

April 8, 2024

**Funding Required for Klamath Project Drought Response Agency (DRA)
Demand Management During Post-Dam Removal “Bridge” Period (2025 through???)**

In March of 2024, the U.S. Bureau of Reclamation (Reclamation) released a draft proposed action for the current Endangered Species Act (ESA) Section 7 consultation over ongoing operation of the Klamath Project.

Reclamation has initially proposed a five-year term (2025-2029) for the proposed action, to cover what the agency is referring to as a “bridge” period after hydroelectric dam removal on the mainstem of the Klamath River. Klamath Water Users Association (KWUA), the Klamath Tribes, and other groups have formally requested that the term of the proposed action be limited to two years (2025-2026).

Under the draft proposed action, some level of agricultural water shortage is anticipated to occur in all but the wettest of year types.¹ Severe water shortages, defined as a supply of less than two-thirds of historical irrigation demand, statistically are expected to occur one out of every two years. Critical water shortages, defined as a supply of less than half of historical irrigation demand, are expected to occur once out of every five years on average.

If recent drier trends persist, the chances of shortages of these magnitudes increase. Under the most recent hydrology, critical water shortages would occur in six out of ten years and severe water shortages in two of the remaining four. In no years would the supply ever be “full.”

The proposed action includes a novel assumption of certain water deliveries to wildlife refuges out of legal priority, which would make irrigation shortages greater than they would otherwise be. It is unclear how this is expected to occur unless irrigation water users are incentivized to reduce demand sufficiently to “free up” limited supplies for the out-of-priority use.

There is a long history of federally supported demand management programs in the Klamath Project. Since 2018, DRA has been the intergovernmental agency charged with administering demand management programs in the Klamath Project under financial assistance agreements with Reclamation.

Reclamation has two separate lines of programmatic authority for demand management activities in the Klamath Project:

1. *Klamath Basin Water Supply Enhancement Act of 2000* (Enhancement Act) – authorizes programs to align water supplies and demand in the Klamath Project.

¹ Under the draft proposed action, historical irrigation demand during the irrigation season would have been fully met in only six out of forty-one years (15%) during the period of record (1981-2022).

2. *Inflation Reduction Act of 2022 (IRA)* – authorizes “compensation for a temporary or multiyear voluntary reduction in diversion of water or consumptive use.”

For 2024, the DRA has announced a one-year demand management program under the Enhancement Act. The DRA anticipates similar one-year programs under the Enhancement Act during the “bridge” term of the proposed action. Current statutory constraints on this authority limit annual expenditures to \$10 million on average.

The one-year term and regular frequency of programs under the Enhancement Act make this authority useful in responding to year-to-year changes in water supplies, assuming some level of shortage basically every year. However additional demand management activities will be necessary given the frequency and severity of water shortages anticipated under the draft proposed action.

Following initial discussions with Reclamation about the potential availability of IRA funding, the DRA’s board of directors has recently held work sessions to discuss and take input on possible multiyear programs under the IRA. Based on the initial discussions to date, the DRA’s board of directors is considering programs that would:

- last between three and five years;
- incentivize cover cropping, soil management, wildlife-leave, and other conservation benefits;
- support crop and land rotation practices by producers; and
- encourage water transfers and exchanges between districts and individual water users.

Given the projected water shortages under Reclamation’s draft proposed action, the DRA anticipates having to administer some combination of annual (Enhancement Act) and multiyear (IRA) demand management programs that **cover not less than 10,000 acres each year**. During a critical water shortage, **upwards of 40,000 acres** will likely need to participate. This scenario assumes independent use of groundwater when surface water is unavailable.

To support a multiyear (IRA) demand management program, the DRA needs at least \$40 million of IRA funding, in addition to Enhancement Act funding, assuming the term of the proposed action is limited to two years. For every additional year added to the term of the proposed action, the DRA anticipates needing an additional \$15 million in IRA funding. Accordingly, a five-year term for the proposed action would require \$85 million in IRA funding to support demand management activities.

The DRA is awaiting an announcement by Reclamation about potential IRA funding before taking further action on such longer-term programs. The DRA would anticipate working with Reclamation’s area and regional offices in developing the details of any specific program.

The DRA is willing and ready to work with Reclamation on demand management programs during the term of the proposed action. Please let us know if there are any questions or any need for additional information.