

## **Flexibility for Non-Federal Sponsors to Assume Repair, Rehabilitation and Replacement Costs at USACE Reservoirs**

Under the Water Supply Act of 1958, the non-federal sponsor of the water storage component of a USACE reservoir is responsible for 100 percent of the costs of construction, operations and maintenance (O&M), and RR&R associated with that storage. The law provided an option for non-federal sponsors to pay for construction costs in installments, but did not specify a similar option RR&R.

Following the enactment of the Water Supply Act of 1958, payment arrangements for RR&R varied by contract, with the majority of water supply storage contracts requiring RR&R payment during or at the completion of construction and other contracts allowing for payment of RR&R over a period of time. The Water Resources Development Act of 1986 amended the Water Supply Act of 1958 and prescribed payment of RR&R costs during the period of construction. Most, if not all, water supply storage contracts executed since 1986 incorporate these provisions.

As USACE reservoirs age, the need for RR&R increases, as does the cost of such capital investment. Dam safety activities further raise these costs as the non-federal sponsor of the water supply storage is responsible for its proportionate share of the costs of risk reduction measures. As non-federal sponsors, we are not typically involved in the decision making or timing of RR&R nor dam safety activities.

**Request of Congress:** Allow non-federal sponsors to amortize dam repair, rehabilitation, and replacement costs for USACE projects, as they do for construction costs.