

The New Repayment Contract

for the

Columbia Basin



COLUMBIA BASIN COMMISSION

Under authority of the Columbia Basin Commission Act of 1943, RCW 86.01, the Commission is authorized to advise and assist the boards of directors of the three irrigation districts in the Columbia Basin in the negotiation of repayment contracts with the United States that are safe and equitable to both contracting parties.

Toward these purposes, the Commission has provided this publication to be distributed to project landowners who soon will be called upon to vote on a repayment contract.

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THE NEW REPAYMENT CONTRACT

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JULY, 1959

COLUMBIA BASIN COMMISSION

Under authority of the Columbia Basin Commission Act of 1943, RCW 43.49, the commission is directed to advise and assist the boards of directors of the three irrigation districts in the Columbia Basin Project in securing repayment contracts with the United States that are safe and equitable to both contracting parties.

Toward these purposes, the commission has provided this publication to be distributed to project landowners who soon will be called upon to vote on a repayment contract.

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FOREWORD

The work of building the irrigation system for the Columbia Basin Project began a few months after signing of repayment contracts between the Irrigation Districts and the United States on October 9, 1945. At that time, there was no way of predicting the major increase in drainage requirements or the inflation of construction costs which caused the contract cost ceiling of \$281,000,000 to be reached when the project was less than half finished.

The answers to these two problems, which must be acceptable to the Congress which appropriates all Project funds, and at the same time result in lowest possible yearly and total cost to the farmer, are found in the new repayment contract for the Columbia Basin Project. This new contract is the result of thorough study by the Irrigation Districts and negotiations with the Bureau of Reclamation starting in 1953. The principal provisions of the contract and the steps necessary to put it into effect are discussed in this pamphlet.

Although the district directors have proceeded slowly and carefully in the negotiation of the new contract, prompt action is now necessary if an abrupt and large increase in yearly water costs is to be avoided. Delay in approval of the new contract by either the landowners and farmers or the national Congress will result in an annual increase of almost \$5.00 per acre for operation and maintenance, construction and drainage starting in 1960 for some blocks and in 1961 for most blocks.

The directors of the three Columbia Basin Irrigation Districts approved the form of the new contract in June, 1959, after a thorough study and extended negotiations. In the Boards' opinion, the new contract means a much lower annual water cost to the farmer in the next 20 years and the lowest possible total water cost. In addition, it means an orderly and common-sense approach to the completion of the project irrigation system, with the result that the whole economy of the area will be strengthened and the average cost of water further reduced.

1. What Is a Repayment Contract?

A repayment contract is the written agreement between the federal government and the irrigation district specifying the project works to be built and the repayment terms. It contains many other provisions governing the conduct of project affairs.

2. What Repayment Contracts Are Now In Effect?

The present repayment contracts between the United States and the Quincy, East and South Columbia Basin Irrigation Districts were signed on October 9, 1945, following approval of the contracts at an election by the water users, held July 21, 1945.

They include dollar limitations on the construction of project irrigation and drainage works. The limitation on irrigation construction is \$281,000,000 and within that ceiling there is a limitation of \$8,176,000 for construction of drainage works.

3. Why Are New Repayment Contracts Being Proposed?

All construction costs have increased since the 1945 contracts were prepared. The de-valued dollars of the present will provide for about 455,000 acres, rather than the 1,029,000 acres originally planned under the provisions of the 1945 contract.

In addition, all drainage costs above the \$8,176,000 total—which will be reached in 1960—will be charged to the farmer as part of his annual water bill.

Equally important is the need for a method by which the irrigation districts can take over operation of the project themselves. No provision for district operation is made in the 1945 contract. The new contract describes the procedure for the districts to take over such operation—at an expected substantial saving in costs to the water users.

4. Could the Districts Continue Under the 1945 Contract?

Yes.

The 1945 contract is binding on the United States and the three irrigation districts. However, the United States is obligated only to build irrigation and drainage works to a total of \$281,000,000. This is the figure that will be reached in about 1962, when the project will be 455,000 acres in size, rather than the 1,029,000 acres planned. The water users would be required to pay \$85 per acre construction charges and the added cost of drainage over the \$8,176,000 in the 1945 contract would be placed on their annual water bill.

5. Where Will the Money Come From?

As in most reclamation projects, construction funds on the Columbia Basin have been appropriated each year by Congress and these appropriations total \$535,000,000 to date. The water users, in the 1945 contracts, agreed to repay \$87,000,000 of the \$281,000,000 allocated to irrigation construction. The basic problem was to draw up a new contract to cover the increased costs of drainage and other construction on terms which Congress could accept as justifying continued appropriations and which at the same time would result in the smallest possible increase in the farmer's repayment obligation. The new contract accomplishes both of these purposes. The farmer on the present project, over a 45 year period, pays only \$40 of the total \$55 per acre costs of drainage facilities to serve his lands. The balance, together with the cost of all other project construction, totaling more than \$200,000,000 will be paid for by net power revenues.

6. What About Drainage Under the 1945 Contract?

Detailed drainage studies show that approximately \$33,600,000 will be needed to drain the 455,000 acres to be served under terms of the 1945 contract. Subtracting the \$8,176,000 of capitalized drainage funds, leaves \$25,400,000—or about \$55 per acre to come from the water users as operation and maintenance costs in addition to their present water charges.

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Under the 1945 contract, the cost of drainage work done each year anywhere on the Project will be paid proportionately by each farm unit in the project. Drainage work must be completed as needed and a very substantial part of the work will have to be done during the first 10 to 20 years, when landowners are least able to assume the cost as an annual charge.

7. How Will Drainage Be Handled Under the New Contract?

Drainage costs for the whole project are estimated at \$44,542,000. Under the new contract, all of these costs will be capitalized along with irrigation system costs. Thus, there will be no occasion to add anything to the water users' annual water bill for these drainage works.

The new contract distributes this drainage money by irrigation blocks and districts so that all lands can be assured of adequate drainage.

8. What About District Operation in the 1945 Contract?

The 1945 contract does not provide for district operation. Under its terms, the Bureau of Reclamation will continue to operate and maintain the project indefinitely, under such rules, regulations and terms as the Secretary of the Interior may prescribe, and with all the overhead costs required for government operation.

9. May the Districts Operate and Maintain the Irrigation Works Under the New Contract?

Yes. The new contract provides for operation and maintenance of the irrigation system by the districts. Experience on other reclamation projects in the West shows that costs to the water users are substantially reduced when the Districts take over from the Bureau of Reclamation.

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COMPARATIVE ANNUAL COSTS

AVERAGE PER ACRE FIGURES

1945 CONTRACT U.S. Operations Assumed

NEW CONTRACT District Operations Assumed

Repayment Year	Estimated Annual O. & M. Charge	Estimated Annual Drainage Costs	Average Annual Construction Charge	Total Annual Cost/Acre	Estimated Annual O. & M. Charge	Estimated Annual Drainage Costs	Average Annual Construction Charge	Total Annual Cost/Acre	Repayment Year
10 Year Development Period	NO CONSTRUCTION ASSESSMENT O. & M. ASSESSMENT ONLY				NO CONSTRUCTION ASSESSMENT O. & M. ASSESSMENT ONLY				10 Year Development Period
1	\$7.00	\$3.00	2.12½	\$12.13	\$6.00	0	\$1.50	\$7.50	1
2	7.00	3.00	2.12½	12.13	6.00	0	1.50	7.50	2
3	7.00	3.00	2.12½	12.13	6.00	0	1.50	7.50	3
4	7.00	3.00	2.12½	12.13	6.00	0	1.50	7.50	4
5	7.00	3.00	2.12½	12.13	6.00	0	1.50	7.50	5
6	7.00	2.50	2.12½	11.63	6.00	0	2.00	8.00	6
7	7.00	2.50	2.12½	11.63	6.00	0	2.00	8.00	7
8	7.00	2.50	2.12½	11.63	6.00	0	2.00	8.00	8
9	7.00	2.50	2.12½	11.63	6.00	0	2.00	8.00	9
10	7.00	2.50	2.12½	11.63	6.00	0	2.00	8.00	10
11	7.00	2.50	2.12½	11.63	6.00	0	2.50	8.50	11
12	7.00	2.50	2.12½	11.63	6.00	0	2.50	8.50	12
13	7.00	2.50	2.12½	11.63	6.00	0	2.50	8.50	13
14	7.00	2.50	2.12½	11.63	6.00	0	2.50	8.50	14
15	7.00	2.50	2.12½	11.63	6.00	0	2.50	8.50	15
16	7.00	2.00	2.12½	11.13	6.00	0	2.50	8.50	16
17	7.00	2.00	2.12½	11.13	6.00	0	2.50	8.50	17
18	7.00	2.00	2.12½	11.13	6.00	0	2.50	8.50	18
19	7.00	2.00	2.12½	11.13	6.00	0	2.50	8.50	19
20	7.00	2.00	2.12½	11.13	6.00	0	2.50	8.50	20
21	7.00	1.00	2.12½	10.13	6.00	0	3.00	9.00	21
22	7.00	1.00	2.12½	10.13	6.00	0	3.00	9.00	22
23	7.00	1.00	2.12½	10.13	6.00	0	3.00	9.00	23
24	7.00	1.00	2.12½	10.13	6.00	0	3.00	9.00	24
25	7.00	1.00	2.12½	10.13	6.00	0	3.00	9.00	25
26	7.00		2.12½	9.13	6.00	0	3.00	9.00	26
27	7.00		2.12½	9.13	6.00	0	3.00	9.00	27
28	7.00		2.12½	9.13	6.00	0	3.00	9.00	28
29	7.00		2.12½	9.13	6.00	0	3.00	9.00	29
30	7.00		2.12½	9.13	6.00	0	3.00	9.00	30
31	7.00		2.12½	9.13	6.00	0	3.50	9.50	31
32	7.00		2.12½	9.13	6.00	0	3.50	9.50	32
33	7.00		2.12½	9.13	6.00	0	3.50	9.50	33
34	7.00		2.12½	9.13	6.00	0	3.50	9.50	34
35	7.00		2.12½	9.13	6.00	0	3.50	9.50	35
36	7.00		2.12½	9.13	6.00	0	3.50	9.50	36
37	7.00		2.12½	9.13	6.00	0	3.50	9.50	37
38	7.00		2.12½	9.13	6.00	0	3.50	9.50	38
39	7.00		2.12½	9.13	6.00	0	3.50	9.50	39
40	7.00		2.12½	9.13	6.00	0	3.50	9.50	40
41	7.00			7.00	6.00	0	3.50	9.50	41
42	7.00			7.00	6.00	0	3.50	9.50	42
43	7.00			7.00	6.00	0	3.50	9.50	43
44	7.00			7.00	6.00	0	3.50	9.50	44
45	7.00			7.00	6.00	0	3.50	9.50	45

TOTAL CUMULATIVE COSTS..... \$455.00

TOTAL CUMULATIVE COSTS..... \$395.00

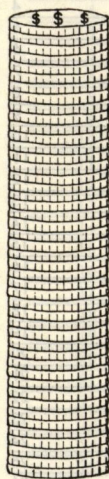
You will notice that:

Drainage costs under the 1945 contract, to be paid annually by all water users starting in 1961, would total \$55 per acre. In contrast, the new contract drainage costs would be zero.

The total costs under the 1945 contract, for a 45-year period, are \$455 per acre.

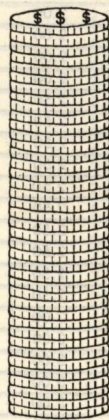
Under the new contract, the total costs would be \$395.00—an average saving of \$60.00 per acre.

COMPARATIVE TOTAL COSTS



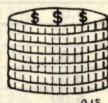
\$455 00

1945 Contract



\$395 00

New Contract



\$60 00

Savings

10. What Does the Farmer Pay On Irrigation Construction?

The following table shows, in each of the years after the 10-year development period, the approximate average assessment for operations and maintenance, for drainage construction and for the system repayment obligation, and the yearly total under the

Ten

1945 contract. It also shows how much the comparable total assessment per acre would be under the new contract.

11. Besides the Long-Term Savings of \$60.00 Per Acre, What Immediate Benefits Can Be Expected From the New Contract?

There are three big dollar advantages to the present farmer under the new contract:

1. His annual construction payment on average land will be \$1.50 per acre, instead of \$2.12 per acre for the first five years. (Under either contract, construction repayment starts the eleventh year of water delivery for any block.)

For the second five years, his annual construction payment is \$2.00 instead of \$2.12 per acre.

2. A large proportion of the drainage facilities will have to be built by the end of the first 10 years, and almost all will have been built by the end of 20 years. Under the 1945 contract, each farmer will have to pay about \$3.00 per acre *each year* the first five years, *in addition to his other water costs*: about \$2.50 per acre each year during the next 10-year period; \$2.00 per acre during the next five years, and \$1.00 per acre for a final five-year period. All of these high annual costs are avoided in the new contract.

3. Savings of \$1.00 an acre or more per year can be made as soon as the districts assume the operation and maintenance of the project under the new contracts.

12. What Does Completing the Project Mean To the Farmer?

Some farmers believe that completing the project will further depress agricultural prices in the area and thus be harmful. We should remember that almost all of the acreage to be served from presently constructed works is already developed. Water delivery to new lands from the East High Canal and the exten-

Eleven

sion of the East Low Canal will not be possible for 10 or more years. Completion of the project at that time will help each individual farmer in several ways. It will:

- (a) Stimulate the establishment of processing plants.
- (b) Provide a better basis for strong marketing organizations.
- (c) Permit more efficient operation and maintenance and use of irrigation works, and
- (d) Provide a larger base acreage against which fixed overhead and administrative costs can be spread.

13. Will It Be Necessary to Again Negotiate An Amendment of the Repayment Contract?

The reasons already given for amendment of the 1945 contract are to capitalize necessary drainage construction and raise the \$281,000,000 construction ceiling. The irrigation districts were successful in writing the new contract to eliminate any dollar ceilings so as to avoid the necessity for future renegotiations of the contract. The new contract provides that construction will continue as long as the government is able to show payout from power and irrigation of the costs that are reimburseable under reclamation law.

14. What Other Changes Have Been Made By the New Contract?

1. The long list of restrictions on eligibility for water in the 1945 contract have been replaced by a short general statement in the new contract which simply refers to the federal laws and regulations relating to the project. Thus, when these laws and regulations are revised concurrently with the approval of the new contracts by the national Congress, there will be no necessity for revision of the contracts themselves. The more important changes requested by the irrigation districts as a part of the contract amendment process include:

- (a) Equalization of land ownership opportunity in the project,
- (b) Eligibility of unconformed farm units lands to receive water after 5 years of water availability.
- (c) Unrestricted sale of government-owned units and portions of units after a 2-year waiting period.

2. The new contract sets up a procedure for furnishing a firm water supply for arable high lands within farm units.

3. Net miscellaneous revenues incidental to operation and maintenance of the irrigation system will be credited proportionately to the districts each year.

4. A parity adjustment has been added to the normal and percentage graduation to be used in determining the yearly construction repayment installment due from each farm.

5. The irrigation districts may perform necessary drainage construction work with their own forces using federally appropriated funds to finance construction. This should result in substantial savings and the most wide-spread drainage benefits.

15. What Steps Must Be Taken to Adopt the New Contract?

The Board of Directors of each district has, after careful investigations and study of all pertinent factors, approved the form of the new contract and the approval of the Secretary of the Interior is expected by July 1, 1959. Each of the irrigation districts will hold a special election some time around the first of August, 1959. The exact date and complete information as to election precincts and polling places will be thoroughly publicized by publication in newspapers and announcements and news stories on all radio and T.V. stations in the area.

At the special election the eligible electors will vote by secret ballot on whether to accept the new contract. If a majority of the votes cast are "yes" votes the Boards of Directors of the districts will be authorized

to sign the new contracts which will then supersede and replace the 1945 contracts.

After favorable action by the voters in each of the three irrigation districts, the new contracts will be submitted to Congress for review and approval. The other changes in the Columbia Basin Project Act requested by the irrigation districts will also be introduced at this time. After approval of the contract and enactment of the accompanying legislation by Congress, the new contract may be signed by the Secretary of the Interior and the officers of the irrigation districts.

16. Who May Vote On the New Repayment Contract?

Irrigation District laws of the State of Washington govern all district elections. Under State irrigation law, persons may vote who are:

- (1) 21 years of age or older
- (2) Citizens of the United States
- (3) Residents of the State of Washington, and
- (4) Have title or evidence of title to lands within the district.

Such persons are entitled to one vote for the first ten acres or fraction thereof of land in the district being used for agricultural or horticultural purposes and one additional vote for all of such land over ten acres. Where land is community property both the husband and wife may vote if otherwise qualified.

If a person has land in more than one district he may vote in each district in which he owns land. If a person does not have a deed for his land but is buying it on contract and he is required under the contract to pay irrigation district assessments, he is entitled to vote if otherwise qualified.

A company or corporation owning land in a district may vote through an officer or agent who is authorized in writing to do so.

17. Where and How Should Qualified Water Users Vote?

State irrigation law does not permit absentee balloting. Therefore qualified voters must vote in person at the polling place. Polling places will be announced in the notice of election.

Each irrigation district is divided into 5 divisions. An elector must vote in the division in which he owns land. If he owns land in several divisions he may vote only in the division nearest his place of residence. Voting is open to all qualified owners of land within the district and is not limited to lands now receiving irrigation water. On the other hand, ownership of land in cities and towns and other platted areas does not qualify a person as a voter in the special election.

18. Where Can Additional Information Be Obtained?

By writing any one of the irrigation districts, the names and addresses of each of which are as follows:

East Columbia Basin Irrigation District, P.O. Box 758, Othello, Wn.

Quincy-Columbia Basin Irrigation District, P.O. Box 188, Quincy, Wn.

South Columbia Basin Irrigation District, P.O. Box 1006, Pasco, Wn.

Any one seeking information on voting eligibility should state his full name, age, length or place of residence in the State of Washington, best available description of his land and the district in which it is located, and whether the land is owned outright or under a purchase contract.

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