 83-674, which authorizes the Secretary of the Interior to contract for the delivery of water to public organizations or agencies for use within the boundaries of such organizations or agencies for waterfowl purposes in the Grasslands area of the San Joaquin Valley of California; when available, such water shall be delivered from the Central Valley project, California, at a charge not to exceed the prevailing charge for class 2 water. The prevailing charge for class 2 water within the Central Valley project has been established at \$1.50 per acre-foot a year.

The Central Valley of California plays a vital role in maintaining the waterfowl resources of the Pacific Flyway. Of approximately 100,000 acres devoted to waterfowl management, 46,000 lie within the boundaries of GWD.

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Beginning in 1967 increased drain flows from newly developed agricultural enterprises adjacent to the GWD lands severely overtaxed GWD's distribution system. GWD funds ordinarily earmarked for construction had to be switched to operation and maintenance. Thus, the development of the waterfowl area was severely curtailed.

In 1967 a consulting-engineer firm reported on its examination of the canal system within GWD and recommended certain improvements, estimated to cost \$1,315,000, for developing the waterfowl area. GWD sought financial assistance from the Government to make the improvements but was unable to qualify under USBR's loan programs.

A task force, formed by BSF&W and USBR to look into the proposed improvements needed to protect the waterfowl areas, concluded that renovation and expansion of the existing GWD water delivery system was needed and proposed that financial assistance might be possible through a reduction in GWD's water rate.

In December 1969, BSF&W, USBR, and GWD entered into a Cooperative Agreement and Habitat Management Plan, Contract No. 14-06-200-4658A, which amended Contract No. 14-06-200-6106, dated September 13, 1956, and provided that (1) GWD landowners restrict the use of their land to wildlife habitat and native pasture, (2) GWD landowners inundate their lands for longer periods, and (3) USBR provide up to 50,000 acre-feet of water annually at a charge of 10 cents per acre-foot rather than \$1.50.

The cooperative agreement provides that (1) the reduced water rate would, in effect, afford GWD with the financial assistance to improve its water transport and distribution system in a manner to be approved by the United States and (2) the reduction would remain in force during the remainder of the term of the 1956 contract provided that the cooperative agreement could, without liability, be terminated at any time for the convenience of the Government if, for any reason, USBR and BSF&W determined that such termination was in the best interest of the United States.

NEED TO SPECIFY THE NATURE
OF IMPROVEMENTS AND RELATED COSTS

Although the agreement provides that GWD improve its water distribution system, the agreement does not specify the nature of improvements to be made or the related costs. In USBR correspondence on this matter, the view was expressed that such a requirement would impose undue rigidity in accomplishing the habitat management plan and in administration of the contract.

The records available for our review indicate that improvements have been made to the GWD water distribution system; but without specific information on the nature of the improvements to be made and their estimated costs, a determination of whether GWD is spending an amount commensurate with the reduction in water revenues under the cooperative agreement cannot be effectively made. GWD's annual statements of expenditures for 1970 and 1971 for work performed under the agreement include expenditures for items that appear to be used for normal operating and maintenance costs--rather than capital improvements.

We estimate that the revenue reduction to the Federal Government, based on the rate reduction of \$1.40 per 50,000 acre-feet, could amount to about \$70,000 annually, or a total of about \$1.8 million over the life of the contract.

Although the foregone revenue to the Government might amount to \$1.8 million, the improvements recommended by the consulting-engineer firm were estimated to cost \$1.3 million. Moreover, GWD officials advised us that they considered the recommended improvements too extreme and that they were contemplating spending only about \$350,000 to improve the distribution system.

We asked USBR personnel what their responsibilities were in administering the contract. They advised us that their field visits showed that GWD had made some improvements to the system in 1970 but that they had made no attempt to

associate costs with work accomplished. They advised us also that they were not making any effort to determine whether GWD was expending the \$70,000 annual reduction in water charges to improve the drainage system.

After we completed our fieldwork, the Bureau advised us that they had initiated action to specify the improvements and related costs to be financed with the reduced water rates.

Recommendation to the
Secretary of the Interior 33

4 We recommend that USBR and BSF&W jointly take appropriate steps to insure that Federal assistance in the form of reduced water rates is limited to the amount necessary to finance those improvements being made by GWD for maintaining the waterfowl habitat in a manner prescribed by the United States.

We shall appreciate being advised of any action you may take on the matters discussed in this report.

01-5 Copies of this report are being sent to the House and Senate Committees on Appropriations; the House and Senate Committees on Government Operations; the Subcommittee on Public Works of the Senate Committee on Appropriations; the Director, Office of Management and Budget; and to the Assistant Secretaries for Water and Power Resources and for Fish and Wildlife and Parks.

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Sincerely yours,

Henry Eschwege

Director

The Honorable
The Secretary of the Interior