THE ADMINISTRATION'S FY 2006 BUDGET AND PRIORITIES OF THE U.S. ARMY CORPS OF ENGINEERS, THE NATIONAL RESOURCES CONSERVATION SERVICE, THE TENNESSEE VALLEY AUTHORITY, AND THE ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION

(109–5)

HEARING

BEFORE THE

SUBCOMMITTEE ON
WATER RESOURCES AND ENVIRONMENT

OF THE

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

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Thursday, March 10, 2005

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT, COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE, WASHINGTON, D.C.

The subcommittee met, pursuant to call, at 9:55 a.m., in Room 2167, Rayburn House Office Building, Hon. John J. Duncan, Jr. presiding.

Mr. DUNCAN. I want to go ahead and call the subcommittee to order. I am going ahead here, ahead of everybody, because I am going to at least get my statement into the record.

Unfortunately, we are going to have to break here in just a few minutes for a journal vote. But I want to welcome everyone to the second of our fiscal year 2006 budget hearings. Everybody is all worked up about the budget. Everybody is coming to see us, and I tell people that the House committees make some changes, the Senate committees make some changes, the Budget committees, the Appropriations committees, and then we have supplemental and omnibus appropriations. There are going to be a lot of changes before everything is said and done by the end of the year.

I want to welcome all the witnesses. Today we will hear from officials representing the Army Corps of Engineers, the Tennessee Valley Authority, the Natural Resources Conservation Service, and the Saint Lawrence Seaway Development Corporation on their budgets and priorities for fiscal year 2006. All of these agencies are involved in some aspect of managing the Nation's water resources, primarily for transportation, flood control, ecosystem restoration, and electric power generation, and I appreciate all of you taking time out of your very busy schedules to be here with us this morning.

While I support the President's efforts to control Federal spending, I do have questions and do not support some of the cuts of investments in America that have proven economic benefits, particularly investments in transportation infrastructure. This view is shared by Thomas Donahue, President and CEO of the U.S. Cham-

ber of Commerce, who said recently: "The Nation's transportation system is the lifeblood of our economy. Without additional investment in our infrastructure, our system of commerce is impaired, our mobility is restricted, our safety is threatened, our environment is endangered, and our way of life is compromised." And I agree with that statement by Mr. Donahue. In fact, I just met with him a few minutes ago.

Just yesterday, the American Society of Civil Engineers released their 2005 Report Card for America's infrastructure. They gave the condition of America's navigable waterways a grade of D-. That is down from the D+ waterways received in 2001. The Budget Request says we can not pay for everything. I agree. The Request says we need to establish priorities, and I certainly agree with that. Unfortunately, the priorities in this Budget Request are not based on what many people feel is a coherent transportation, flood control, or ecosystem restoration policy.

For example, in allocating funding to the Corps of Engineers for operating and maintaining our waterways, the Budget Request would eliminate funding for many tributary waterways because they do not carry as much cargo as the main stem waterways. This rationale demonstrates a fundamental misunderstanding of how the inland waterways system works by ignoring the fact that two-thirds of all tonnage on the system, two-thirds, either begins or ends on these tributary waterways. If you eliminate them, you threaten the economic viability of the entire waterway transportation system.

For the construction of Corps navigation and flood damage reduction projects, the Budget Request proposes to allocate most funding based on the ratio of a project's remaining benefits to remaining costs. This method of establishing priorities puts a large thumb on the scale in favor of projects that are near completion because water resource projects often will have no benefits until the project is completed. If you compare 100 percent of the benefits to less than 100 percent of the costs, the benefit-to-cost ratio will appear large.

Finishing ongoing projects is important, but it can not be the only policy basis for allocating funding, particularly when you are talking about projects that are part of an intermodal transportation system. A budget based on transportation policy would look at which projects are most necessary for the efficient functioning of our intermodal transportation system and place priorities on those projects. If this Request to evaluate waterways projects is part of our intermodal transportation system, it would recommend funding for the ongoing construction of the Chickamauga Lock. Secretary Woodley came at my request and, I think, learned during his visit last year that the Tennessee River is a vital part of the transportation system in America. If the Chickamauga Lock fails, the Tennessee River will be closed to transportation, cutting off Knoxville, Oak Ridge, and other communities to waterborne transportation.

If only half of the cargo that is handled by this lock switches to trucks, an additional 45,000 tractor trailer trucks will be congesting the roads of East Tennessee. I want to say that again. If only half of the cargo handled by this lock switches to tractor trailer trucks, an additional 45,000 large trucks, tractor trailer trucks will

be congesting the roads of East Tennessee. For Oak Ridge it means that equipment that is too large for truck transportation will not be delivered at all. This is unacceptable transportation policy and is unacceptable on national security grounds as well.

I also would like to point out that even applying the prioritization system adopted by this Budget Request, the Chickamauga Lock would be eligible for funding. If we fail to construct a replacement lock, the lock will fail. Everyone agrees with that, everyone. Compared to letting the lock fail, the remaining benefits of building the authorized 600 foot lock are 4.2 times greater than the remaining costs associated with the project, even using a 7 percent discount rate used in the Budget Request, instead of the 6.1 percent discount rate used in the Chief's report, which under current law is the correct discount for the evaluation of this project. That is a little bit technical, but this means that Chickamauga Lock has a higher remaining benefits to remaining cost ratio than 30 projects funded by the budget request, and a higher net benefits to total cost ratio than 58 of the projects funded by the budget request.

I have heard the excuse that no funding could be allocated to the Chickamauga Lock because the Chief's report is still under review at OMB. OMB has had this report under review since January 15th of 2003, even though the Chief of Engineers completed his technical report on May 30th of 2002 and Congress authorized the project on February 20th of 2003. Claiming you couldn't fund the project because you did not choose to complete a review of the report is like my son telling me he couldn't finish his homework because he didn't choose to change the lightbulb on his desk lamp. I don't want to hear anymore excuses about this.

The Saint Lawrence Seaway Development Corporation is a transportation agency that manages the U.S. part of the Saint Lawrence Seaway. There are transportation policy issues raised by the Seaway's budget request as well. In particular, how does the proposal in the Budget Request to impose tolls on the use of the Seaway consistent with DOT's efforts to promote increased use of the Seaway to help relieve congestion in other transportation modes? Also, I am concerned about the policy choices implied in the allocation of funding for flood control.

The Budget Request for the Corps arbitrarily sets a high priority for dam safety projects, without any analysis comparing the risk of flooding if those projects with the risks of other flood control projects. For other flood control projects, a strict benefit-cost analysis does not recognize the policy objective of providing all communities with at least a 100 year level of flood protection, even if the community is small or has no high cost housing, reducing the benefits associated with the project. Instead of providing flood protection to small communities, the Budget Request would zero out funding for the small watershed program of the Natural Resources Conservation Service, even though these are small cost-effective projects that protect our water and our land in rural America. The policy basis for recommending construction of aquatic ecosystem restoration projects by the Corps also is problematic.

I must express concern with one ecosystem restoration project recommended by the Corps' budget: the Modified Water Delivery

Project in Florida. Congress has not authorized the Corps of Engineers to fund this Department of Interior project, nor do we intend to. I am surprised that the Budget recommends unauthorized funding.

Finally, I want to comment on TVA's budget for fiscal year 2006. There is no agency more important to the people of my district than the Tennessee Valley Authority. Unlike the other agencies before us today, TVA is self-financed, drawing its revenues from the eight million people in the seven States that it supplies with electricity. In recent years, in the interest of sound business practices, TVA has emphasized reducing its statutory debt, which currently is more than $23 billion. There has been some dispute within TVA's board about whether TVA is doing all it can to cut costs and reduce debt. I plan to look closely into that issue.

Let me just say I went ahead, because of our journal vote, with my statement and also because it was a little longer than usual. We started a little bit early. I am going to let Ms. Johnson either choose to go ahead with her statement now or we will break for the vote, whichever you prefer.

I don't know whether you have had time to catch your breath or not, but I just went ahead and wanted to get my statement in the record and get that part of the hearing out of the way. So now that I have had my say, do you want to go ahead now?

Ms. JOHNSON. Yes, I will go ahead.

Mr. DUNCAN. All right.

Ms. JOHNSON. Thank you, Mr. Chairman. I was headed to the Capitol for this 10:00 vote and thought we would come later, so that is why I was running a little late, I had to reverse things. But I thank you for holding this hearing today on the fiscal year 2006 budget and its impact on the agency programs and priorities within the jurisdiction of this subcommittee.

As I stated in our last hearing on budgets and priorities for Environmental Protection Agency and the National Oceanic Atmospheric Administration, the Federal agency witnesses here today will have a difficult time convincing me that this budget is adequate to meet the Nation's needs. The funding levels and presidential priorities reflected in this budget fail to uphold the Nation's priorities of protecting the environment, increasing investment in the critical water-related infrastructure, and taking the steps necessary for continued economic prosperity.

The President's budget takes a shortsighted view of the Nation's economy by making improvement cuts in programs that have proven essential for the Nation's long-term economic health in order to make a short-term savings in Federal spending. This Administration fails to recognize a continued investment in our Nation's water-related infrastructure is a key element for stimulating improving the U.S. economy, one that not only helps current generations, but provides for continued economic growth, job creation, and economic stability for generations to come. Our current economy is built on the investments of our predecessors. Cutting investment today and exploding the future deficits will combine to deny economic opportunity to succeeding generations.

For example, the President's budget eliminates funding for the Dallas Flood Way Extension Project in Texas. The flood control

project along the Trinity River would provide critical flood protection for portions of downtown Dallas and the neighborhoods of Oak Cliff and West Dallas, raising the level of flood protection to standard flood protection levels and protecting the lives and livelihoods of some of those 12,500 homes and businesses. I have seen water up to their ceilings, where you couldn't even see the windows in some of these homes.

The City of Dallas estimates that the Flood Way Extension Project, when completed, would prevent an excess of $8 billion in flood damage and would avoid the potential of massive economic disruptions and relocations that would occur should this area experience widespread flooding. In addition, the Flood Way Extension Project calls for the restoration of 123 acres of critical habitat and wetlands along the Trinity River and would provide additional recreational opportunities for the citizens and visitors to the Dallas metropolitan area.

And this is just one example in my district of the impact of the Corps' budget. I am certain that many members of this committee could identify similar projects of importance that are targeted for elimination or reduction by the budget proposal. These cuts are not limited to the Corps of Engineers, but also to the budgets of other Federal agencies represented here today.

The small watershed program in the Natural Resource Conservation Service is completely eliminated. There is no consideration of termination costs, no consideration of State or local investment. This budget simply walks away from rural communities, and I hope the witnesses will listen to the concerns over the cuts proposed by the President's budget and will understand the real impact behind these numbers and will convey to the White House and OMB the real needs for continued investment in our Nation's economy. The implications of insufficient investment in our Nation's water-related infrastructure to both current and future economies are massive. This committee understands the potential impact; however, clearly, we need to do a better job of educating this Administration on this point.

Thank you, Mr. Chairman.

Mr. DUNCAN. Well, thank you, Ms. Johnson.

And as I said, unfortunately, we are going to have to run for this vote, so we will be in recess for about 15 minutes. Thank you.

[Recess.]

Mr. DUNCAN. I want to call the subcommittee back to order. I gave my opening statement and Ms. Johnson gave her opening statement before we broke for the vote. That means that next we would go to Mr. Osborne.

Mr. Osborne, do you have an opening statement?

Mr. OSBORNE. No.

Mr. DUNCAN. Mr. Pascrell.

Mr. PASCRELL. Thank you, Mr. Chairman.

I think my constituent, Yogi Berra, coined the phrase best when he said it's like deja vu all over again. The annual battle over the Army Corps' budget begins again. It is easy for OMB to advocate for big cuts in the Corps' budget from their ivory tower here in Washington, D.C., but on the ground, in districts like yours, Mr. Chairman, and mine, and in all the rest of us here, the cuts to the

Corps' budget threaten to hold up countless important projects. For example, the fiscal year 2006 budget proposal zeros out funding for the Peckman River Flood Control Feasibility Study. This is a project authorized by this very subcommittee. People in my district are up in arms about this matter of life and death. The flooding along the Peckman River was so bad during Hurricane Floyd that the community lost one of its residents.

Molly Anne's Brook Flood Control Project has been severely impacted by budget cuts. This project was completed, for the most part, four years ago, but Floyd could not have hit at a worse time. The Corps was at the ending stages of the project. When the storm hit, it caused tremendous damage to the project. If another storm as significant as Hurricane Floyd comes through this fall, this incomplete project would not prevent as much damage as it should, obviously.

There is one additional item which I would like to bring to your attention. Many of the cities along the Passaic River are badly in need of new commercial, industrial, and residential investment, and have abundant and underutilized waterfront land. Much of this property, however, is now of limited value because past industrial activity has turned the Passaic River into one of the most contaminated rivers east of the Euphrates.

Now, how in God's name can we be spending for infrastructure in Iraq when we are failing to address those very same needs in our own Country, in our own backyards? There is no rationale whatsoever. So it is deja vu, as Yogi would say.

The ongoing Lower Passaic River Restoration Project is pooling a host of resources from your agencies, the EPA and the State of New Jersey, to achieve the best results for this comprehensive cleanup in the shortest amount of time possible. I believe that the Lower Passaic Restoration Project, while solution-oriented, will ensure that polluters who are still around will pay their fair shares of restoration costs. And we have come to an agreement with those polluters, staying out of the courts, the very thing that down the street is always harping about. We have done it in New Jersey; it is the model for the entire Country. We can not do it without the assistance of the Corps. We need to work together to make sure the Corps is putting up their fair share, as we want to move forward at a more rapid pace, obviously.

So, Mr. Chairman, I have serious concerns about this budget, as do all of us, and I wish the panel lots of luck in defending the Administration's request today; they are going to need it. Thank you.

Mr. DUNCAN. Well, thank you very much, Mr. Pascrell. We are always honored to have the chairman of the full Science Committee, the immediate past chairman of this subcommittee, Mr. Boehlert, with us. Mr. Boehlert, do you have a statement.

Mr. BOEHLERT. No, Mr. Chairman.

Mr. DUNCAN. All right.

Ms. Norton.

Ms. NORTON. Thank you very much, Mr. Chairman.

I was prepared for some cuts in this budget, and I think everyone was prepared for that; it has been the rule rather than the exception, but particularly this year were we ready for it. But I think

it is fair to say that the President's budget assigns more than its fair share of cuts to this budget.

Perhaps I shouldn't complain; the one new project started is in the District of Columbia. But that is a Federal project which was an offer that the President almost could not refuse. When you look at this map here, this is a flood control project on a floodplain which involves areas that include virtually the doorstep of the Capitol and the White House. So if that is what it takes to get a new project, that you have to come to the official Federal presence in order to get a project started up, I can only express my condolences to the American people, because it looks as though you live in a floodplain anywhere else, you are out of luck.

Now, if I may say so, nobody lives here. Nobody lives in the Capitol; somebody does live in the White House. And I am not objecting to this project by any means. I think this project should have started a long time ago. I think what has probably put it in the budget this year is you have got the World War II Memorial right down there now, and I think the Government would be sorely embarrassed if, after putting this project off for decades, we had a terrible flood—the Potomac River, as we all knows, flows right by this area—if we had a flood that, in fact, engulfed part of the mall and part of our great monuments. But as grateful as I am to have this matter dealt with finally, I can only accept this project with deep regret for the many projects which are not only not started, but are left in the lurch.

One of the worse things you can do, particularly if you want to save money is to take a project you have already started, already invested in, and walk away from it. And that is what this budget mandates throughout for many projects that have already started. And some of these are flood control projects, where people live. These are huge and dangerous cuts. And walking away from projects where you have already invested, already done the work is the functional equivalent of a contractor walking off the job, except that this contractor is the United States of America, it may be the Corps forced to leave a project. This is irresponsible. Most of the projects we have to pick up at some point later. And I recognize that there are huge and horrible tradeoffs here, but I can not understand that kind of tradeoff with greater costs in the future, and probably some loss and often considerable loss of the investment the Government has already made. I predict layoffs here of skilled personnel. I don't see how you can have these kinds of cuts while in fact keeping this personnel. That I particularly regret, because we are already losing very skilled personnel in the Federal service, so much so that another committee I am on is very troubled that we are unable to replace them, especially at the levels where the Corps and other agencies involved work.

Finally, let me note, Mr. Chairman, that on the floor today, of course, we intend to finish the transportation infrastructure bill. Now, everybody recognizes, perhaps because everybody rides over a road, the importance of the highway infrastructure to any great nation. The real difference between an underdeveloped nation and a developed nation is often roads that allow the economy to go. This budget does not show that there is an understanding of how important the waterways infrastructure is to our Country, as if it

doesn't matter. We are, I think, taking economies that are foolish. I know everything costs money, but I think to make these huge cuts out of one budget is nothing short of irresponsible.

Thank you, Mr. Chairman.

Mr. DUNCAN. Thank you very much.

Mr. Gilchrest.

Mr. GILCHREST. Very briefly, Mr. Chairman. Thank you. And I want to thank the witnesses for coming to testify today. I know your sense of anticipation to testify before Congress is nothing short of your anticipation of probably Christmas morning or things like that.

What I would like to do just very briefly, because I have another meeting at 11, so I might not get my questions in, but I just want to make my sense of things.

Depending on where you live, depending on what your geography is, and depending on how long you have lived there pretty much depends on what your economy needs or you think your economy needs. I come from a very rural area. Agriculture is predominant, fishing, tourism, hunting, etc. What I would be interested in is having the Corps, NRCES, whoever, maybe work together on a cost benefit analysis to see how much or what the difference is between nature's infrastructure and human infrastructure costs are.

For example, what does it cost to build and maintain a sewage treatment system to cleanse the water before it goes into a stream, and what does it cost for a forested wetland to do the same kind of thing? For example, in the Chesapeake Bay, the C&D Canal. What does it cost to maintain the C&D Canal now, at 35 feet, versus what would it cost just to let it silt in a little bit, then actually you would have a barge route there for the Port of Baltimore.

Flood control has been mentioned already. What does it cost for dams and berms and all these other prostheses that we put in versus a forested wetland or a wetland or open space? In Ocean City in Assoteague, what does it cost for beach replenishment on an annual basis from now until the sun burns out, I guess, versus taking a few jetties down and let that sand naturally migrate back and forth?

So I think it would be interesting to see the cost-benefit analysis of what we put into things and what benefit we get back in human infrastructure versus a cost-benefit analysis when we allow open space or try to restore or expand open space of the natural processes.

Thank you, Mr. Chairman.

Mr. DUNCAN. Thank you, Mr. Gilchrest.

Judge Poe.

Well, we are ready to proceed with the testimony, and I already told the witnesses that I do appreciate the fact that they have taken time out of their busy schedules to be here. Mr. Gilchrest said he thought their anticipation was like Christmas morning; it is probably more like when they have to go to the dentist or something.

At any rate, we are pleased to have the Honorable John Paul Woodley, Jr., who is the Principal Deputy Assistant Secretary of the Army for Civil Works; we have Lieutenant General Carl A. Strock, the Chief of Engineers of the Army Corps of Engineers for

the army; we have the Honorable Glenn L. McCullough, who is the Chairman of the Tennessee Valley Authority; we have the Honorable Bruce I. Knight, who is Chief of the Natural Resources Conservation Service; and we have the Honorable Albert S. Jacquez, who is the Administrator for the Saint Lawrence Seaway Development Corporation.

Thank you very much for being here. We always do proceed in order of the witnesses listed on the call of the hearing, and so, Secretary Woodley, you can begin.

TESTIMONY OF HONORABLE JOHN PAUL WOODLEY, JR., PRINCIPAL DEPUTY ASSISTANT SECRETARY OF THE ARMY (CIVIL WORKS), U.S. DEPARTMENT OF THE ARMY, WASHINGTON, D.C.; LTG CARL A. STROCK, CHIEF OF ENGINEERS, U.S. ARMY CORPS OF ENGINEERS, WASHINGTON, D.C.; HONORABLE GLENN L. MCCULLOUGH, JR., CHAIRMAN, TENNESSEE VALLEY AUTHORITY, KNOXVILLE, TENNESSEE; HONORABLE BRUCE I. KNIGHT, CHIEF, NATURAL RESOURCES CONSERVATION SERVICE, WASHINGTON, D.C.; AND HONORABLE ALBERT S. JACQUEZ, ADMINISTRATOR, SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION, WASHINGTON, D.C.

Mr. WOODLEY. Thank you very much, Mr. Chairman. I want to assure you it is indeed a delighted pleasure, comparable in some ways to Christmas, to appear before the subcommittee. And the reason I say that is very simple: General Strock and I, when we appear before this subcommittee, know that we are appearing before a group of leaders and legislators who understand and appreciate the inexpressible value of the work of the Corps of Engineers in communities across the Nation.

Since I appeared before you last, Mr. Chairman, I have had the opportunity to visit many of these communities in many of the districts that you represent. Wherever I go I am astonished at the work that the Corps of Engineers has undertaken and has undertaken through the years that makes a difference in people's lives everyday.

So I appreciate very much the opportunity to testify before you today, and I am delighted to be accompanied by Lieutenant General Carl Strock, the very distinguished fifty-first Chief of Engineers.

I ask your permission, Mr. Chairman, if I may, to include my complete statement as written in the record of the hearing.

Mr. DUNCAN. All full statements will be included in the record, and you may summarize, if you wish to do so.

Mr. WOODLEY. Mr. Chairman, the fiscal year 2006 budget for the Army Civil Works Program includes about $4.5 billion in Federal funding. My complete statement includes a breakdown of this funding by mission area or business program area, as defined in the Civil Works Strategic Plan.

In addition to the budget justification materials already provided, we plan to provide a five-year budget plan later this month. This budget plan will help with long-range planning for this program.

Allocations in fiscal year 2006 budget for planning, design, and construction reflect a focus on those studies and projects with the highest expected returns in the Corps' primary mission areas of

commercial navigation, flood and storm damage reduction, and aquatic ecosystem restoration. The budget sets priorities for construction using seven performance-based guidelines. A copy of the guidelines is attached to my complete statement.

Of the 105 construction projects that are funded, the budget bases the level of funding on relative performance. For 35 lower-performing, previously budgeted projects that will have ongoing contracts, the budget provides funding to either complete or terminate each contract depending on the Corps of Engineers' assessment of the relative cost of completion versus termination for that contract. The budget also proposes to replace existing authority to award continuing contracts with new authority to award multi-year contracts to gain greater control over future costs.

The Corps' regulatory program to protect aquatic resources receives $160 million, an increase of $10 million from fiscal year 2005 budget and an increase of $15 million from the fiscal year 2005 enacted appropriation. This funding will enable more effective protection for waters and wetlands and more timely Corps permit evaluations.

Mr. Chairman, this budget and the forthcoming five-year plan incorporate performance budget principles. Many high-performing activities would be will funded, and it is certainly true that other activities, although highly justified and entirely worthy of support, would be deferred, at least for the time being. In all, the budget moves ahead with many important investments that will yield enormous returns for the Nation's citizens. Thank you, Mr. Chairman.

Mr. DUNCAN. Thank you very much, Secretary Woodley. We will get to questions later, but I do applaud the Administration for recommending $275 million more than they did last year in their budget for the Army Corps, but I do agree with Mr. Pascrell; we are spending approximately $100 billion a year, or $8 billion a month in Iraq and Afghanistan, mainly Iraq, and it seems to me $4.5 billion for all the water projects all over the Country, I wish we could spend at least as much here as we are spending on this same type of work in Iraq.

General Strock?

General STROCK. Mr. Chairman and distinguished members of the committee, I too am honored to be testifying before you today, along with Mr. Woodley, on the President's fiscal year 2006 budget, and I too will summarize my points here today.

This budget is a performance-based budget that reflects the realities of a national budget supporting the global war on terror. This budget focuses on funding 47 projects that will provide the highest returns on the Nation's investment, plus 14 dam safety projects. Funds will be used for critical water resources infrastructure that provides quality of our citizens' lives and provides a foundation for national economic growth and development.

The budget incorporates performance-based metrics for a continued, efficient operation of the Nation's waterborne navigation, flood control, and other water resource management infrastructure, fair regulations of wetlands, and restoration of important environmental resources such as the Florida Everglades, the Upper Mississippi River, and Coastal Louisiana. It also improves the quality

of recreation services through stronger partnerships and modernization.

This budget provides approximately $48.9 million to complete 13 projects by the end of 2006. As part of a comprehensive strategy to reduce the construction backlog, the fiscal year 2006 budget funds 44 other projects that provide high returns and are consistent with current policies. In all, 105 projects are funded so that we can provide benefits to the Nation sooner.

The fiscal year 2006 budget includes $2.142 billion for the Operations and Maintenance Program, and I can assure you that I will continue to do all that I can to make these programs as cost-effective as possible.

The Corps is undergoing sweeping transformational changes as a result of our customer and stakeholder input. We have implemented USACE 2012 within the Corps becoming a matrix team, and our business processes are also focused on eight Corps regional business centers to more efficiently serve the public and the Armed Forces.

We continue to strengthen our management of resources, streamline our planning processes, and we invite the involvement of other Federal, State, and local agencies, sponsors and interested organizations to participate early in the planning process to ensure that concerns are addressed up front rather than at the end of a plan.

The Corps continues to strengthen its regulatory program to ensure wetlands mitigation is effective in retaining the quantity, quality, and functions of those critical resources.

We also look forward to continue the use of external independent review of major Corps project studies to help ensure those studies sufficiently address national, economic, and environmental considerations.

Domestically, more than 2,000 USACE volunteers from around the Nation responded to the call for help from their fellow citizens when four hurricanes struck the southeast last fall, and again after this winter's heavy rains across the Nation. Our dams, levies, and reservoirs provided billions of dollars in flood damage reduction to protect lives, homes, and businesses.

The Corps has also played an integral role in the global effort to provide relief for victims of the massive tsunamis triggered in the December 26th earthquake off the coast of Indonesia. A Corps of Engineers employees from the Engineer Research and Development Center in Vicksburg, Mississippi, three Forward Engineering Support Teams from Japan, Alaska, and Arkansas; and the Corps 249th Primary Power Battalion were all sent to help in the area's recovery.

Finally, the Civil Works Program is continuing to prove invaluable as soldiers and civilians of the Corps of Engineers help to rebuild the infrastructure in Iraq and Afghanistan, and to support the military forces deployed there. Currently, approximately 600 members of our organization are serving in Afghanistan and Iraq, sharing their knowledge and expertise with local engineers and other professionals. And, to date, over 3,000 Corps civilians have volunteered and served in the theater of operations, sharing the same dangers and hardships as those we support. Almost as impor-

tantly, we are using technology in support of those deployed team members to leverage the full capability of the organization.

Sir, in closing, let me assure you that the Corps is committed to serving the Nation by contributing to our national defense, to the quality of our environment, and to our economic prosperity, and I truly appreciate your continued support in this end.

Thank you, Mr. Chairman and members of the committee. That concludes my statement.

Mr. DUNCAN. Thank you very much, General Strock.

Next we have the Honorable Glenn L. McCullough, who is Chairman of the Tennessee Valley Authority. Chairman McCullough, you heard me say in my opening statement that the agencies we deal the most with in this subcommittee are the Army Corps and the water programs of the EPA, about 40 percent of their budget. But I just want to say I know that your term as Chairman I think expires in May, but you have, I think, worked very, very hard and have always tried to do what was right, and I admire and respect the work that you have done as Chairman of the Tennessee Valley Authority, and I just want to salute you on that. I have been concerned about the huge debt that TVA has had for a number of years. I think you have tried to bring that down, and I think you have tried to be fiscally conservative in the operation of the Authority, and I appreciate what you have done for our region.

With that, you may begin your testimony.

Mr. MCCULLOUGH. Mr. Chairman, on behalf of TVA and personally, thank you very much for those kind words. It is an honor for me to serve with you and for me to be here today.

Madame Ranking Member, members of the subcommittee, on behalf of the TVA Board of Directors and our employees, I want to thank you for this opportunity to appear here today. I am Glenn McCullough, and I have served as Chairman of TVA since July of 2001.

TVA was created in 1933 by the TVA Act. TVA is entirely self-enhancing and we receive no funding from Congress. TVA provides electric power to more than 8.5 million people in the Tennessee Valley through 158 local power distributors, and 62 directly served customers. Our mission is to deliver excellence in three key areas: generating affordable, reliable electric power; stewardship of the region's natural resources; and sustainable economic development in the seven-State region that we serve.

TVA provides power for the region through a unique blend of coal, nuclear, hydroelectric, and gas-fired generation. TVA's power system achieved its best performance in our 72-year history in the year 2004. TVA met an all-time power demand of 29,966 megawatts in July. Our fossil plants set both production and reliability records. TVA is bringing online the Nation's first nuclear reactor in the twenty-first century at Browns Ferry. I am pleased that we are currently on budget and on schedule for a May of 2007 restart of Browns Ferry Nuclear Unit 1.

In addition, we will increase emission-free generation by 750 megawatts in our hydroelectric dams along the Tennessee River system. And for the fifth year in a row TVA's 17,000-mile transmission system achieved a 99.999 percent reliability for our customers.

TVA effectively manages the Tennessee River system. In 2004, TVA began implementing a new reservoir operations policy to better manage the competing needs that are served by the river system.

Now, while we deliver affordable, reliable energy to our customers, TVA is working to improve air quality by conducting one of the most aggressive emissions reduction programs in our Nation. By the end of the decade, TVA will have invested $6 billion to reduce emissions. Now, in order to comply with increasingly stringent emission reduction requirements, TVA also plans to make minimal use of purchased emission allowances that are consistent with regulatory requirements.

Since TVA's beginning, economic development has been at the heart of our mission. TVA aggressively works to retain and to attract jobs to the Tennessee Valley. In 2004, over 50,000 jobs were either created or retained in the Tennessee Valley, along with a capital investment exceeding $2.1 billion.

In 2004, while we are achieving excellence in energy and the environment in economic development, we are also striving to increase our financial flexibility. Last year, TVA reduced total financing obligations by $278 million, which is $53 million more than our target. For fiscal year 2006, we are projecting more than $8.1 billion in revenue. We plan to invest more than $1.3 billion in capital projects for our power system, including clean air projects, the recovery of Browns Ferry, and transmission system reliability.

Now, we expect to invest $85 million in stewardship activities, which is about the same level as previous years. TVA also plans to reduce total financing obligations by $150 million.

We have an aggressive goal to reduce total financing obligations by $5.6 billion by the year 2015.

Beginning with our annual report in fiscal year 2006, TVA will begin filing financial reports with the Securities and Exchange Commission, as required by the 2005 Consolidated Appropriations Act. TVA has been increasing its transparency and disclosure for several years, and we support measures that would make TVA more open to the people we serve.

The same legislation makes a major structural change in TVA's governance. The bill creates a new nine-member board, instead of TVA's current three-member full-time board. Board members will continue to be nominated by the President, confirmed by the Senate. The new board will hire a chief executive officer, which currently TVA does not have.

The year ahead poses new challenges. TVA employees are ready to meet those challenges. We are committed to working with Congress, with the Administration, with stakeholders throughout the region on issues that will shape the future of the Tennessee Valley.

Thank you again for this opportunity to be with you today, and I would be happy to answer your questions.

Mr. DUNCAN. Thank you very much, Chairman McCullough.

Mr. Knight?

Mr. KNIGHT. Chairman Duncan, members of the subcommittee, thank you for the opportunity to appear before the subcommittee today to discuss the water resource program activities of the Natural Resources Conservation Service. In my remarks I will focus on

our ongoing efforts in this area of our jurisdiction and discuss our budget priorities for fiscal year 2006.

The Natural Resources Conservation Service water resource programs provide communities and landowners site-specific technical expertise for watershed planning and financial assistance for watershed project implementation. The programs provide a process to solve local natural resource programs, including flood damage mitigation, water quality improvement, ensuring an adequate rural water supply, water conservation, soil erosion control, and fish and wildlife habitat improvement.

Local governments and other sponsors initiate projects with the help of NRCS, and conservation districts are empowered as decision-makers to build State and local partnerships and acquire funding contribution.

The President's 2006 budget recommends funding based on the relative priority of the three accounts in the NRCS water resource programs budget. The Watershed Surveys and Planning program helps communities and local sponsors assess natural resource issues and develop coordinated watershed plans that will conserve and utilize their natural resources. This include floodplain management studies, cooperative river basin studies, flood insurance studies, watershed inventory and analysis, as well as development of Public Law 566 watershed programs. Over 65 percent of these plans are used to enable local planning efforts, while the other 35 percent guide experts and sponsors in the implementation of watershed projects to solve natural resource problems.

The President's budget for fiscal year 2006 proposes to focus on funding existing Watershed Survey and Planning efforts. The budget request is $5.1 million. To help approximately 40 communities complete their ongoing watershed planning efforts.

The Watershed and Flood Prevention Operations component in the fiscal year 2006 budget proposes to redirect this program's resources to other high-priority programs. This decrease in funding for Watershed and Flood Prevention Operations account will enable the Administration to divert limited resource to other priorities, such as accelerating technical assistance to help agricultural producers meet regulatory challenges, particularly in the area of helping them manage livestock and poultry waste.

Mr. Chairman, I would note that the funding for this program is over 105 percent allocated by the earmarking process, which has effectively removed the Department's ability to manage this as a standalone program. The intense level of congressional directives does not permit the agency to prioritize projects based on merit or local need, or give us the ability to coordinate program efforts in order to meet overall strategic natural resource goals.

The President's budget funding request for fiscal year 2006 does include funding for Watershed Rehabilitation activities involving our aging dams. These projects involve dams with a high risk of loss of life and property. To date, 134 watershed rehabilitation projects have been funded and 37 have been completed. Sixty-six dams have rehabilitation plans authorized and implementation of the plans is underway. The Administration requests $15 million to address critical dams with the greatest potential for damage.

To sum, Mr. Chairman, the U.S. Department of Agriculture has accomplished much in the water resource programs over the last 50 years. Economic, social, and environmental benefits from these programs have been significant for both agricultural and urban communities, which will continue to enjoy reductions in erosion, improved water quality, flood mitigation, and greater productivity of crop land and range land, as well as many recreational opportunities. In the context of the new budget request for fiscal year 2006, we will prioritize limited resources to ensure that we are well positioned to meet the most pressing challenges ahead.

I thank the subcommittee and would be happy to respond to any questions.

Mr. DUNCAN. Thank you very much, Mr. Knight.

Administrator Jacquez?

Mr. JACQUEZ. Thank you, Chairman Duncan and Ranking Member Johnson, members of the subcommittee.

The U.S. Saint Lawrence Seaway Development Corporation is a wholly-owned government corporation and an operating administration of the U.S. Department of Transportation. It operates, maintains, and promotes the Saint Lawrence Seaway with its Canadian counterpart, the Saint Lawrence Seaway Management Corporation. The unique binational nature of the Seaway requires 24-hour, year-round coordination on rules and regulations, day-to-day operations, traffic management, safety, and security.

The President's budget request supports the Corporation's mission to ensure a safe, secure, and reliable waterway by providing the resources necessary to implement our priority projects and programs.

Since the subcommittee has my written statement and our budget essentially is a current services budget, I will focus the remainder of my remarks on the element of the budget that has created the most interest.

That element is the President's fiscal year 2006 budget request to reestablish U.S. Seaway commercial tolls as a financing mechanism for self-funding the corporation. A legislative proposal will be presented to Congress that will allow the Corporation to collect fees to support its operations, maintenance, and capital needs. The intent of this initiative is to make the Corporation more self-sufficient by providing it a certain degree of financial flexibility and stability.

The Corporation was funded through commercial tolls from its inception in 1959 to 1987. Since that time, the Corporation has been funded primarily by an appropriation through the Harbor Maintenance Trust Fund, coupled with its other non-Federal revenues such as interest income and pleasure craft tolls.

The nearly 50 percent split between toll revenue and traditional appropriations from the Trust Fund in the fiscal year 2006 budget request is based on the assumption that U.S. toll collections would begin at the start of the 2006 navigation season. That season would begin in late March or early April, or about the halfway mark of the fiscal year. Beginning in 2007, the proposal calls for the Corporation to be completely self-sufficient.

The toll levels established will be based on the type of cargo being shipped, as well as the vessel charge based on the gross registered tonnage of the vessel.

The reinstitution of U.S. Seaway tolls would require diplomatic coordination and collaboration with Canada to conform with the 1959 Seaway Tariff of Tolls Agreement. U.S. Seaway tolls would also be subject to a U.S./Canadian Seaway toll negotiation process that includes negotiations on both the toll levels of each commodity and the revenue split between the two corporations.

The 10-year savings from the toll collection proposal credited to authorizes would equal $170 million. OMB will work with Congress to reclassify these enacted fees as discretionary beginning in fiscal year 2007.

The Administration supports efforts to improve service delivery and believes this proposal would enable the Seaway Corporation to function more like a private corporation. It would also bring operations more in line with our Canadian counterpart, which directly supports its maintenance and operations through fees.

The Seaway Corporation's budget reflects our commitment to providing a safe, reliable, and efficient waterway for the movement of commercial goods through the Great Lakes region of North America. I am confident the Corporation's excellent safety, reliability, and customer performance record will remain strong.

Thank you for inviting me to testify, and I would be happy to respond to any of the questions the committee may have.

Mr. DUNCAN. Well, thank you very much, Mr. Jacquez.

We will go first for any comment he has or any questions to Mr. Miller.

Mr. MILLER. Thank you, Mr. Chairman. I appreciate that.

Welcome, Secretary Woodley. You were recently in my district in California. I have everything around the Prado Dam and the Santa Ana mainstream.

General Strock, welcome. It is good to have you here this year. I, until recently, had Colonel Thompson, and he has been reassigned to Iraq. We had a really good relationship. I was kind of sad when he left, but Colonel Dormstotter has taken his place, and we have had numerous conversations and had several issues, because my area has a real problem with flooding in those areas, and I have to say I have been most impressed by him. I was sad to see Colonel Thompson leave, but I have no regrets with Colonel Dormstotter. He is responsive, cooperative, and I would say very professional. So I couldn't speak higher of any individual from Army Corps than I could of him.

A lot of people do a lot of complaining at you. I have nothing but praise for you. You have been great in my district, and responsive, and we have many issues because of the Endangered Species Act and mainstream beds in our area we are always having to deal with you on, and you have done a tremendous job, and I would like you to know I am very pleased with the assignment Colonel Dormstotter had.

My first question, Mr. Woodley, I know you have had a chance to visit the Prado Dam recently, and because of the storms how much do you think this set the project back, the recent storms we have had in California?

Mr. WOODLEY. Sir, I would have to check with the chief on that to be absolutely sure, but my understanding is that they are making every effort to bring that project back on schedule. Of course, they have had to take the water out from behind the coffer dam and clean the mud out of the works, but I understood that they would not lose any of the work, and the contractor was able to get all of his equipment that would be damaged by the overtopping of the coffer dam out of the works and so suffered no loss in that way. So it certainly has set us back, but my understanding is that the district and the contractor intend to aggressively proceed to get back on schedule with that project, which is just so vital.

Mr. MILLER. Do you know how much has been set back, do you have any idea at this point?

Mr. WOODLEY. In terms of?

Mr. MILLER. Time-wise what the setback would be.

Mr. WOODLEY. Time? A matter of weeks, I believe.

Mr. MILLER. So it is not that significant.

Mr. WOODLEY. It is not dramatic. It is significant, but not dramatic.

Mr. MILLER. The benefit-cost ratio on the Santa Ana mainstream was currently up to 3.8, which is pretty good. Has it become a greater priority for the Corps because of the recent floods we have had in California?

Mr. WOODLEY. It was already a very high priority.

Mr. MILLER. Would it be moved up from the 3.8 because of that, do you believe, or not?

Mr. WOODLEY. The chief informs me that they have recalculated the expectation of benefit, and that it would show a higher benefit at this point. And since our current construct, which the Chairman has mentioned, does need work and needs to be refined, and we appreciate that, but under our current construct it would remain a very high priority project.

Mr. MILLER. That dam and that mainstream are extremely important not only because of flood issues in California, but we have a tremendous water problem in California. And I will say the Army Corps of Engineers in the last couple years worked with us in raising that dam level four foot. I can not tell you how much that was appreciated. In fact, General Flowers back then did a written okay overwriting the normal process to allow for one year, and really was a tremendous benefit. And what was sad was last year, after those big fires we had, we had to dump all that water out of that dam because of silt.

But I just want to say that when the last proposal was made, Mr. Chairman, to cut the Army Corps budget, I know we all fought to have that turned around and we were able to do that. One thing I would not support, and will do everything I can to oppose, is any concept of cutting your budget, because I think of no greater asset to my area, and especially the United States overall, than the Army Corps of Engineers.

Like I said, I couldn't be happier. You have always been responsive, very professional, and if there is a way of resolving a problem, you have always done that. So I know you get a lot of complaints, but I have nothing but praise for you.

Mr. Chairman, I yield back. Thank you very much.

Mr. DUNCAN. Thank you very much, Mr. Miller.

Ms. Johnson. Thank you very much.

Let me express my appreciation again for the witnesses appearing.

Assistant Secretary Woodley, you referred to high expected net economic returns and most worthy projects. For flood control and storm damage reduction projects, this generally translates into protecting high value property. For navigation projects, this means high volume, high value cargo. In the translation in the real world it means taking care of the wealthier areas and the low-income areas get deferred. Large ports get improvements; smaller ports get deferred. The same concept as the rich get richer and the less affluent and less powerful are left to take care of themselves.

How do you justify a policy that provides the least for those who are in the most need?

Mr. WOODLEY. Ms. Johnson, our economic development models that we use are based on the principles and guidelines, which are matters of longstanding established throughout the Federal Government for evaluation of water resource projects. But the idea that they are the be-all and end-all I think is erroneous. And to the extent that we use them, I certainly agree that we should use them in a way that takes into account the concerns that you address. And I would like to certainly offer, as we go forward, to work with you and the other members of the committee to craft more sophisticated measure of performance for our water resource development projects that can take some of those very important societal concerns into account to the extent they are not already taken into account through our program. That is certainly a want, as a Nation, to have a program that was entirely characterized in the way that you described.

Ms. JOHNSON. Thank you. Has this policy, the guidelines that you are working under, been evaluated on the Executive Order 12898, relating to environmental justice?

Mr. WOODLEY. I believe that we do, throughout our program, adhere to the principles of that Executive Order. In the area of environmental restoration, we do not use economic development models or cost-benefit analyses, so I would say we are not subject to that same amount of distorting influence in that arena as we are in the arena of either flood damage reduction or navigation.

Ms. JOHNSON. Do you have copies of the analysis?

Mr. WOODLEY. I am sure that we do, yes, ma'am.

Ms. JOHNSON. Could I please have a copy?

Mr. WOODLEY. Of the analysis of the projects—

Ms. JOHNSON. Of how you justify your guidelines.

Mr. WOODLEY. How the guidelines are justified in accordance with the—

Ms. JOHNSON. Executive Order.

Mr. WOODLEY.—Executive Order? I would certainly be delighted to provide that to you.

Ms. JOHNSON. Thank you very much.

General Strock, your testimony refers to 13 projects that will be completed under this budget, and current law requires that mitigation for fish and wildlife losses be undertaken either advance of construction or concurrent with construction. When these projects

are completed in fiscal year 2006, will the mitigation for these projects also be complete?

General STROCK. I would have to answer that for the record on the specific projects, ma'am, but generally that is our policy, that that would occur.

Ms. JOHNSON. How do you monitor to determine the success of the mitigations?

General STROCK. We have mechanisms in place. We have mitigation requirements identified and, in fact, in all cases we do not always arrive at the conclusion that mitigation is necessary, but when it is we set objectives and put processes in place to accomplish that mitigation, and then we follow up to ensure that that in fact does occur.

Ms. JOHNSON. Okay. In my area we have a number of species that are native to the area that are no longer there because of water pollution. When there is such a thing, does it influence decisions or priorities?

Mr. WOODLEY. Certainly, the national policy as expressed in the Endangered Species Act is a very important policy that we do follow in formulation and operation and maintenance of projects.

Ms. JOHNSON. Thank you very much. I think my time has expired.

Mr. DUNCAN. Thank you, Ms. Johnson.

Dr. Boozman?

Mr. BOOZMAN. Thank you, Mr. Chairman.

It is really good to see you all here. I want to compliment all of you.

I live in a very beautiful part of Arkansas and we have a lot of dealings with the Corps, and I want to compliment you all. Our dealings have been very, very good not only at the national level, but all the way down to the guy that is fighting the battle and trying to make the people welcome and to fight the little battles there.

One of the things that has come up with us—and I know we are talking about budgets and things, but I think this is very, very important. We have a situation in Arkansas, on the Arkansas River, where we are trying to rehabilitate a dam on the Ozark, and I know the General is very familiar with that. And we are told that the numbers are such that it is just right there, and maybe even with reworking some things and adding it will be there to go forward. We have got some money appropriated for it.

I just got back from Europe, though, and the Europeans are very concerned, as are many people, about things like global warming. And you can argue as to how much that is going on, but, besides that, the alternative to this is burning fossil fuels, whether natural gas or coal-fired or whatever, to generate electricity. And this dam, when it was constructed, I guess the generators weren't that good to begin with, are just in total disrepair now and just aren't working, so the water is just flowing over.

So I have really got a couple questions. First of all, from a conservation effort and everything else, this is a very safe form of energy, a very environmentally-friend form of energy and things. Is there anything put into the formula that has to do with that?

The other thing is if we work hard and when we worked hard to get the money appropriated through the auspices of the Corps

agreeing with us—this is a good project, this is something you need to work on—what happens to the money that we get appropriated that is just sitting there?

Thank you.

General STROCK. Sir, we are in the midst of reevaluating how we look at projects, and one of our objectives is to look at a more multi-objective approach, and I think the example you cite is a great one, that we would look at the potential for hydroelectric power generation. Certainly on low-head dams like that one it makes all the sense in the world from an environmental perspective.

For the monies that are appropriated and waiting to be expended, we have a process in which we try to maximize on a national level the effects of the resources you put before us, so we do on occasion use those monies on other projects, with the idea that they will come back when needed for that project. We continue to develop justification and plans for execution, and at such time when we are ready to go ahead with construction, we put those funds back to work on that project.

Mr. BOOZMAN. Again, thank you very much. I do appreciate all that you all are doing. Thank you.

General STROCK. Thank you, Mr. Boozman.

Mr. DUNCAN. Thank you very much.

Mr. Pascrell.

Mr. PASCRELL. Thank you, Mr. Chairman. I have listened, Mr. Chairman, and I am a staunch supporter of the Army Corps, and the record will indicate, as is everyone on this panel here.

I know you are the messengers, but the fact remains that these projects are out there. You know, when you look at the budget itself, there are 275 projects that were funded in the 2005 appropriations. We have gone from 275 to what you are proposing as 105, and there is no way that you are going to justify that. So you can use all the cliches, and I have heard them: highest returns, cost-effective, efficiently, limited resources. They are all there. There is a pattern. You go to this room, you go two rooms down, you will hear those patterns as justification. So while I am a staunch supporter of all of you, and have said so publicly and privately, this is outlandish.

I would like to know, General, can you tell me how cutting funding on agreed needed water projects helps us on our war on terror, to use your words?

General STROCK. Sir, at the risk of repeating those cliches again, I think that what we attempt to do is, at a national level, invest those resources that provide the highest return on investment. At at a time of constrained funding, we have two choices, and that is essentially to continue to spread wide and thing and essentially get nothing done and nothing completed, or to concentrate the available resources on projects which do provide a return. And that is the approach we have elected to take, and it is regrettable, because as a result of this, every project that is on the books now is economically and environmentally justified, and it is unfortunate that we cannot proceed with those projects, but we think, from a national level, generate as many returns on these investments in as short a time as possible is an appropriate way to go.

Mr. PASCRELL. Isn't it true, General, through the chair, isn't it true that every one of those projects was approved?

General STROCK. Yes, sir, it is.

Mr. PASCRELL. So we are going backwards. We are sliding backwards, there is no two ways about it. And there is no justification of this, none whatsoever.

You know better than I do these impact on folks all over the Country, rural areas, suburban areas, urban areas. And you know that if you look at the State, that these projects, we can not ask anymore of the States and we cannot ask anymore of the municipalities to increase their shares. Most of these projects have joint procedures. I don't know what the solution is, but this budget, as so many other budgets, we have gotten to the position now, got down the road after five years that we have to consider Draconian cuts in the very projects that we have approved.

Now, I realize that you are the messenger, and you are all the messengers. It is mind-boggling that we are considering raising tolls on the Saint Lawrence. No other place does this happen. I mean, that is an outrage. I don't want to go there because that is not my main focus. My main focus is these projects. The projects have been approved, and what you are telling me is that the Corps, because of what budget constraints you have right now, are not able to complete or go on with those projects.

And I will go back and tell my constituents on Monday morning, I will go back and tell them exactly what your words are. So those folks who live in the one example that I gave, before the Peckman River, I want them to know what we are all about. Elections have consequences and budgets have consequences, and we are looking straight at them. I am a former member of the Armed Forces. I strongly support what you are doing, but I am telling you the Corps is not living up to its history, and you are not getting the money to do that, and it is my job to deliver for my community, as it is everyone here on this panel. And we are not asking anything that is unreasonable or outrageous that we haven't already approved. I mean, this is logic.

Straighten me out if I am wrong, General.

General STROCK. No, sir, you are correct.

Mr. PASCRELL. Thank you, Mr. Chairman.

Mr. DUNCAN. Thank you, Mr. Pascrell.

Mr. Osborne.

Mr. OSBORNE. Thank you.

I would like to thank members of the panel for being here today and I would like to address my questions primarily to Mr. Knight. I am very interested in NRCS, and I note in your testimony that the Watershed and Flood Prevention Operation program has been pretty much eliminated in the budget, and this is a concern to me. I also note that you state that the funding for this program is over 105 percent allocated by the earmarking process, which has removed the Department's ability to effectively manage the program. So it appears like you have got a lack of funding. The Administration has not seen fit to do much in this area. Then, also, you have got Congress maybe getting in the way a little bit too, here, and that you have no discretion. So I am guessing that maybe the reason the Administration felt this program was not a good one was

that you had so little flexibility to implement what you feel would be your priorities.

I wonder if you can amplify on that a little bit without getting yourself in great trouble. I am really interested in your Department and your ability to perform effectively.

Mr. KNIGHT. Mr. Osborne, as you are well aware, the budget is a priority setting document, and there is clearly several messages to be sent here. We are 105 percent over appropriated in this particular program, which is starting to cause a great deal of pain in being able to manage staff resources from State to State, because it has dramatic shifts from year to year on whether there is a need and if you have adequate staff in one State versus another in being able to manage and integrate the program.

As far as the priorities go, the role of NRCS goes well beyond the slice that we are discussing today of watersheds, and one of the top priorities for NRCS is to help farmers and ranchers come into compliance with local, State or national rules and regulations. One of the greatest challenges that we are faced with right now is helping farmers and ranchers come into compliance with animal waste regulations that are coming at them, commonly known as the AFO and CAFO rules. The President's budget is actually proposing a $37 million increase in funding in one program alone, conservation technical assistance. That is in tended to have us focus on the planning needs between now and the end of 2006 to be able to help our customers reach their needs in this particular very difficult regulatory scenario.

Mr. OSBORNE. Well, I appreciate that very much, because I am involved in an area where NRCS is very important and EQIP, all of those things that you help administer, and the lack of technical assistance is so crucial. And as we have expanded EQIP from $200 million to about $1 billion and we are exponentially increasing the number of projects, we really need your help. Do you feel that you are adequately funded to where you are able to provide technical resources in those areas?

Mr. KNIGHT. The proposed budget for EQIP gives us an effective increase from this past year to 2006. This year along we will have a little over $1 billion to invest in EQIP with adequate technical assistance to be able to do that. That $1 billion, to put it in perspective, is larger than the amount of funds for EQIP in the entire previous farm bill. So we have been under an explosion of growth, but we are starting to wear away on the backlogs there. We serviced nearly 46,000 EQIP customers in contracts last year; we now have about 159,000 contracts nationwide.

Mr. OSBORNE. Well, we appreciate that and we see a real boost in the EQIP contracts being serviced. Last question. Since small watershed projects have a high economic return on investment, very important to small rural communities, do you feel that maybe we should do a little bit better job of funding some of these projects, because they really do enhance quality of life? There is a definite rural economic development component to those, and I know you are constricted by the funds you have. Do you have any comment on those areas?

Mr. KNIGHT. With the priorities that have been established in the 2006 budget, we are now looking at how to more fully and

robustly integrate the planning that we are able to do in our watershed programs with our other programs, so that you have a fully integrated approach and are able to look at what are the needs in the whole watershed and ensure that we are able to utilize our resource-based programs in a better coordinated fashion with the structure-based programs in an attempt to maximize the return from those planning investments.

Mr. OSBORNE. Thank you.

I yield back, Mr. Chairman.

Mr. DUNCAN. Thank you very much, Mr. Osborne.

Mr. Bishop.

Mr. BISHOP. Thank you, Mr. Chairman. And thank you and the ranking member for holding this hearing.

I have some questions for Secretary Woodley with respect to Army Corps projects in my district. I represent New York I, which is the eastern half of Long Island. We have several hundred miles of coastline. Secretary Woodley, I have essentially the same questions for you I had a year ago. In fiscal 2005, the budget proposed the elimination of Army Corps funding for the Fire Island and Montauc Point Reformulation Study. We were successful in restoring that funding here in the Congress. Once again in fiscal year 2006, the President's budget eliminates the funding for that really, really important project. We need $1.7 million and we are about 14 months away from completing the study, which has been going on for about 15 years now.

So my question is what is the rationale for the Army Corps' position. Is it that you don't think we need to complete the study or do you think the completion of the study ought to be a local town and county government responsibility? Why would we cut the funding when we are so close to completing this vital project?

I am sorry, Secretary, you are going to find that there is money in the budget, if that is what you are looking at. That money is for a court-ordered beach nourishment project, it is not for the continuation of the study. There is a discreet part of the budget that was to complete the study, and that money has been zeroed out.

Mr. WOODLEY. Yes, sir. I will have to get back to you on that, sir, because I had understood there was funding in there for the project. So I have obviously been misdirected on that, so let me get back to you on that.

Mr. BISHOP. Okay, I would appreciate you doing that. And just to be clear, what is in there is money for a court-ordered beach nourishment project in the area called West Hampton Dunes. But there is no money to complete this study for an 83-mile stretch of coastline that is vital. And just so that you understand my focus on it, this is a study that would help protect $1.5 billion worth of economic activity and almost $3 billion worth of real estate. So this is a study that is absolutely vital to the economic vitality of my district.

Equally important, the budget, once again, carries forward a recommendation that beach nourishment projects largely be the responsibility of local communities. The Corps would take the responsibility for the initial construction phase, but then ongoing management and maintenance, so to speak, of a beach nourishment project would be a local responsibility. And my question again is why is

that the Corps' position and how would you justify it? Because, again, in my district, for the most part, the beach nourishment projects that we either have or need are as the result of Corps projects. We have significant erosion down-drift of groins that are Corps-installed groins, down-drift of inlets that are Corps-installed and maintained inlets. Why would it be the responsibility of the town or the county to maintain, in effect, the implication or the manifestation of a Corps project?

Mr. WOODLEY. Mr. Bishop, I am very pleased that you focus on that because that is exactly the point on which our proposal for the fiscal year 2006 has been modified from the position that the Administration took in fiscal year 2005. The Administration agrees completely that those cases and the Montauc one that you mentioned is one—and those cases in which the feasibility study or other report on the project indicates an impact to nourishment based on existing generally Federal navigation activities and projects, that that should and properly be a Federal responsibility, and we are budgeting fully to maintain that responsibility. We continue to maintain, though, that there should be a parallelism between the policy that we operate on the inland side and the policy that we operate on the coastal side, and the logic that we seek to apply is that the Federal responsibility will be in the very, very high dollar arena of establishing the berm and establishing the flood control, or storm damage reduction is the more precise term, structure, and that then the maintenance of the structure should be a responsibility for the local sponsor.

I understand the arguments that can be made in contravention of that, and I can only say that that is our position. We are making an exception, which is a very substantial exception, for those areas in which the renourishment is interfered with in some way by a Federal navigation project or other Federal activity.

Mr. DUNCAN. All right, thank you very much.

Judge Poe?

Mr. POE. Thank you, Mr. Chairman.

Thank all of you for being here. A couple observations. We are talking about a budget of $4.5 million. To me, it seems to me like that is wholly inadequate. On the other side, the Administration is budgeting $1.9 billion to Egypt. Why don't we take half that money, or all of it, and bring it home. Charity starts at home. It doesn't make much sense to me why we are doing that. So I commend you for working within the parameters that you have, and you certainly could use more money.

I represent Southeast Texas, Sabine River area. On the other side of Sabine River is Louisiana. The Sabine River doesn't exist to keep those folks from Mr. Boustany's area in Louisiana out of Texas, or more likely keep Texans out of Louisiana, but the Sabine Nature's Riverway, which most Americans have never heard of, harbors two ports, Port Arthur and the Port of Beaumont. The Port of Beaumont, number four port in the United States in tonnage. One-third of the military cargo going to Iraq goes out of the Port of Beaumont, and lining the Sabine Nature's Riverway are petrochemical plants, five refineries. One-third of the pipelines of the United States go through that area.

And I have a couple of questions for you, General. One, would you say the Sabine Nature's Waterway would fit under the Corps' principles and guidelines for selecting high priority projects within the Corps' limited resources?

General STROCK. Yes, sir, it would, sir.

Mr. POE. Thank you. We have worked with the Corps and I have talked to the folks that you have got down in Southeast Texas, and they are doing as good a job as they can with the fact they don't have any money. My second concern, however, in 1987 the Senate authorized a fact-finding authorization to study the widening and deepening of the riverway, and anyway I add it, that was eight years ago. Now, it took the United States only 10 years to build the Panama Canal after we took it over from the French, after they had treaded water—no pun intended—and I asked the question why does it take so long to study? I mean, I have tried criminal cases. I had juries decide death penalty cases, and it never took them eight years to make a decision. Why does it take so long to study before we start moving dirt?

General STROCK. Well, sir, every project has its own aspects that need to be considered. I can not tell you specifically on the Sabine; I could give that for the record. But a big part of the issue here is the level of funding we are able to achieve on that project. We have a capability to move the study further along faster, but we are unable to fully fund it at that level, sir.

Mr. POE. Well, it is maintenance, studying to widen and deepen still doesn't resolve the issue of whether the port is going to be wider or deeper. I understand maintenance funds. The colonel down in Southeast Texas is worried just about maintenance now. So I hope we can figure out a way to at least maintain the port. It would be nice to be able to get that cargo over to Iraq without the silt coming into the channel there. But if you can help us out on these studies. When all is said and done, more is said than done. So if we can do something with these studies to get a verdict and a decision, because as pointed out by the other side, it is costing a lot of money just to do these studies, and if we stop in the middle of a study, then that money is sort of wasted. So if you can help us figure out a way to have a start and a finish date, and then make a decision, then maybe we can do what is right for the Country there. But thank you for your work, General.

General STROCK. Yes, sir. Sir, this budget does fund both the study and the O&M to a level. We also, within our authorities, are looking. We recognize the need to improve our planning processes, so we have taken a number of initiatives to improve the planning process, specifically focused on the timeliness of that process, sir.

Mr. POE. Thank you.

Thank you, Mr. Chairman.

Mr. DUNCAN. Thank you very much, Judge Poe.

Ms. Schwartz.

Ms. SCHWARTZ. Thank you, Mr. Chairman.

Thank you for the opportunity, and I appreciated your comments. I really think this question is really for the General, if I may. I wanted to talk with you about the oil spill that happened just about four months ago on the Delaware River in Philadelphia, Pennsylvania. There was a hearing that the Coast Guard Sub-

committee had, and we had very good testimony from Lieutenant Colonel Ruck, who really was very straightforward. There were a lot of compliments about the Army Corps' handling of the spill. It was a pretty substantial spill, as you know, and very costly, and the cleanup will continue to be costly.

There were some very interesting issues that were raised, that came up during that hearing, two specifically. One was whether in fact whether the Army Corps had adequate authority to remove some of the obstacles that they find when they actually do do sweeps of the Delaware River. That was a serious concern to the chairman of the subcommittee, and to me as well, and we wanted to be sure that in fact there is explicit authority for the Army Corps, when they identify an obstacle in the Delaware River, that they don't just tag it or note it, but they actually can remove it. And he wasn't sure that they had the authority to do that, so that is a serious problem, obviously, because we know that this vessel hit an obstruction that was not tagged, was not known about, could have shifted. I think they are still doing the investigation.

So my first question is do you know whether the Corps has the authority, once they identify an obstacle, to not just tag it, not just try and find who dumped it, but to actually remove it so that the Delaware River, and I'm sure other rivers across this Country, would be safe for large oil tankers who are moving through the Delaware and cause this kind of very serious damage to the Delaware River?

General STROCK. Yes, ma'am, it is my understanding that if the obstacle presents an impediment to navigation in a Federal channel, we have the authority to do that, and certainly have a responsibility to mark and note those. We have a limited authority, though, outside the dimensions of the channel, and as I understand it, we suspect that the obstruction that that vessel hit was outside the Federal channel, and we did not have the authority to operate in that area.

Ms. SCHWARTZ. It just was in a different part of the river, you mean?

General STROCK. Yes, ma'am, outside the channel. When it gets up close to the berth, it is the local responsibility to maintain depths next to their berths. We have a responsibility for the channel.

Ms. SCHWARTZ. You mean the owner of that particular peer? Is it in private hands at that point?

General STROCK. Yes, ma'am, private or local agencies.

Ms. SCHWARTZ. And then do you provide notification to whoever owns that particular part of the river who is supposed to remove the obstruction? Do you provide notification?

General STROCK. Yes, ma'am. If it is navigable waters, we do have the authority to provide notification.

Ms. SCHWARTZ. Is there some enforcement or follow-up? What if they don't do it and just leave it there, it is just an obstruction in the waterway and there is no enforcement to remove it?

General STROCK. If it is an impediment to navigation, we also have an enforcement authority under our Title X regulatory authorities.

Ms. SCHWARTZ. And how long does that take?

General STROCK. I can not tell you specifically, it is situational. I would have to evaluate each case on its own merits, ma'am.

Ms. SCHWARTZ. So it could be months, it could be years, or we don't know? Well, it is something that I know I am concerned about, and I think that answer is not wholly adequate. I mean, this was a pretty serious oil spill. You are talking about tens of millions of dollars to clean it up, consequences for the river that will go on for years, closing down the port for a number of hours, losing economic value in the area. It seems too uncertain to say, well, it was on the other side of our line, we can not do anything about it. So I would like to have some more dialog on what your suggestions might be about whether the Army Corps needs more authority to cross over those lines, whether in fact there is some enforcement or fines or penalty for not removing an obstacle. It seems to me that it is just not adequate to say it was on the other side and we are going to put both natural resources and people and the economy at risk for the future. Do you agree?

General STROCK. I agree, certainly, with that, yes, ma'am, and I would welcome the opportunity to amplify that answer in the record.

Ms. SCHWARTZ. That would be helpful.

Let me just follow up on the other question. The other question that came up was whether in fact the sweeps for obstacles is done frequently enough. There was some suggestion that in fact while there are some new technologies being used more frequently, I guess laser and that sort of thing, that in fact actually real sweeps across the river are not done very frequently, mostly for the reason of resources and lack of funding. There was somewhat of agreement that potentially doing more frequent sweeps to look for obstacles is the first step, and I had understood that the Corps would be interested in doing that if they had the resources.

Now, do you agree it is a question of resources? Do you think it is a question of technology? What would your answer be as to what would—again, the consequences are so significant economically, as well as to the environment, to not take more preventative action. We were very interested, certainly locally, both New Jersey and Pennsylvania, in what could be done to prevent such an oil spill in the future.

General STROCK. Well, intuitively I would say the answer is not one of technology, because we have very sophisticated technology for hydrographic survey. I am sure that it does come down to a resource, and the frequency at which we do those surveys would be driven by the resources available.

Ms. SCHWARTZ. Would that something you would be interested in having more resources for in the Delaware River? And, again, it could exist elsewhere, but this is my district, that is what I am particularly interested in.

General STROCK. Yes, ma'am. Certainly, it is a matter of risk management, where we anticipate the likelihood of an obstruction and the likely result if that obstruction does occur. So it is a matter of risk management, where are we going to put the resources.

Mr. DUNCAN. Okay, thank you.

Ms. SCHWARTZ. Thank you very much, and I look forward to following up with you.

Mr. DUNCAN. Thank you very much. And let me apologize to the other members. We will get to your questions. I had hoped we could get to everyone before I came back to my questions, but I have a meeting that I need to go shortly, and I am going to jump in here for just a minute.

Administrator Jacquez, you mentioned the proposal for tolls in the budget, yet I understand that the Seaway is already operating below capacity. Do you think these proposed tolls are going to decrease the traffic, and are you considering a reduction in the tax to offset that, or what is going to happen, do you think?

Mr. JACQUEZ. Well, the first thing I would like to say is we are very concerned about our capacity. We are operating at about 50 percent capacity right now, and both the U.S. and Canadian Seaway Corporations have worked very hard for the last five or six years in particular to try and come up with ways to both decrease the total cost of the transit, as well as to make it more efficient.

With respect to the Harbor Maintenance Trust Fund, the Administration is aware that if tolls are collected, it would be an additional burden, and we are currently exploring ways in which to address that. As I mentioned in my statement, the Administration will be submitting legislation soon, and I hope and anticipate that that issue specifically will be addressed.

With respect to the total impact of tolls, let me first say it is difficult to estimate what exact impact that would have. What we have done is looked at a couple of issues, and if you would allow me I can go into them briefly. First we looked at a historical impact of tolls. As you know, the U.S. Seaway collected tolls from 1959 until 1987, and then stopped collecting tolls after that date. We looked at the cargo levels five years before we stopped collecting tolls, so the five years before 1987, and we looked at the cargo levels after we had stopped collecting tolls. The tolls had obviously gone down because the Canadians continued collecting tolls throughout that period. What we found was that the cargo levels actually were minimally impacted. In fact, the cargo levels were higher when both countries were collecting tolls than they were the five years after we had stopped collecting tolls on the U.S. side.

Another thing that I think is important to understand is when a shipper or a broker is making a decision about how and where to move its goods, they don't look at discreet costs; they don't look at the cost of tolls, they don't look at the cost of pilotage, or any other costs associated with the voyage of the vessel that is going to be carrying their goods. They look at the total costs and actually the total through-cost, and that includes a variety of things: stevedoring, wharfage, things like that. Tolls, at least as they were collected through 2004 by the Canadians, represented only about two to three percent of the total cost of that voyage and the total throughput costs. So what the impact is I am not sure. The intent of the proposal, however, is not to make the seaway less cost competitive, but to provide more flexibility, and some of those flexibilities are unrelated to the toll portion of the proposal. But, again, cost is always a concern, and it is something we are going to be looking at very closely.

Mr. DUNCAN. How much below capacity are you operating now?

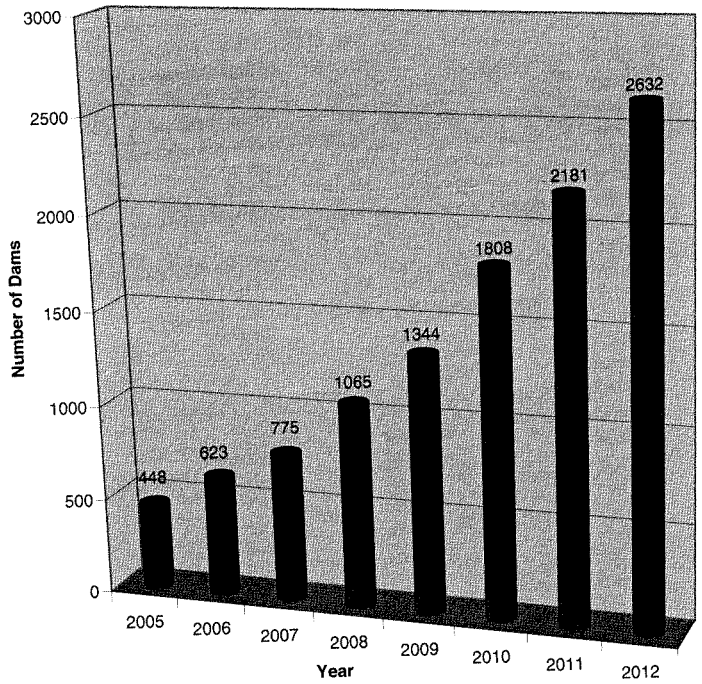
Mr. JACQUEZ. Fifty percent.

Mr. DUNCAN. Mr. Knight, how many of your dams have already reached the end of their design life?

Mr. KNIGHT. I would have to come back to you on the record on that. We have about 11,000 that we have constructed, and I have got quite a number that are starting to approach the end of that design life. That is one of the reasons why the rehabilitation program was one that we have retained as a priority in trying to bring those back up to standard, especially in those cases where the change in the community, growth in that community makes it more important to bring those dams up to standard and rehabilitate those.

[The information received follows:]

USDA/NRCS Watershed Dams That Will Reach the End of Their Design Life



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Mr. DUNCAN. Do you have some type of estimate on your anticipated rehabilitation needs say over the next five years?

Mr. KNIGHT. Yes, I do, and I can submit those to you for the record.

[The information received follows:]

FY 2004 – 2009
Watershed Rehabilitation Needs

State	Anticipated Number of Dams to be Rehabilitated	Total Funding Needs
AK	0	$0
AL	6	$3,425,000
AR	25	$43,541,000
AZ	8	$31,773,000
CA	1	$7,070,000
CO	6	$3,800,000
CT	0	$0
DE	0	$0
FL	0	$0
GA	107	$158,200,000
HI	0	$0
IA	11	$8,239,000
ID	0	$0
IL	0	$80,000
IN	0	$0
KS	20	$9,848,000
KY	16	$8,809,000
LA	20	$3,525,000
MA	8	$3,160,000
MD	0	$0
ME	0	$100,000
MI	1	$540,000
MN	3	$575,000
MO	11	$1,750,000
MS	30	$10,694,000
MT	7	$4,615,000
NC	0	$0
ND	15	$14,650,000
NE	63	$12,600,000
NH	0	$0
NJ	2	$825,000
NM	30	$15,752,000
NV	0	$0
NY	15	$1,638,000
OH	27	$7,120,000
OK	257	$69,763,000
OR	0	$0
PA	6	$1,143,000
PB	0	$0
PR	0	$90,000
RI	0	$0

FY 2004 – 2009
Watershed Rehabilitation Needs

SC	7	$2,918,000
SD	0	$0
TN	6	$250,000
TX	40	$74,712,000
UT	10	$17,000,000
VA	16	$11,286,000
VT	4	$0
WA	0	$0
WI	10	$1,462,000
WV	80	$19,800,000
WY	12	$14,196,000
Totals	**880**	**$564,949,000**

Mr. DUNCAN. All right, thank you very much.

Chairman McCullough, you may know, I think you know, that when I first came into this job—I am now in my seventeenth year—I guess I was about the first one to start harping on the TVA debt, because around that time it got to the point where TVA was spending 34 cents of every dollar just to service the debt. I did write, a few years ago, the Federal Financing Bank, and we got them to let you refinance some of the debt, and that helps some, and you have made some efforts to bring that debt down. And I will say this, these debts were primarily almost entirely run up long before you ever came to the TVA, and I recognize that. Primarily, they were run up under what people used to call the Freeman twins back in the 1970s and so forth. And you mentioned in your testimony the efforts that you were applying toward this. I think rather than calling it debt, what did you call it, financing charges, or something to that effect?

And I said I have a great, great respect and admiration for you, but you know Director Baxter was a law clerk for me when he was still in law school, and you both—and I have great respect for both of you, but you had a disagreement about this debt situation, and I am not sure I fully understand it. The way I understood it was he didn't think TVA was doing enough toward reducing the debt, and there was a 2 to 1 vote, which is kind of unusual. You haven't had that many, have you?

Mr. MCCULLOUGH. No. That is right.

Mr. DUNCAN. Would you explain that to me and tell me what the situation is?

Mr. MCCULLOUGH. Yes, sir. First, Mr. Chairman, the board is united in recognizing the importance that TVA should place on reducing we use the term total financing obligations. That means statutory debt and every other financing mechanism which is fully disclosed, such as lease, leasebacks, discounted energy units, the prepay agreement that we have with Memphis Light, Gas & Water. We have got to drive it all down aggressively. The respectful disagreement on the board was essentially how far and how fast.

TVA's purpose is to keep the lights on at affordable rates, do our part for cleaner air and water, and to ensure that the people of the Tennessee Valley have job opportunities. That is our reason for being. In order to achieve our purpose, we have got to grow financially more flexible. So the board has said let us drive down total financing obligations, including all debt and debt-like instruments as aggressively as possible.

We would like to meet with you and go into more detail about our plans to accomplish that challenge, but I can assure you that the board does agree that we need to be financially stronger. Under this board, since 1999, TVA has reduced its debt more than any board in TVA's history.

Mr. DUNCAN. From what to what?

Mr. MCCULLOUGH. From $27,700,000,000 back in 1997 to you noted statutory debt 23 and change today.

Mr. DUNCAN. $27.7 billion?

Mr. MCCULLOUGH. Yes, sir. And you also recognized the burden of debt, which is how much does it cost the rate payers to finance it. It was 34 cents of every revenue dollar. Today it is about 18

cents. We are going to do more, and we are not satisfied, and we want to work with you toward that end.

Mr. DUNCAN. Well, you are having to do much more toward fighting air pollution and so forth, aren't you? What was the plan on that or the amount on that, the increase that you have done?

Mr. MCCULLOUGH. Mr. Chairman, we are investing about $1 million a day to ensure that TVA does its part for cleaner air, and the good news is the air is cleaner today than it has ever been before in the Tennessee Valley. We had the cleanest ozone season in 25 years of record. That will be $6 billion by the end of the decade.

Mr. DUNCAN. I think that is an important point that you have just made. I have said before, and Secretary Leavitt, who was the head of the EPA until just a short time ago, said, you know, we keep raising the standards, and we are raising them again, but the air is much, much cleaner. People don't realize that because there are some groups that, in order to keep getting in contributions, they have to keep telling everybody how bad everything is and how much worse it is getting. But the air is cleaner than it has ever been in the Tennessee Valley.

All right, thank you very much, and I will be happy to meet with you to go into more detail about that.

Secretary Woodley and General Strock, you know what I am going to ask about, and this will close it out for my part. You know, last year at about this time, Secretary Woodley, a little bit later than this, I asked you to come to look at the Chickamauga Lock, and you did that, and I appreciated that. And you told Congressman Wamp and I at that time that you had good news for us, that it was going to be included in the President's budget. And, of course, I have told you that this is important to Congressman Wamp. In fact, I read that at a hearing of the Appropriations Committee the other day, he said he had three priorities: Chickamauga Lock, the Chickamauga Lock, the Chickamauga Lock.

Now, to be honest with you, I wouldn't say that; I have more priorities than that—and I am sure he does too—but it is very important. It is important to him and it is important to me, because as I said in my statement, you are talking about 45,000 more tractor trailer trucks on the highways of East Tennessee if just half of that river traffic has to be diverted to trucks. And I said at the hearing last year I don't think anybody has ever come to that lock who has said that that work didn't need to be done.

Now, I would be interested to see—I know there were 271 projects that had been funded that we started spending money on. I have done it kind of hurriedly, but I believe the tenth largest of those was the Chickamauga Lock. Now, 105 have been funded in this budget. Two hundred seventy-one projects, though, that we have already spending money on, have been terminated, and there is not even termination costs in the budget except, they tell me, for 34 of those. Now, that is a potential problem as well.

But what are we going to do about that? You told us that you agreed that the Chickamauga Lock work needed to be done. Are you going to try and be an advocate for us with the OMB? Will you and General Strock both commit today to continuing to tell the people at OMB how important this Chickamauga Lock work is?

Mr. WOODLEY. Yes, sir.

Mr. DUNCAN. General Strock?

General STROCK. Yes, sir, I will. Yes, sir.

Mr. DUNCAN. We have got funds. We have got funds in there to continue working on this right now, but I just want to tell you that this is a major, major concern of mine, Congressman Wamp, Senator Frist, and Senator Alexander, we are going to appreciate any assistance you give us on that. You do still agree that the work needs to be done, that this project needs to be completed?

Mr. WOODLEY. Yes, sir.

General STROCK. And that is a recommendation we forwarded, sir.

Mr. DUNCAN. All right.

All right, thank you very much. I am going to turn the chair now over to Vice Chair Boustany. I am sorry, I do have to go to some other meetings.

Mr. BOUSTANY. [Presiding] Thank you. I want to show my appreciation and extend my welcome, as well as the new vice chairman of the committee, and I would like to ask if Mrs. Johnson has any additional questions at this time.

Ms. JOHNSON. Have you completed your round?

Mr. BOUSTANY. No, I haven't.

Ms. JOHNSON. Why don't you go ahead and complete the round?

Mr. BOUSTANY. Okay.

The Chair now recognizes Mr. Connie Mack from Florida.

Mr. MACK. Thank you, Mr. Chairman. It is good to see you there.

Mr. BOUSTANY. Thank you.

Secretary Woodley, I would like to say hello. I don't know if it is just me, but this mike sounds really loud, so I will try to tone it down a little bit. But it is good to see you again, and I appreciate you down in my district and the chance we had to talk about some of the priorities that we have. As you know, my district in Southwest Florida, on one side is the Gulf of Mexico and our beautiful beaches, and on the other side is the Everglades. So you and I will be spending probably a lot of time together.

But there is a specific issue that I would like to bring up and get some comments on from you. In the last couple weeks we have had a tremendous outbreak of red tide in Southwest Florida. In fact, in yesterday's newspaper, in the district, it talks about 16 manatees have died just in the last couple days because of the outbreak of red tide.

And for those of you who aren't familiar with red tide, it is an algae bloom that releases a toxin that kills the fish, that makes it very difficult for people or tourists that come down to Southwest Florida to breathe. And you can imagine what it smells like with a bunch of dead fish floating around and floating up on shore.

And there are lots of different theories on how the red tide comes about, if it is sand that is blown half way across the world that lands in the gulf and creates the bloom, or if it is the discharge from Lake Okeechobee. But I think we all understand that research is really what needs to be done to ensure that we are able to find a way to eradicate and to stop these algae blooms and red tide.

I know that in fiscal year 2005 Congress included a provision called the Aquatic Plant Control Program, and it was funded at

$4.5 million. And my question is has that money already been allocated, been spent? I have come across a couple of people who have worked on red tide, Moat Marine from Sarasota, Florida, that is a private research organization that has been doing a lot of research on red tide, who has suggested to me that they have tried to get funding and have been turned away. So I am just wondering if all that money has been utilized, and then, if so, how come it doesn't seem to be going towards any red tide projects.

Mr. WOODLEY. Thank you very much for that question, because I think that our aquatic plant research deals with a large variety of issues, everything from the water hyacinth in our fresh water areas to this one you mentioned. I do understand that we have an effort underway on the red tide issue in conjunction with the University of Florida, and I will be getting you the details on that. I would be very interested in hearing from the research organizations you describe as to what they could bring to the effort as well, because I certainly agree that it is a very difficult issue and one that merits all of our attention.

General STROCK. If I might add, that is correct. The money supporting that research effort is coming from the act, so we do have a portion of the funding, about $480,000, as I understand it. But it is a one-time contract, it is not funded in fiscal year 2006.

Mr. MACK. And that total amount, did that go to the University of Florida project?

General STROCK. Sir, we are currently negotiating that contract now, but we are negotiating with the University of Florida, and that is about the amount of money we have available.

Mr. MACK. All right. I would just like to—being an alumni of the University of Florida, I am glad to hear that. But at the same time, there are research organizations around—not just in Florida, but Woods Hole; I am sure you are familiar with Woods Hole in Boston—that have done extensive research, and we know that if we can continue to move the research forward, that we will be able to identify the cause of the algae blooms, and then we won't have—you know, so much of what you do as well as to try to ensure the safety of endangered species like the manatees, and here we have 16 manatees dying in the last couple days, as compared to three deaths since the beginning of the year due to boater accidents. So this poses a much bigger risk not only to our fisheries, but also to the people who live in Southwest Florida and the economy of Florida altogether.

One last bit on this. How can I be helpful to you to ensure that we get the funding we need to make sure that the research is being done; that we are not going to have to stop and start, stop and start research projects, but the research can continue to find solutions to red tide? What can I do to help you?

Mr. WOODLEY. I think you have already been very helpful in that regard, congressman, and I would particularly get directly in touch with the organization that you mentioned, and if I can visit with them on my next trip to your district or if they have an opportunity to be in Washington at any time, I would be delighted to help them at the Pentagon, and we can bring in some of the people from the Corps and talk about how to go about crafting a really robust program in this regard.

General STROCK. Sir, my answer is normally just raise the issue with your local congressman. I am not sure how we do that here, but I think the secretary has got a better answer here.

Mr. MACK. And I think, Mr. Secretary, that we will probably take you up on that, and the local congressman has been notified.

Thank you, Mr. Chairman.

Mr. BOUSTANY. The gentleman's time has expired.

The Chair now recognizes Mr. Fortuño from Puerto Rico.

Mr. FORTUÑO. Thank you, Mr. Chairman.

My questions will be addressed to General Strock. I want to thank you, before I begin, however, and commending you for the work you are doing in Puerto Rico, and your team in Puerto Rico, especially your chief of construction division, Mr. Rosado, who has been extremely helpful in getting us up to speed.

The Corps has undertaken a number of flood control and navigation projects in Puerto Rico in recent years which were authorized in this committee. We appreciate both the committee's efforts and the excellent job that the Corps has performed so far. Among the Puerto Rico high priority projects are the Arecibo River, the Portoguesa and Bucana Rivers in Ponce, the Rio Puerto Nuevo project, Rio Fajardo, and the San Juan Harbor, as well as Canyon Martin Pena and Rio La Plata. Unfortunately, due mainly to budgetary constraints, many of these projects have fallen behind in their schedule. I am committed to work with the Corps and this committee to ensure that these high priority projects get the funding necessary to move forward as scheduled.

Talking specifically about the Rio La Plata project, which was authorized in the Water Resources Development Act of 1990, the preconstruction engineering and the sign has long since been completed, and construction funds were appropriated in each of the years 1995 through 2004, yet, physical construction has yet to commence. The project has been on the President's long-term recovery action plan for Puerto Rico. A project corporation agreement for the project was signed in June 1995, following appropriation of initial construction funds. The initiation of the physical construction, however, has been delayed principally due to the fact that the non-Federal sponsor has not yet provided the Corps the lands required to award the initial construction contract.

I am not advised, however, that these lands will be available by the end of this calendar year. I urge you to move this project to construction at the earliest possible time. My question will be what is your capability for this project in fiscal year 2006.

General STROCK. Sir, the capability for that is $8.1 million.

Mr. FORTUÑO. Okay. And when could construction commence, assuming the necessary lands for the initial construction contract are provided by the end of this calendar year?

General STROCK. Well, also assuming that the funding was available then, we could begin construction in fiscal year 2006.

Mr. FORTUÑO. Is there anything the State government can do to expedite this process?

General STROCK. The main issue is the land acquisition, sir. That is the main thing the State can do at this point.

Mr. FORTUÑO. Okay, I am told and advised that indeed that has apparently been solved. So if that is the case, then we would certainly appreciate you moving forward.

There is another project, which is the Rio Puerto Nuevo project. Rio Puerto Nuevo is located right at the heart of the Puerto Rico metropolitan area. Severe floodings in the area affect 7500 residents and 700 commercial and public structures valued at over $3 billion. However, for the last two years, construction on the project has been very slow, and at times the project has been halted.

What are the reasons for halting the construction and, in your opinion, what can I do at the local level to facilitate completion of the project as scheduled?

General STROCK. Sir, I am not familiar with the specifics on Rio Puerto Nuevo, but I can answer that for the record.

Mr. FORTUÑO. Certainly. I would appreciate that.

Finally, I would like to ask about the Arecibo River project, which is another important flood control project authorized by the Water Resources Development Act of 1996. The President's budget proposes an allocation of $3.8 million for fiscal year 2006. What is your capability for the project in 2006?

General STROCK. Sir, it is $7.6 million.

Mr. FORTUÑO. Okay.

Before I end, I met recently with the major of Fajardo, and he has municipal funds to be allocated for the Rio Fajardo project. He has at least $1.5 million. When you have a major who is willing to put up money in these difficult times, certainly it caught my eye. So I just wanted to let you know to see what we can do to hep that mayor in the eastern part of Puerto Rico.

Finally, I will ask you if you could provide a list of all projects in Puerto Rico that are owed paybacks and the timing for that payment.

General STROCK. We can certainly do that, sir, and I can assure you that the timing will be when the project will expend the funds, the funds will be there. And I can give you specifics by project for the record.

Mr. FORTUÑO. Okay. I would appreciate that.

Thank you very much, and I yield back my time, Mr. Chairman.

Mr. BOUSTANY. The gentleman's time has expired.

The Chair now recognizes Mr. Brown from South Carolina.

Mr. BROWN. Thank you, Mr. Chairman.

I would like to address my questions to Secretary Woodley and General Strock.

I represent the first congressional district in South Carolina, which involves a lot of coastline, and I guess I have some of the same concerns as Congressman Bishop from up in New York. I am really kind of put back at the Administration or whoever is making those decisions to do away with the commitment they have had all along that changed the rules as far as beach renourishment is concerned, and I am just wondering if there is some influence we might be able to offer to try to change that decision.

Mr. WOODLEY. Certainly, we respond to advocacy at all levels in that regard, Congressman. As I was indicating, we have been able to modify the policy to make it have less of an impact on those cases in which we have interference with renourishment based on

a Federal project, and we have been able to support work under this budget under that policy. The view of the Administration is that the formulation I described is an appropriate balance of the equities and burdens between the Federal Government and the localities, but that is something subject to judgment and subject to change of policy from time to time. I would encourage you to continue the very effective advoacy that you have initiated with me and with others in the Administration over the past year.

Mr. BROWN. Well, I guess I am looking for some guidelines. We recognize that we had a 65:35 ratio or agreement. I know they tried to change two years ago to give 35 support from the Federal Government and 65 support from the local government, and we were able to change that around. It now looks like to me they are just backing off completely. I know you said the berms is sort of a permanent thing, then after that you leave it to the locals. But I think it has been determined in our particular area, where storms are certainly a threat all the time, if a renourished beach certainly attributes to less storm surge, less storm damage than one that is not renourished, so that is a major concern of ours. And we certainly addressed that with the FEMA folks too, because we feel like in their preventive arena that this would certainly fall within their category. So any support or any direction you might be able to give me and the other guys that represent the coast I think would certainly be of some benefit to all of us.

Another area that I am very much concerned about—and we have talked about this in the past—is the commitment to the intercostal waterway. We have an intercostal waterway that goes along the coast that is being neglected. I notice in this particular budget request it is only $467,000 for South Carolina, and by our accounts it is going to take some $6 million to be able to maintain the openness of that intercostal waterway, and I just wondered what is your position on that.

Mr. WOODLEY. Atlantic Intercoastal Waterway in that part of the system has been neglected for some time, and the justification is that the passage of commercial traffic has substantially declined over the years. I don't think that neglect is the right answer to that, so I have asked in this budget for a special allocation of $1,500,000,000 to be used by the Corps to study ways in which to either find appropriate justification to allow the support for those or to find ways to leverage Federal resources with other interested parties to maintain those waterways, which I am very sorry to see in a state of neglect. They are in a state of neglect in my State of Virginia as they are in your State of North Carolina.

Mr. BROWN. And you know, Mr. Secretary, I guess the greater neglect is going to be certainly an influence on the amount of traffic that is going to be able to support, because eventually in some places it is already filled in to the point where you can not get traffic through. So that is a major concern.

Another concern, if my time is still available, is the Georgetown Harbor. I know we feel like it would take about $6 million to maintain that channel, and I noticed only $1.3 million was recommended. Could you help me on that?

Mr. WOODLEY. No, sir, I am afraid I am not familiar with the details on Georgetown Harbor, and I will have to return to you on that, unless the chief is aware of it.

General STROCK. No, sir, I am not familiar with the details.

Mr. BROWN. Well, we had the steel mill go bankrupt, and now it is back in operation, and we certainly need to keep that channel open to maintain supplies coming and going there.

One little issue of a personal note is that the Corps office in Charleston looked like to me the realignment is to shift the resources from Charleston to Wilmington or down to Savannah. Could you enlighten me on that? We feel like Charleston, with a major port, certainly ought to have a major presence of the Corps. We have got nice facilities there at the Citadel. I was just amazed at the new direction that the Corps is going. Could you elaborate no that?

General STROCK. Yes, sir. As you know, the Corps of Engineers at the district level is a project-funded organization, so they can only support the workload that the projects they oversee brings to them. So the workforce is related to workload and, unfortunately, the workload in the Charleston district is decreasing. We have recently moved to a regional business operating process, where when we recognize it will still be a requirement for those kinds of skills in Charleston, we are concentrating capabilities in other districts that have the workload that justifies their presence that will be available to Charleston. There is no intention to move people and to do away with jobs in Charleston at this point. Any shifts in the mission will be accomplished through attrition. And we will continue to use the people in Charleston, to the degree we can, through virtual means, through technology to keep them engaged effectively.

Mr. BROWN. All right, thank you very much.

Mr. BOUSTANY. The Chair now recognizes my friend and colleague from Louisiana, Mr. Baker.

Mr. BAKER. Thank you, Mr. Chairman.

Secretary Woodley, I know you probably have no personal knowledge of the facts which I am about to recite, but I wanted to get on the record and have the matter brought to your attention for further review.

Under the rivers and harbor navigable waterways, there are a system to determinations required by statute and by Federal court precedent to determine navigability, which then enables the court to exert its jurisdictional control over matters in that water body. The criteria relate to the responsibilities of the division engineer and a whole set of determinations which are triggered in a very lengthy process which I am sure you are aware of and I will not bore the committee by reciting. The act goes on to say that determinations of navigability are not solely conclusively made by administrative agencies, but in concert with judicial precedent. In light of that, findings today indicate that ebb and flow of tide, current or historic utilization of the waterway for interstate or foreign commerce and that later actions on the water body that do not enable transportation do not vacate the finding of navigability.

But the point that I want to make is a body of water changes from navigable to non-navigable at a point of demarcation, in read-

ing from the statute it appears major fall, rapids or other place where there is a marked decrease in the navigable capacity of the river. I want to add a paragraph to that, because the case about which I am to make reference, where you have a lot of dirt and trees growing on it, that is usually an impediment to navigation.

In my view, for the first time in the act's 100 year history, the court ha snow invoked Section 10 on an inland area that has no adjacent waterway, that is questionable in its determination as being a navigable waterway, but we will see that. What has happened is a timbering operation with literally millions of dollars of assets on the ground has been issued a cease and desist order not to reclaim its assets and to be precluded from further timbering activity going forward based on what I believe to be a determination not consistent with the regulatory requirements. And my request of the agency is to dispatch, in accordance with the regulations, a review of this circumstance, and I hope that the finding will not conclude that inland properties are navigable waterways. It would be a precedent of great scope and consequence; we would have to buy our firewood in Canada. I mean, it is going to be devastating.

So it is a sincere policy question. I have no interest in nor concern about the timbering operation itself, but the application of the Section 10 standard in this case seems to be a bit of overreach. I thank you.

Mr. BOUSTANY. Thank you, sir.

The gentleman from Mississippi, Mr. Taylor, is recognized for five minutes.

Mr. TAYLOR. Thank you, Mr. Chairman, and I thank all you gentlemen for sticking around this long.

General Strock, number one, I want to thank the Corps for the tremendous cooperation we have had in South Mississippi on maintaining our navigable waterways, and in particular for the work you have done on some environmental restoration projects. You have actually added to a State-owned island by the name of Deer Island; I think you added 40 acres using the dredge material from the Blassie Ship Channel recently. To that point, one of the things that has prevented similar type opportunities from taking place has been a requirement that states if there is additional cost to doing beneficial use with your dredge material, as opposed to the cheapest way of disposing it, if there is additional cost, I think 20 to 25 percent has to come from a non-Federal source.

I used to be in city government, State government. I think most everybody here has had a similar experience. If you are going to ask a city or a county that has got people telling them they have potholes to be fixed, sewer and water lines to be fixed, streets that need to be policed, etc., etc., if you are going to tell them that the only way you can do something good with that dredge material is to take that money out of police protection, fire protection, fixing streets, it is not going to happen, I regret to say. And I can not blame the local officials who decide that way, because they would probably get beat in the next election if they did.

With that in mind, there are certainly some Federal benefits to these programs. Obviously, the environment is better the more marsh we have out there. We have an agency called the Environmental Protection Agency. Actually, the seas are cleaner with more

marsh out there. We have groups called the National Marine Fisheries that are interested in clean seas, and no one is interested in clean seas. So to that point, what would be your response to the thought that we change that language from a non-Federal sponsor to a non-Corps sponsor, which could include the EPA, which could include NOAA, which could include NIMPS? If doing these things is good for the environment, and if NIPS or NOAA or the EPA can acquire additional acreage of marsh for 20 cents on a dollar, then they are way ahead, at least to my way of thinking; and I think we would see a lot more of these projects taking place. They all have budgets for things like that. I think it would be a way of stretching their budget. And hopefully these good things that you are doing in Mississippi—and I understand you are also doing them in some other States—we can do them more frequently.

Again, your thoughts on that, because I am obviously fishing for some help on this, and any positive reinforcement we could get might help me convince my colleagues to do that.

Mr. WOODLEY. Congressman, I think that is a very interesting concept, well worthy of exploration. I don't have a position on it to express to you today, but I am delighted to work with you on that going forward. Certainly that is the kind of thing that we want, to have incentives in place and not disincentives for beneficial use of dredge material, and that is entirely consistent with our policy.

Mr. TAYLOR. The other thing that I would ask you is I understand that the Louisiana delegation is pushing for a rather large coastal restoration project, and I want to let you know that what is good for Louisiana in that instance is also very good for Mississippi. But to that end, I was curious if the Corps has given much study to the opportunity that will eventually take place in two places. Number one, there is an existing structure at the Violet Canal which already diverts water from the Mississippi River into the Mississippi River Gulf Outlet, which in turn spills into Lake Borgne. It is a fairly small structure. But my experience in trying to get things done, particularly with the permitting process, I found it a heck of a lot easier to grow an existing permit than to start from scratch with an idea.

So with the goal of trying to get some of that Mississippi River water into Lake Borgne, into the Mississippi River Gulf Outlet, has the Corps explored the opportunity or the possibility of making the Violet Canal control structure larger, since we know that the Mississippi River Gulf Outlet has been a major cause of salt water intrusion and, therefore, the loss of wetlands?

Second thing that I would ask you to at least give me your thoughts on is some day the locks at the industrial canal adjacent to the Coast Guard Basin New Orleans will be replaced. I realize that some day keeps getting kicks down the line, but some day it is going to happen. Again, I see an opportunity there of putting some sort of a flow control structure at the industrial canal locks that would get some fresh water from the Mississippi River into the industrial canal which flows into the Mississippi River Gulf Outlet and, therefore, into Lake Borgne and the Mississippi Sound. Have you explored that, since the Nation already owns the property adjacent to that, which is the Coast Guard base, which is going to come down in a few years anyway, and you already are,

again, dealing with waterways that have already been built at considerable expense to the taxpayer and already in use, as opposed to digging a new canal at Bonnie Carrier or some other place?

Mr. WOODLEY. Let me ask if the chief is aware of whether that has specifically been studied. I know we have a very comprehensive study that is underway for any number of options to be looked at in this regard, and we have asked the Congress—the Congress approved $8 million in the current fiscal year. An additional $20 million is in our request to continue to feasibility level studies of just this type of concept, and I certainly would hope that both of these would be looked at alternatives as we go forward in crafting the most cost-effective and least environmentally detrimental or most environmentally beneficial plans.

Mr. TAYLOR. Mr. Chairman, one last, if you don't mind.

We have one of the more popular programs in the Corps, the 592 program, where you have assisted local communities with their wastewater and water infrastructures. I have a very good idea of what the request is just from South Mississippi, and it is in the hundreds of millions of dollars. For the record—I don't expect you to know this—I would be curious what your requests are on a nationwide basis, because I have got to believe it is enormous in the amount that we are actually funding is fairly miniscule compared to the requests from the local communities. But if you could get that for the record, I would very much appreciate it.

Thank you, Mr. Chairman.

Mr. BOUSTANY. The gentleman's time has expired.

Before I ask my questions, and I have just a couple, I would like to ask the ranking member if she would like to make any comments or ask any further questions.

Ms. JOHNSON. Yes, thank you. I do have a couple of questions.

General Strock, your testimony refers to 13 projects that will be completed with $48.9 million requested in this budget, and this is a revision to the budget documents that referred to a request of $114 million to complete 20 projects. Why did this number change and what were the 20 projects and what are the 13 projects, and where did the $65.1 million go?

General STROCK. Well, certainly, I think the delineation of the projects is best left for the record. As far as the budget decision to move money around, I would also like to do that for the record.

Ms. JOHNSON. Okay, I would like to get a little bit further explanation in writing later, if you don't mind.

Let me express my appreciation for the good work that the Corps of Engineers actually do. And I want to offer my assistance or help in any way I can, short of changing parties. I have listened this entire committee, and it is very clear to me that decisions are very partisan when they are made. This is not a real partisan committee, and we function, and if you can justify that not being, I would like to hear it.

Mr. WOODLEY. Well, I can only say, Ms. Johnson, that I have participated now for two years in the process that has resulted in the recommendations, and I don't recall a single expression of partisan feeling or animus in the course of that. And I would be very concerned if I saw any patterns that developed in that regard or that could be demonstrated in that regard, and I would look into

them and see what could be done to remedy that, because my impression of this program is that it is a program that is for all the Nation, in every State in the territories, in the commonwealth of Puerto Rico. Wherever the Nation needs water resource development, that is, in the area of flood control, storm damage reduction, navigation or aquatic ecosystem restoration, that is where this program needs to concern itself, and it does not need to concern itself with partisan matters in any way.

Ms. JOHNSON. I would agree with you totally, but I have been sitting here this whole meeting like you have, and it is very apparent when you hear results and expectations. All of the disappointments pretty much have been expressed on the Democratic side. And I just imagine that if we took a poll, everybody in this audience has noticed it. And I am not accusing you of it being your fault; maybe it is OMB. I don't know who it is, but it is very apparent to me. And if I can help you understand that better or help solve it, I am offering my services. Thank you very much.

Mr. BOUSTANY. Thank you.

Secretary Woodley and General Strock, I have a question for you. My district is Southwest Louisiana, the seventh congressional district, and we have a port down there, the Port of Lake Charles, which is a very significant port; it has national implications, and the Cowcashu Ship Channel has an authorized depth of 40 feet and a width of 400 feet. This port is critically important. Several oil refineries depend on this port and this one channel for crude oil supplies. Certainly, Cowcashu is also home to the Nation's largest LNG terminal, which is currently undergoing expansion to double its capacity, and there are several additional LNG facilities planned in the near future. My concern is that we have not been able to maintain these authorized specifications on this channel and, as a result, the port has been forced oftentimes to decide whether to maintain the depth or the width of the channel. Currently, we are at about 280 feet, maybe to 300 feet, in width. LNG tankers take up 150 feet leaving very little room on the sides. This presents itself as a problem.

Currently, it is at least expected that it will take about $17 million to bring this back to the authorized specifications, plus an additional $15 million annually to maintain it. The current request in the budget is $9 million. Do you consider this a priority? Do you have any suggestions as to where we might go with this?

General STROCK. Well, sir, based on an explanation of how we arrived at our budgeting numbers, the fact that we do have $9 million indicates that it certainly is a priority. It appears to be inadequate, though, to get as far as we would like to get, but we recognize the importance or the channel, certainly. It is a very high use, very important channel to the economy and to the Nation.

Mr. BOUSTANY. Yes. It certainly serves the Nation's energy needs. In fact, I think in the 1990s, when there was a problem that obstructed shipping flow through that channel, the Clinton Administration had to open up oil reserves for the benefit of the Country. So I think this should be a priority. I would hope you would give it more consideration.

Let me just close by saying a major concern for all of us down in Louisiana is the rapidly eroding coastline. Some others here

today have mentioned it briefly. This is a national problem. It truly is a national problem. And I hope, as we move forward in the Wooda reauthorization, that it will be given some due consideration. And I would welcome any comments that you might have on this.

Mr. WOODLEY. Yes, sir. We and the Administration could not agree more with that point. The chief and governor of Louisiana, at the end of January, have issued and forwarded to my office the draft of the chief's report, which is a feasibility level study for programmatic authorization of the measures designed to make addressing the issue you describe a national priority in the area of ecosystem restoration, and that is something we fully support. I will be examining the report as it comes through my office and working within the Administration to prepare that for authorization at the earliest possible time.

Mr. BOUSTANY. I thank you.

Gentlemen, I want to thank all of you for your testimony on behalf of Chairman Duncan and myself and the ranking member. Thank you for your willingness to come to the Hill and testify. Thank you for your patience, and thank you for your answers to our questions.

The meeting stands adjourned.

[Whereupon, at 12:43 p.m., the subcommittee was adjourned.]

Statement of Congressman Earl Blumenauer

Water Resources Subcommittee Hearing
"FY 2006 Budgets and Priorities of the U.S. Army Corps of Engineers, the Tennessee Valley Authority, the Natural Resources Conservation Service and the Saint Lawrence Seaway Development Corporation"

March 10, 2005

I appreciate the opportunity to discuss the President's budget for Fiscal Year 2006 for the Corps of Engineers and other agencies under this Subcommittee's jurisdiction. While this budget does offer some interesting changes to the Corps of Engineers' planning process, which I think deserve serious consideration, the overall tone of the President's budget is one of misdirected priorities and missed opportunities.

Impacts of a reduced Corps budget will be felt throughout communities around the country, including many smaller communities on the Oregon Coast. Some of the Corps' critical functions have been short changed and there's an expectation that Congress will restore essential funding.

Funding our nation's water infrastructure is very important, and I look forward to continuing to working with our Subcommittee to ensure that the Corps and other agencies receive adequate funding. This budget encourages the Corps to remain faithful to its historic missions of flood damage reduction, navigation, and ecosystem restoration. I hope that where we do enhance this budget, it is for projects that have significant environmental benefits.

There are several positive aspects to this budget. I appreciate that there is some funding, if not all that is needed, for Columbia River Channel Deepening as well as ecosystem restoration to deal with endangered species on the Columbia River. I appreciate the administration's effort to reduce the backlog of Corps projects, which will save taxpayers millions of dollars in the future. It has been estimated that the Corps currently has a $60 billion backlog of projects. With a $1.6 billion construction budget, it would take over 40 years to build all of these projects. This budget will help us reduce this timeline.

I am also sympathetic to the administration's beach renourishment policy. Ensuring that the beneficiaries of periodic renourishment projects will bare the cost of these projects, rather than the Federal taxpayer, is rational. However, we should balance the need for

reform with commitments made or implied to communities in order to avoid undue hardship.

In addition, I support attempts to make sounder construction investments, and am interested in learning more about the performance-based guidelines that the administration used while crafting this budget. However, there are questions about the benefit-cost ratio approach. Should we be relying entirely on this economic model to determine which Corps projects provide the most benefits for the nation? I hope that the effect of this budget process will not be to emphasize investment only in wealthier, higher value areas.

I strongly believe that policy changes, such as those set forth in this budget, deserve careful examination by this Committee, and not merely as part of the budget. The Committee has a right, and a responsibility, to examine the way the Corps does business in the 21st century. Therefore, I encourage the Committee to convene hearings on the policy changes outlined in this budget, as well as other Corps modernization proposals. The Corps' principles and guidelines, for example, have not been updated since 1983. Congress has passed at least seven water resources bills since that revision, and we all have changed our way of thinking about water and the environment. The OMB, NAS, GAO, and others have concluded that revising the principles and guidelines is long overdue. I offer my assistance to Chairman Duncan and Ranking Member Johnson to develop hearings on these issues.

Finally, I know that we addressed many of these "corps reform" issues in the Water Resources Development Act, which passed through this Committee and the House with bi-partisan support, but which has stalled in the Senate. As we rewrite this legislation in Committee and move it through the process, I hope that we will maintain, and even strengthen, the reform provisions in the bill.

I look forward to our Committee's work on these critical tasks.

OPENING STATEMENT OF
THE HONORABLE RUSS CARNAHAN (MO-03)
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT
U.S. HOUSE OF REPRESENTATIVES

Hearing on
Administration's FY2006 Budget and Priorities U.S. Army Corps of Engineers, the National Resources Conservation Service, the Tennessee Valley Authority, and the St. Lawrence Seaway Development Corporation

Thursday, March 10 2005, 10:00am - 11:00am
2167 Rayburn House Office Building

Mr. Chairman, thank you for holding this important hearing on the administration's budget and priorities for the U.S. Army Corps of Engineers, the National Resources Conservation Service, the Tennessee Valley Authority, and the St. Lawrence Seaway Development Corporation. We are lucky to have a leader that recognizes the importance of sufficient funding for theses important entities.

There is clearly a benefit to fully funding each of these programs, as they each play integral roles in maintaining and improving our environmental infrastructure. It is important that we allocate sufficient resources for both health and economic reasons.

I am looking forward to hearing how the administration intends to meet these goals with its current budget request. Specifically, I am looking forward to testimony as to how we can adequately support the Army Corps' environmental restoration projects with the proposed funding levels. It is my hope that we allocate the appropriate amount of money to ensure that we are able to sustain the necessary programs to improve the environment along our waterways.

I urge everyone that we pay particular attention to meeting health and safety needs in a fiscally responsible manner.

I look forward to hearing the testimony of the panelists. Thank you very much for being here today.

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THE HONORABLE JERRY F. COSTELLO
SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT
HEARING ON
ADMINISTRATION'S FY2006 BUDGET AND PRIORITIES FOR THE US ARMY CORPS OF ENGINEERS, THE NATURAL RESOURCES CONSERVATION SERVICE, THE TENNESSEE VALLEY AUTHORITY AND THE ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION
MARCH 10, 2005

Today the Subcommittee has the opportunity to discuss the President's budget proposal for fiscal year 2006 with representatives of agencies within the Subcommittee's jurisdiction.

The witnesses before the Subcommittee today will have a difficult time convincing me that this budget adequately meets the Nation's needs for investment in protecting the environment, increasing investment in essential water-related infrastructure and investing in the economic and environmental health and safety of the nation.

For the Corps of Engineers, the budget reflects a reduction of over 11% from the appropriations for FY2005. The

Administration continues to under fund needed operation and maintenance and construction of critical water infrastructure

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The Corps of Engineers continues to invest in the safe and efficient transportation of goods along the Inland Waterway System and our coastal ports. The Corps also provides invaluable flood protection for many of the Nation's communities. Some of these investments are in my district.

Mr. Chairman, we cannot continue to under invest in the Nation's infrastructure or its environment. We have an obligation to previous generations to take care of our infrastructure and resources; and, an obligation to future generations to provide a better, cleaner, and safer world for them to live in.

I look forward to today's testimony.

STATEMENT OF
ALBERT S. JACQUEZ, ADMINISTRATOR
SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
BEFORE THE
SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
U.S. HOUSE OF REPRESENTATIVES

MARCH 10, 2005

The U.S. Saint Lawrence Seaway Development Corporation (SLSDC or Corporation), a wholly owned government corporation and an operating administration of the U.S. Department of Transportation (DOT), is responsible for the operations and maintenance of the U.S. portion of the St. Lawrence Seaway between Montreal and Lake Erie. This responsibility includes maintaining and operating the two U.S. Seaway locks located in Massena, N.Y., and vessel traffic control in areas of the St. Lawrence River and Lake Ontario. In addition, the SLSDC performs trade development functions designed to enhance Great Lakes St. Lawrence Seaway System utilization.

For more than 45 years, the binational St. Lawrence Seaway has served as a vital transportation corridor for the international movement of bulk and general cargoes such as steel, iron ore, grain, and coal, serving a North American region that makes up one quarter of the U.S. population and nearly half of the Canadian population. Maritime commerce on the Great Lakes Seaway System, a critical transportation link for the continent's agricultural and industrial heartland, generates more than 150,000 U.S. jobs, $4.3 billion in personal income, $3.4 billion in transportation-related business revenue, and $1.3 billion in federal, state, and local taxes.

The SLSDC coordinates its activities with its Canadian counterpart, the St. Lawrence Seaway Management Corporation (SLSMC), particularly with respect to rules and regulations, overall day-to-day operations, traffic management, navigation aids, safety, environmental programs, security, operating dates, and trade development programs. The unique binational nature of the Seaway System requires 24-hour, year-round coordination between the two Seaway entities.

The SLSDC's principal performance goal is to provide a safe, secure, reliable, and efficient U.S. portion of the St. Lawrence Seaway to its commercial users. Since its opening in 1959, more than 2.4 billion metric tons of cargo has been transported through the combined sections of the St. Lawrence Seaway (Montreal-Lake Ontario and Welland Canal) with an estimated value of more than $400 billion.

The navigation season typically runs from late March to late December. During the 2004 navigation season, the availability of the U.S. sectors of the Seaway, including the two U.S. locks maintained and operated by the SLSDC, was 99.0 percent, meeting the annual goal of 99 percent. The majority of causes for delays were weather and vessel incidents. Of the remaining factors that cause lockage shutdowns, the one that the SLSDC has the most control over is the proper functioning of lock equipment. During the 2004 navigation season, delays due to malfunctioning lock equipment totaled 6 hours, 15 minutes, representing less than one-tenth of one percent of the entire navigation season.

FISCAL YEAR (FY) 2006 BUDGET ESTIMATE

The Saint Lawrence Seaway Development Corporation (SLSDC) FY 2006 proposed funding level of $17,184,000 includes an appropriation request of $8,000,000 from the Harbor Maintenance Trust Fund (HMTF), $8,284,000 through the proposed re-establishment of U.S. Seaway commercial tolls, and $900,000 in estimated non-federal revenues. This funding level will allow the agency to fund its 157 Full-Time Equivalent (FTE) staff and continue the day-to-day operational and maintenance programs for the U.S. portion of the St. Lawrence Seaway between Montreal and Lake Erie.

These programs include managing vessel traffic control in areas of the St. Lawrence River and Lake Ontario, and maintaining, operating, and securing the two U.S. Seaway locks located in Massena, N.Y. In addition, the SLSDC performs trade development activities designed to enhance Great Lakes St. Lawrence Seaway System awareness and utilization.

A legislative proposal to re-establish U.S. Seaway commercial tolls as a self-funding mechanism for the SLSDC will be transmitted during this Congress. The SLSDC was a self-funded government corporation through commercial tolls from the Seaway's inaugural season in 1959 to 1987. Since April 1, 1987, the SLSDC has been funded primarily through an appropriation from the HMTF, coupled with its other non-federal revenues (interest income, pleasure craft tolls, concession operations, rental payments, etc.).

The FY 2006 request of $16,284,000 is $577,000 above the FY 2005 enacted level. This change is directly attributable to:

- $520,000 increase in net personnel compensation and benefits;
- $56,000 increase in inflationary adjustments; and a
- $25,000 increase in projected General Services Administration rent for the Washington office.

Also included in this change is a $24,000 reduction in Working Capital Fund projections. In summary, the FY 2006 budget request is a "current services" budget over the FY 2005 enacted level that provides the agency with sufficient funding to meet those increased costs that are outside the control of SLSDC management.

The request also directly supports four of the five President's Management Agenda initiatives (budget and performance integration, strategic management of human capital, financial performance improvement, and electronic government expansion; the SLSDC is exempt from competitive sourcing as a government corporation), the Department's strategic goals of Global Connectivity (efficient cargo movement) and Security (transportation system recovery), as well as the SLSDC's internal strategic goals. These goals include safety, security, and the environment; reliability and availability; trade development; and management accountability. The request, separated by Department strategic goals and performance measures, includes $16,034,000 in appropriated funds directed at maritime navigation programs and personnel, and $250,000 towards the SLSDC's security and infrastructure protection activities.

U.S. SEAWAY COMMERCIAL TOLLS PROPOSAL

The President's FY 2006 budget proposes to re-establish U.S. Seaway commercial tolls as a self-funding mechanism for the SLSDC. Proposed legislation will be delivered to the Congress that will allow the SLSDC to collect fees to support its operations, maintenance, and capital needs. For FY 2006, the budget proposal calls for $8.0 million in appropriations from the HMTF, with the remaining $8.284 million derived from the collection of commercial tolls. Beginning in 2007, the proposal calls for complete self-sufficiency. The near 50 percent split between tolls and traditional appropriations from the HMTF in the FY 2006 request was based on an assumption that U.S. Seaway toll collections would begin with the start of the 2006 navigation season (late March / early April), which is the halfway mark of the fiscal year.

The 10-year savings credited to the authorizers would equal $170 million. OMB will work with the Congress to reclassify these enacted fees as discretionary beginning in FY 2007. The proposed legislation will also include additional financial flexibilities to allow the SLSDC to generate a higher level of non-federal revenues and provide additional services to its stakeholders as part of its core mission.

The Administration supports efforts to improve service delivery and believes that this proposal would enable SLSDC to function more like a private corporation. The SLSDC's Canadian counterpart, the St. Lawrence Seaway Management Corporation, directly supports its operations through fees. The Canadian SLSMC is a not-for-profit corporation managing and operating the Canadian assets of the St. Lawrence Seaway for the federal government under a long-term agreement with Transport Canada.

U.S. tolls would only be collected in the Montreal-Lake Ontario section of the Seaway, where the SLSDC owns and operates two of the seven locks in that section in Massena, New York. The toll levels established would be based on the type of cargo being shipped as well as a vessel charge based on the gross registered tonnage of the transiting vessels.

The reinstitution of U.S. Seaway tolls would require diplomatic coordination and collaboration with Canada as it relates to the 1959 Seaway Tariff of Tolls Agreement. U.S. Seaway toll levels would be subject to the binational agreement and to the U.S./Canadian Seaway toll negotiations process. These negotiations would include both the toll levels for each commodity as well as the revenue split between the two entities.

MAJOR SLSDC PROGRAMS AND ACTIVITIES

Concrete Replacement Project

In January 2006, the SLSDC is expected to begin the first year of work on a four-year, $6 million concrete replacement project at the two U.S. Seaway locks *(first year funding provided in FY 2005; however, funding was not made available in time to complete the work in FY 2005)*. The SLSDC plans to use contractors for the concrete project with SLSDC personnel providing lock covering work and stairway construction. The $1.5 million requested for FY 2006 is already available in the agency's base level funding.

The replacement of deteriorated concrete has historically been one of the SLSDC's most expensive maintenance projects dating back to the Seaway's opening in 1959. The majority of the concrete replacement has occurred at the U.S. Eisenhower Lock, which has had a history of concrete problems. Between 1959 and 2003, the SLSDC expended more than $25 million on concrete replacement at the two locks during the off-season winter months, with the majority of work taking place at the Eisenhower Lock.

Since 1991, the SLSDC has made in-house repairs to the most critical areas identified by the Corps, but further deterioration and harsh winter conditions have caused additional damage to the lock walls at Eisenhower Lock and newly-identified problems at the Snell Lock have also been targeted for replacement. In addition to concrete deteriorating along the lower portions of the lock walls, freeze-thaw damage is significant in the lock walls at high and low pool levels at both locks. As it deteriorates, pieces of concrete become dislodged and fall into the lock chambers. This poses a risk to people on the decks of commercial vessels and pleasure boats.

Due to the amount of concrete in need of replacement, the difficulties associated with accessing these areas of deteriorated concrete, and the need for in-house maintenance crews to focus on other non-concrete lock maintenance projects, it is more efficient and cost effective for outside contractors to complete the project than in-house personnel.

The last major concrete replacement projects that utilized contractors were completed in FYs 1986 and 1987, at a total cost of $4.3 million. The Seaway is a single-lock system, consisting of 15 individual U.S. and Canadian locks; a delay/shutdown to any one of the locks would cause a delay/shutdown of the entire waterway. Although the SLSDC has never experienced a major lock failure, the Canadian Seaway agency suffered a lock failure at the Welland Canal in 1985, which trapped 53 vessels above the Canal for 24 days at a cost to the carriers of $24 million Canadian.

Capital Equipment and Infrastructure Projects

Following the 2004 celebration marking the 50th anniversary of the beginning of construction of the St. Lawrence Seaway, the need to ensure that the two U.S. Seaway locks are safe, reliable, and efficient becomes an even more important agency priority. Costs for repairing, maintaining, and preserving the locks in working condition are increasing annually. For FY 2006, the SLSDC is proposing a capital plan for equipment and projects of $1,510,000, which is an increase of

$140,000 over the FY 2005 enacted level. This increase was offset by a proposed reduction in other operating activities.

Like any concrete-based transportation infrastructure, time, weather, and usage exact a toll on availability. Adding to the deterioration of the lock structures are the freeze and thaw cycles resulting from the harsh winter weather conditions in Upstate New York. The U.S. Seaway locks have never experienced a major shutdown due to lock equipment malfunctioning. This significant accomplishment is due, in large part, to the SLSDC's pro-active preventative maintenance program that targets lock machinery, parts, and equipment in need of inspection, repair or replacement.

The SLSDC's annual capital plan details equipment and projects necessary to maintain the lock infrastructure, buildings, and other property. Each year, SLSDC engineering and maintenance teams update their plans for the next five years including a five-year capital plan for equipment and projects. The agency's five-year plan is based on lock inspections, projected lifecycles of parts and machinery, and the U.S. Army Corps of Engineers' 1999 Seaway lock survey and evaluation.

SLSDC officials take advantage of the Seaway's closure during the winter months to remove the water from the locks, inspect critical lock parts and components, and perform necessary repairs and upgrades. Without sufficient funding to make the necessary capital replacements and improvements each year, the risk of a lock malfunction or shutdown increases. It is vital that the SLSDC continue to complete its capital and maintenance programs, as planned, to ensure that the Seaway System remains safe, reliable, and efficient.

Major capital expenses projected for FY 2006 include: replacement of one of the existing original culvert valves from the 1950s ($270,000); replacement of a 20-year-old, 20-ton capacity hydraulic crane used for lock and facility maintenance activities ($240,000); repair of paved areas along the approach walls at the locks that are used by SLSDC personnel and vessel crew members for tying up vessels during transits ($170,000); and replacement of the 25-year-old rubber and oak timber fenders on the downstream miter gate at Snell Lock ($160,000).

As noted previously, the Seaway lock system, consisting of 15 U.S. and Canadian locks, is a single lock system; a delay/shutdown to any one of the locks would cause a delay/shutdown of the entire waterway. Daily vessel operating costs can range $20,000-$25,000; these are costs incurred whether sailing, in port, or awaiting resolution of an emergency.

Foreign-Flag Vessel Inspections and Ballast Water Exams

In FY 2006, the SLSDC will continue to perform its Enhanced Seaway Inspection (ESI) program, inspecting all ocean vessels for safety and environmental protection issues in Montreal, Quebec, before they enter U.S. waters. The SLSDC and the U.S. Coast Guard (USCG), in conjunction with Transport Canada and the SLSMC, signed a Memorandum of Understanding in March 1997 to develop the program of coordinated vessel inspection and enforcement activities to expedite the safe transit of shipping through the Great Lakes Seaway System. Starting in 2002, security-related risk assessment inspections were also completed concurrently with the ESI by SLSDC marine inspectors, improving transit times for Seaway users. Beginning July 1, 2004, in response to the new International Ship and Port Facility Security Code (ISPS Code), the USCG is now performing the security portion of the inspection process in Montreal.

During the 2004 navigation season, the SLSDC achieved its internal performance goal of inspecting all ocean vessels with 224 inspections completed, all performed by SLSDC marine inspectors. The enhanced vessel inspection program exemplifies the Department of Transportation's goal of partnering for excellence.

The ballast water exchange program continues to be an important function of the ship inspection program. These inspections are carried out concurrently with the ESIs, by SLSDC personnel in

Montreal and by USCG and Corporation staff at Snell Lock in Massena. These programs support the Oil Pollution Act of 1990 and the Non-Indigenous Aquatic Nuisance Prevention and Control Act of 1990. During the 2004 navigation season, there were 52 ballast water exams conducted in Montreal and 32 in Massena, N.Y.

Security Activities

The SLSDC will continue to operate and maintain the St. Lawrence Seaway with a heightened awareness towards security during FY 2006. SLSDC staff will continue to be trained and tested on the agency's contingency measures in the event of a security or terrorist-related incident. In addition, SLSDC staff will continue to aggressively pursue the objectives of its security program, which includes greater protection of SLSDC facilities, improved measures for employee and visitor entry into facilities, and planned contingencies for facilities/infrastructure in the event of a heightened security alert. The SLSDC will also continue to work collaboratively with federal security and intelligence agencies as situations arise.

2004 NAVIGATION SEASON OVERVIEW

The estimated tonnage for the St. Lawrence Seaway in 2004 was 43.0 million metric tons. This was 2.2 million metric tons or 5 percent above the 2003 level. The increase was led by a resurgence in general cargo movements, which increased 66 percent to 4.2 million metric tons, the highest level since the 2000 season. These high-valued commodities include processed iron and steel and steel slabs. A robust national economy, coupled with a rebound in manufacturing and steel production in the Great Lakes region, sparked the sizable gain in general cargo. The increase in import iron and steel products also led to increased exports of non-grain bulk commodities, including salt (up 8 percent to 2.4 million metric tons) and coke (up 23 percent to 1.3 million metric tons). In addition to cargo movements, estimated total commercial transits through the St. Lawrence Seaway were 4,060, an increase of 4 percent over 2003 levels.

Other major commodities that moved on the St. Lawrence Seaway in 2004 included iron ore (down 4 percent to 10.2 million metric tons), grain (down 4 percent to 9.3 million metric tons – due principally to lower-than-expected late season movements due to poor Canadian harvest), coal (4.2 million metric tons, equal to 2003 levels), cement (up 3 percent to 2.7 million metric tons), and stone (up 49 percent to 1.2 million metric tons).

CONCLUSION

The FY 2006 request reflects the Administration's commitment to providing the global commercial users of the St. Lawrence Seaway with a safe, secure, efficient, and reliable transportation route. The binational waterway serves as a vital waterborne link between major U.S. and Canadian agricultural, manufacturing, and industrial centers, including Chicago, Detroit, Toronto, Hamilton, Cleveland, Duluth, Thunder Bay, Toledo, and Milwaukee, and European, South American, and North African markets. The Administration's proposal to make the SLSDC a self-sufficient agency partially in FY 2006 and completely starting in FY 2007 will give the agency greater efficiencies and flexibilities to complete its core mission and operate as a business-type government corporation.

The SLSDC will continue to work towards achieving its goal of 99 percent system availability by providing a safe, secure, reliable, and efficient waterway and lock system. This will be accomplished through its primary operational programs of winter maintenance to make capital and equipment improvements to the lock infrastructure, and efficient vessel traffic control, utilizing Automatic Identification System technologies to improve safety, security, and transit times, and vessel inspections for safety compliance. In addition, the concrete replacement project that is expected to continue in FY 2006 is a crucial step towards ensuring that the Seaway locks are structurally sound to continue providing for the safe, efficient, and reliable transits of commercial vessels. A reduction in the Seaway's availability rate could result in commercial users seeking alternative transportation routes and modes to and from North America, negatively affecting Great Lakes Seaway System economic benefits while increasing road congestion, fuel imports, air emissions, and degrading quality of life issues.

Funding levels insufficient to meet legislatively-mandated personnel compensation and benefits increases and necessary maintenance and repair projects to the lock infrastructure will, at a minimum, jeopardize the SLSDC's ability to provide its customers with a safe and reliable transportation system. An even worse scenario would be a lock malfunction due to the agency's inability to complete necessary and recommended improvements and replacements, causing transportation delays throughout the binational system and redirecting the waterway's competitive customer base to other modes and routes of transportation.

The St. Lawrence Seaway has proven its vital significance to America's economy over almost half a century. It is a critical marine waterway for annual movement of tens of millions of tons of bulk and general commodities into and from North America's industrial and agricultural heartland. The SLSDC budget request will provide the agency the necessary resources to provide a safe and efficient transportation route, while also improving the long-term structural integrity of the U.S. Seaway infrastructure, through concrete replacement and capital replacements and improvements.

I want to thank you Chairman Duncan, Ranking Member Johnson, and all the members of the subcommittee for your continued support of the Seaway System. I look forward to working with you and am glad to respond to any questions you may have on my testimony.

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STATEMENT OF BRUCE I. KNIGHT, CHIEF
NATURAL RESOURCES CONSERVATION SERVICE
U.S. DEPARTMENT OF AGRICULTURE
BEFORE THE
U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON WATER RESOURCES AND THE ENVIRONMENT

March 10, 2005

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to appear before the Subcommittee to discuss water resource program activities of the Natural Resources Conservation Service (NRCS). In my remarks today, I will describe our ongoing work in this area, and discuss our budget and priorities for fiscal year (FY) 2006. I will specifically address three accounts; 1) Watershed Surveys and Planning, 2) Watershed and Flood Prevention Operations, and 3) Watershed Rehabilitation.

The NRCS water resource programs provide communities and landowners site-specific technical expertise for watershed planning and financial assistance for watershed project implementation. The programs provide a process to solve local natural resource problems, including flood damage mitigation, water quality improvement, ensuring an adequate rural water supply, water conservation, soil erosion control, and fish and wildlife habitat improvement.

With the water resources programs, thousands of communities across the country improve natural resources, restore fish and wildlife habitat, mitigate flood damages, and accelerate economic development. The Watershed Programs are founded upon the principle of locally-driven, watershed-scale conservation, which can best be solved above the farm and ranch level. Local governments and other sponsors initiate projects with the help of NRCS and conservation districts and are empowered as decision-makers to build State and local partnerships, and acquire funding contributions.

NRCS assists with the planning and implementation of watershed projects, but primarily serves as a technical advisor, bringing science, technology, and knowledge about the natural resource base and ecosystem of the watershed, and has served as a source of funding, to develop these projects. The local sponsoring organization submits an application for Federal assistance, assures public participation, makes project planning and implementation decisions, obtains land rights and permits, provides local cost-share funds, and operates and maintains project measures.

FY 2006 Budget Proposal

The President's 2006 budget recommends funding based on the relative priority of the three accounts in the NRCS water resource programs budget. Highlights of the Watershed Survey and Planning, Watershed and Flood Prevention Operations, and Watershed Rehabilitation are as follows:

Watershed Surveys and Planning

The Watershed Surveys and Planning account helps communities and local sponsors assess natural resource issues and develop coordinated watershed plans that will conserve and utilize their natural resources, solve local natural resource and related economic problems, avoid and mitigate hazards related to flooding, and provide for advanced planning for local resource development. This includes Floodplain Management Studies, Cooperative River Basin Studies, Flood Insurance Studies, Watershed Inventory and Analysis, and other types of studies, as well as PL-566 Watershed Plans. Over 65 percent of these plans are used to guide local planning efforts, the other 35 percent guide experts and sponsors in the implementation of watershed projects to solve natural resource problems.

The President's budget for FY 2006 proposes to focus on funding on-going Watershed Survey and Planning efforts. The budget request is for $5,141,000 to help approximately 40 communities complete their watershed planning efforts.

Watershed and Flood Prevention Operations

The Watershed and Flood Prevention Operations component in the FY 2006 budget proposes to redirect this program's resources to other higher priority programs. The Administration proposes to cancel the program because it funds the construction of local flood control and water improvement projects that are not Federal priorities. The Administration compared the benefits and costs of three Federal flood damage reduction program operated by NRCS, the Corps of Engineers, and the Federal Emergency

Management Agency respectively. The analysis found that the Watershed and Flood Prevention Operations program provided the least net flood damage reduction benefits.

This decrease in funding in Watershed and Flood Prevention Operations account will enable the Administration to divert limited resources to other priorities such as accelerating technical assistance to help agricultural producers meet regulatory challenges, particularly in the area of helping them to manage livestock and poultry waste.

Mr. Chairman, I would note that the funding for this program is over 105 percent allocated by the earmarking process which has removed the Department's ability to effectively manage the program. The intense level of Congressional directives does not permit the agency to prioritize projects based upon merit and local need. The fact that the program is entirely earmarked also makes it impossible for the Department to attempt to coordinate program efforts and implement work that will meet overall strategic natural resource goals.

Watershed Rehabilitation

The President's budget funding request for FY 2006 includes funding for Watershed Rehabilitation activities involving aging dams. These projects involve dams with a high risk for loss of life and property. To date, 134 watershed rehabilitation projects have been funded and 37 have been completed. Sixty-six dams have rehabilitation plans authorized and implementation of the plans is underway. The

Administration requests $15,125,000 to address critical dams with the greatest potential for damage.

Summary

In summary, the U.S. Department of Agriculture has accomplished much in the water resource programs over the past fifty years. Economic, social, and environmental benefits from these programs have been significant for both agricultural and urban communities, which will continue to enjoy reductions in erosion, improved water quality, flood mitigation, greater productivity of cropland and rangeland, and many recreational opportunities. However, in the context of the new budget request for FY 2006, we will need to prioritize limited resources to ensure that we are well positioned to meet often, more pressing challenges ahead.

I thank the Subcommittee and would be happy to respond to any questions.

Testimony of
Chairman Glenn L. McCullough, Jr.
Tennessee Valley Authority
Before the
House Transportation and Infrastructure Subcommittee on
Water Resources and the Environment
March 10, 2005

Opening Statement

Good afternoon. My name is Glenn McCullough and I have served as TVA's Chairman since July 19, 2001. On behalf of the TVA Board of Directors and employees, I would like to thank Chairman Duncan, Ranking Member Johnson, and all the Members of the Water Resources & the Environment Subcommittee for the opportunity to be here today.

Overview of TVA and its Mission

Created in 1933 by the TVA Act, TVA is a wholly owned corporation of the United States government. TVA is entirely self-financing, receiving no funding from Congress. TVA provides electric power to more than 8.5 million residents of the seven-state region that makes up the Tennessee Valley. Through 158 local power distributors and 62 directly served industrial and federal customers, TVA continues to meet the power needs of the region.

TVA's mission is to deliver excellence and value in three key areas: energy, the environment and economic development. As the nation's largest public power provider, TVA supplies affordable, reliable power; manages a thriving river system; and supports sustainable economic development.

2004 Operational Highlights

In Fiscal Year 2004, TVA's power system achieved its best performance ever, meeting an all-time power demand of 29,966 MW on July 13, 2004. In 2004, TVA delivered a total of 168 billion kWh of electricity, while achieving the lowest rate of customer interruption in history. To meet this unprecedented demand, TVA used its mix of fossil, nuclear, hydro and renewable energy sources and a strong, reliable transmission system. TVA's unique mix of coal, nuclear, hydroelectric, and natural gas-fired generation ensures the reliability of the TVA system. TVA's electric power system currently includes 11 coal-fired plants, three nuclear plants, 29 hydro-power plants, one pumped-storage plant and six combustion-turbine plants.

It was a good year for fossil generation. Our fossil units continued to set production records with new records set for continuous operations. And the reliability of the fossil system over the summer was the highest in TVA's history.

As an important part of TVA's diverse generation mix, TVA is committed to pursuing nuclear energy as a safe, low-cost, emissions-free method of power generation. The TVA Board and its employees are proud to be bringing online the nation's first nuclear reactor of the 21st Century. We are on schedule and on budget to restart Browns Ferry Unit 1 near Athens, Alabama by May 2007. This will bring our number of operating nuclear units to six and add another 1,280 MW to our generating capacity. The cost for restarting this nuclear unit (approximately $1.7 billion) is expected to be recovered in only seven years.

Additionally, TVA is a part of two consortia studying next generation nuclear technologies. One group is studying the possibility of pursuing an Advanced Boiling Water Reactor (ABWR) at TVA's Bellefonte site near Hollywood, Alabama. Currently, this technology is being used successfully in Japan, and TVA is pleased to be a part of the group working to bring that technology here to the U.S. The second group, NuStart, is considering two reactor designs: Westinghouse's "Advanced Passive 1000" reactor and General Electric's ESBWR, another type of boiling water reactor. NuStart is also considering Bellefonte as a potential site.

It was also a good year for hydroelectric generation. Hydro automation and modernization efforts on TVA units continued to reduce costs, improve efficiency and boost generating output. TVA's hydro modernization program is scheduled to be completed in 2015. At that point, TVA will have increased system capacity by more than 750 MW of emission-free generation.

TVA expanded its portfolio of clean, renewable energy through an agreement with Invenergy, LLC, which in late October completed installation of 27 MW of wind-powered capacity at the Buffalo Mountain site near Oliver Springs, Tennessee. This makes Buffalo Mountain the largest wind park in the Southeast.

The TVA power system is fueled by its diverse generation mix, and it is sustained by its strong transmission system. The TVA transmission system is one of the largest in North America, comprising 17,000 miles of transmission line. Over the past five years, the system has maintained 99.999 percent reliability with the lowest number of interruptions in 2004 on record.

Last year, in response to an investigation that found the major cause of the 2003 Northeast blackout to be improper right-of-way maintenance, TVA renewed its focus on removing vegetation that could come into contact with power lines. This effort resulted in a new record –176 continuous days during FY04 without a single tree-caused power disturbance.

2004 Financial Performance

At the same time TVA was advancing operational records, TVA was striving to increase financial flexibility. Using the Strategic Plan issued in January 2004 as a guide to prepare for competition, TVA identified a number of cost-cutting measures. Through mostly voluntary retirements, we reduced the total number of employees and contractors by almost 1,000. Strategic business units within TVA were also asked to cut costs, and TVA's management has done an excellent job of identifying areas where we have achieved savings. In FY04, TVA reduced its total financing obligations by $278 million – $53 million dollars more than our target of $225 million.

Fiscal Year 2006 Budget Overview

We are projecting over $8.1 billion in revenue for Fiscal Year 2006. TVA power sales have increased an average of three percent annually during the past decade. In FY06, TVA projects to invest more than $1.3 billion in capital projects for the power system, including approximately $237 million for clean air projects, $420 million toward the recovery of the Browns Ferry Nuclear Plant Unit 1, and $213 million for transmission system reliability projects.

TVA has funded its stewardship activities solely out of power revenues, user fees, and sources other than appropriations since the 1998 Energy and Water Development Appropriations Act. We expect to invest $85 million in stewardship activities in Fiscal Year 2006, approximately the same level as in previous years.

TVA plans to reduce total financial obligations by $150 million in FY06, and will also return $46 million to the U.S. Treasury to repay the government for its initial investment of $1.419 billion. To date, TVA has returned more than $3.3 billion, including interest, to the U.S. Treasury.

Debt Reduction

The TVA Strategic Plan identifies key areas of improvement for achieving greater financial flexibility. It further states that in order to be competitive in a changing marketplace, TVA needs to reduce debt by $3 billion to $5 billion over the next 10 to12 years. The current goal is, in fact, more aggressive, aiming to reduce total financial obligations by $5.6 billion by the end of Fiscal Year 2015.

Changes to TVA – SEC Reporting & Board Structure

The Fiscal Year 2005 Consolidated Appropriations Act (the Act), passed by Congress in December 2004, included two significant changes for TVA. One of these changes will require TVA, beginning with the FY06 Annual Report, to submit its annual reports (10-Ks), quarterly reports (10-Qs), and current reports (8-Ks) to the Securities and Exchange Commission. TVA has been moving in

the direction of increasing transparency and disclosure for several years, and we support measures that make TVA more open to the public.

Additionally, this legislation includes a major change to the structure of TVA's Board of Directors. The Act will create a nine-member Board instead of TVA's current three-member, full-time Board. Board members will continue to be nominated by the President and confirmed by the Senate but will serve five-year terms instead of the current nine-year terms. The new TVA Board will hire a Chief Executive Officer to manage day-to-day operations. Currently, TVA does not have a CEO.

Clean Air

As TVA delivers affordable, reliable energy to its customers, TVA is also working to improve air quality in the region by embarking on an aggressive emissions-reduction program. By around the end of the decade, TVA will have invested about $5.6 billion to reduce emissions.

TVA has installed combustion controls on 58 of its 59 fossil units to reduce nitrogen oxide (NO_X) emissions. In addition, TVA is installing Selective Catalytic Reduction (SCR) and Selective Non-Catalytic Reduction (SNCR) systems on several of these units to further reduce NO_X emissions. Last summer during the ozone season, 18 SCRs were operational. And during the summer of 2004 these SCRs reduced NO_X emissions by more than 70,000 tons. TVA emissions of NO_X in 2004 were the lowest on record.

To reduce emissions of sulfur dioxide (SO_2), TVA has installed scrubbers on 30 percent of its coal-fired capacity and switched to lower sulfur coal on many of its other units. We now are in the process of building five additional scrubbers between now and the end of the decade. Collectively, these scrubbers and additional fuel switches to lower sulfur coal will reduce SO_2 emissions by more than 200,000 tons per year, which will result in an 85 percent overall reduction in sulfur dioxide emissions from the TVA fossil system since 1977. As we move forward to comply with increasingly stringent NOx and SO_2 emission-reduction requirements, TVA also plans to make use of minimal amounts of purchased emission allowances.

In April of 2003, I had the opportunity to testify on behalf of TVA before the Senate Subcommittee on Clean Air, Climate Change, and Nuclear Safety. At that hearing, I expressed our views on clean air, and, more specifically, our support of the President's Clear Skies proposal. Our support for Clear Skies remains steadfast. We believe that Clear Skies gives the industry the ability to reliably plan for future power needs while making significant emissions reductions, which are aggressive but achievable.

Environmental Stewardship

TVA continues its effective management of the Tennessee River and reservoir system, the fifth largest river system in the nation, and its 41,000 square mile watershed. TVA also manages 293,000 acres of public land for multiple public benefits, including conservation, recreation, and economic development. Over 70 percent of this land is managed for conservation purposes, including enhancement of wildlife habitat, protection of threatened and endangered species, and cultural resource protection.

During last year's hurricane season, the Tennessee Valley was inundated with record rainfall. However, TVA's integrated management of the river system successfully averted $12 million in flood damages. To date, TVA's river operations system has averted about $5.4 billion in flood damages Valley-wide.

In 2004, TVA completed the Reservoir Operations Study, a comprehensive two-year review of policies for operating the Tennessee River system. Significant scientific analyses were performed as part of the study to assess how a number of alternative operating policies would affect the system objectives which include navigation and flood control; electric power production; water quality protection; public land conservation and outdoor recreation. Based on the analyses and public comment on the study, TVA staff developed a preferred alternative. The new reservoir operations policy was approved in May by the TVA Board of Directors and implementation began in June 2004.

Economic Development

Since TVA's inception in 1933, economic development has been at the heart of TVA's mission. TVA works aggressively to help create and retain jobs in the Tennessee Valley, and Fiscal Year 2004 was a strong year for economic development. In 2004, we helped create or retain 50,308 jobs and bring $2.1 billion in capital investment to the Tennessee Valley. In the past three years, TVA and its economic development partners have helped attract or retain more than 145,000 jobs for Valley communities. TVA loan commitments of $57.4 million during this time have directly leveraged $832 million in additional investments.

Because of its regional approach to economic development, TVA is in a unique position to foster the Valley's industrial growth. We have been very successful helping attract industries such as plastics, automotive assembly and suppliers, food processing, distribution and warehousing, biotechnology, and emerging technologies. To help the region attract major automotive plants, TVA commissioned McCallum Sweeney Consulting to identify, evaluate, and certify "megasites" that would be suitable for large automotive assembly operations. Once certified, these sites hold the potential of bringing literally thousands of good jobs to the region and injecting enormous amounts of capital into local

economies. Thus far, three sites in the Tennessee Valley have been designated as megasites. These sites have already attracted interest from large industries, and we look forward to certifying more sites in the future. TVA is proud to be the driving force behind this economic development initiative.

Conclusion

In conclusion, TVA is preparing for the future by reducing debt; delivering affordable, reliable electric power; engaging in an aggressive emissions reduction program; efficiently managing the Tennessee River system; and supporting sustainable economic development in the region. The year ahead poses new challenges, and TVA employees are ready to meet those challenges.

This TVA Board is committed to working with Congress, the Administration, and stakeholders throughout the region on the issues that will shape the future of the Tennessee Valley.

Thank you again for the opportunity to appear before you today, and I will be happy to answer your questions.

Congressman John Salazar
OPENING STATEMENT
March 10, 2005

- Mr. Chairman, I have a brief opening statement that I would like to make. Thank you.
- Like other members of the Subcommittee, I am very concerned about proposed budget cuts for the Army Corps of Engineers and the Natural Resources Conservation Service.
- These agencies play an important role in the development and construction of water infrastructure projects across the nation.
- In my own district back in Colorado, I can speak to the great need to improve watersheds damaged by erosion.
- Yet, many of local communities face budget constraints and cannot afford to invest in needed projects on their own.
- Federal investment is warranted and much needed.
- On that note, I look forward to hearing the witnesses' testimony and their justification of the funding levels sent to Congress last month.
- Thank you Mr. Chairman.

DEPARTMENT OF THE ARMY CORPS OF ENGINEERS

COMPLETE STATEMENT

OF

LIEUTENANT GENERAL CARL STROCK
CHIEF OF ENGINEERS
U. S. ARMY CORPS OF ENGINEERS

BEFORE

THE SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
UNITED STATES HOUSE OF REPRESENTATIVES

ON

THE ARMY CIVIL WORKS PROGRAM
FISCAL YEAR 2006

MARCH 10, 2005

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THE ARMY CIVIL WORKS PROGRAM
FISCAL YEAR 2006

MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE SUBCOMMITTEE:

INTRODUCTION

I am honored to be testifying before your subcommittee today, along with the Principal Deputy Assistant Secretary of the Army (Civil Works), the Honorable John Paul Woodley, Jr., on the President's Fiscal Year 2006 (FY06) Budget for the United States Army Corps of Engineers' Civil Works Program.

My statement covers the following 5 topics:

- Summary of FY06 Program Budget,
- Civil Works Construction Backlog,
- Civil Works Program Transformation,
- Value of the Civil Works Program to the Nation's Economy, and
- Value of the Civil Works Program to the Nation's Defense

SUMMARY OF FY06 PROGRAM BUDGET

Introduction

The Fiscal Year 2006 Civil Works Budget is a performance-based budget that reflects the realities of a national budget supporting the war on terror while cutting the deficit in half. The Corps used performance based criteria in developing this budget, which resulted in a focus on the projects and activities that provide the highest-net economic and environmental returns on the Nation's investment. The Civil Works Program, including the Direct and Reimbursed programs, is expected to approach $6.037 billion.

Direct Program funding, including discretionary and mandatory funding appropriated directly to the Corps, totals $5.037 billion. Discretionary funding, plus the direct funding of hydropower operation and maintenance expenses totals $4.513 billion; additional mandatory funding totals $524 million.

Reimbursed Program funding is projected to be $1 billion.

Direct Program

The budget reflects the Administration's commitment to continued sound development and management of the nation's water and related land resources. It incorporates performance-based metrics for continued efficient operation of the nation's navigation, flood protection, and other water resource management infrastructure, fair regulation of the nation's wetlands, and restoration of the nation's important environmental resources, such as the Florida Everglades, the Upper Mississippi River, and Coastal Louisiana. It also improves the quality of recreation services through stronger partnerships and modernization.

The budget emphasizes funding for 61 projects including 14 dam safety, seepage correction, and static instability projects. Funding for 47 projects will provide the highest-net economic and environmental returns on the Nation's investment. Nine of the 47 projects are identified as national priorities. The 47 projects include a new construction start, Washington D.C. and Vicinity, to reduce the risk of flood damages to the museums on the National Mall, the Franklin Delano Roosevelt Memorial, and the World War II Memorial. There are also three new studies under the General Investigations (GI) program and one under the Mississippi River and Tributaries (MR&T) program.

Reimbursed Program

Through the Interagency and Intergovernmental Support Program we help non-DOD federal agencies, state, and other countries with timely, cost-effective implementation of their programs, while maintaining and enhancing capabilities for execution of our Civil

and Military Program missions. These customers rely on our extensive capabilities, experience, and successful track record. The work is principally technical oversight and management of engineering, environmental, and construction contracts performed by private sector firms, and is fully funded by the customers.

Currently, we provide reimbursable support for about 60 other federal agencies and several state and local governments. Total reimbursement for such work in FY06 is projected to be $1 billion. The largest share -- nearly $388 million -- is expected from the Federal Emergency Management Agency (FEMA) for hurricane disaster relief. These numbers represent and update to the President's Budget using the Corps internal Consolidated Civil Automated Budget accounting system.

CIVIL WORKS CONSTRUCTION BACKLOG

The budget addresses the construction backlog primarily by proposing that the Administration and the Congress use objective performance measures – the ratio of remaining benefits to remaining costs or, for aquatic ecosystem restoration projects, the extent to which the project cost-effectively addresses a significant regional or national ecological problem – to establish priorities among projects including potential new starts, and through a change in Corps contract authorities that would increase control over future costs. While up to 10 percent of the available funds could be allocated to any project under construction regardless of performance, a greater proportion of the resources would be allocated to the projects that the Corps estimates will yield the highest returns. Over time, this approach would significantly improve the benefits to the Nation from the Civil Works construction program.

This Budget includes $48.9 million to complete 13 projects (including 1 MR&T project) by the end of 2006. The figures are an update to the Presidents Budget contained in the main volume This investment will enable each of these projects to begin delivering benefits. In all, 105 projects are funded. There are 47 projects that provide the highest net economic highest-net economic and environmental returns on the Nation's investment, 14 dam safety, seepage correction, and static instability correction projects, and 44 ongoing construction projects.

We believe that narrowing the focus on funding and completing a smaller, more beneficial set of projects will bring higher net benefits to the Nation sooner. That is why the Budget proposes only one new, high priority construction start and accelerates completion of the highest-return projects in each program area.

Maintenance Program

Water and related land resource management facilities of the Civil Works Program are aging. As stewards of this infrastructure, we are working to ensure that it continues to provide an appropriate level of service to the nation. Sustaining such service poses a

technical challenge in some cases, and proper operation and maintenance, also is becoming more expensive as this infrastructure ages.

The operation and maintenance program supports the operation, maintenance and security of existing river and harbor, flood and storm damage reduction and, aquatic ecosystem restoration, owned and operated by, or on behalf of, the Corps of Engineers, including administrative buildings and laboratories. Funds are also included for surveys and charting of northern and northwestern lakes and connecting waters, clearing and straightening channels, and removal of obstructions to navigation. Work to be accomplished includes dredging, repair, and operation of structures and other facilities, as authorized in the various River and Harbor, Flood Control, and Water Resources Development Acts. Related activities include aquatic plant control, monitoring of completed coastal projects and, removal of sunken vessels.

In both the Operation and Maintenance and the Mississippi River and Tributaries accounts the FY06 budget includes a total of $2.142 billion for operation and maintenance. To improve the efficiency of the investment in operation and maintenance, we will need to give priority to key features of our infrastructure and determine an appropriate level of service for others, considering the benefits to the Nation and the funding needed to support that level of service. Furthermore, we are searching for ways to reduce costs and thereby accomplish more with available resources.

CIVIL WORKS PROGRAM TRANSFORMATION

Throughout its long history, the Civil Works Program has continually changed in response to advances in science, methods, and processes, changing public values and priorities, and laws. For our program to remain a viable contributor to national welfare, we must remain sensitive to such factors, and continue to reorient, rescope, and refocus the program in light of them. To that end, I am committed to reforming the Civil Works Program to meet the nation's current water and related land resource management needs.

The recently implemented USACE 2012 creates a team of teams within the organization. Our business processes are now being led by a business center within each of the eight Corps regions, in order to more efficiently serve the public and the armed forces. Our processes are more open and more collaborative. We are working to revitalize our planning capabilities to become more efficient, more centralized, with one planning center for each of our eight divisions.

We continue to strengthen and streamline our planning processes, and to invite the involvement of other federal, state and local agencies, sponsors, and interested parties to participate early in the planning process to ensure concerns are addressed up front rather than at the end of a plan.

The Corps Regulatory Program is working to ensure that no net loss of wetlands mitigation is effective and that our decisions on permit applications are successful in retaining the quantity, quality and functions of those critical resources.

We also look to continue the use of external independent review on major Corps project studies where appropriate, to help ensure they are technically sound and properly address national economic and environmental concerns.

Let me tell you about some of the major steps we took last year:

- We are continuing to spread the spirit and the word of the Corps' Environmental Operating Principles - a clear commitment to accomplishing our work in environmentally sustainable ways - with the express purpose of instilling the principles as individual values in all members of the Corps team.

- The Corps of Engineers and the Office of the Assistant Secretary of the Army for Civil Works have allocated additional resources to strengthen our internal review capabilities, and are considering other measures to further improve such capability. With our restructuring under USACE 2012, we have created an Office of Water Project Review in our Headquarters which effectively doubled the size of our policy compliance review staff. The goal is to have our economists, plan formulation specialists, and environmental reviewers focus on early involvement in study development to assure compliance with established policy as projects are being developed. I am committed to working with field commanders to provide training, lessons learned and other tools to strengthen the policy compliance quality control/quality assurance process.

- We completed a Civil Works Strategic Plan that emphasizes the sustainable development, management and protection of our Nation's water and related land resources. This Strategic Plan is a work in progress, and will be updated as performance measures and objectives are developed and refined.

- We established five national planning centers of expertise staffed with some of our top engineers and scientists --- a step that is essential for successfully addressing the issues that increasingly arise in planning a water resources project, especially those that are costly, complex, or controversial, or which otherwise require very specialized planning work.

- I believe we have made progress on the President's Management Agenda this year, particuarly in the area of Budget and Preformance Intergration. Specifically, we used objective criteria to establish priorities for allocating funds among projects in order to increase the overall net economic and environmental return to the Nation from our construction and general investigations programs.

We are committed to change that leads to open and transparent modernization of the Civil Works Program. To this end, we are committed to continuing the dialogue with

you and your staff. I have issued communication principles to ensure open, effective, and timely two-way communication with the entire community of water resources interests. We know well that we must continue to listen and communicate effectively in order to remain an effective origination.

VALUE OF THE CIVIL WORKS PROGRAM TO THE NATION'S ECONOMY AND DEFENSE

We are privileged to be part of an organization that directly supports the President's priorities of winning the global war on terror, securing the homeland and contributing to the economy.

The National Welfare

Water resources management infrastructure has improved the quality of our citizens' lives and supported the economic growth and development of this country. Our systems for navigation, flood and storm damage reduction projects, and efforts to restore aquatic ecosystems contribute to our national welfare.

Domestically, more than 2,000 USACE volunteers from around the nation responded to the call to help their fellow citizens when four hurricanes struck Florida and the rest of the Southeast this last fall.

Similarly, during this winter's heavy rains across parts of the Nation -- Corps dams, levees and reservoirs operated as designed to flood damages and protect lives, homes and businesses.

Research and Development

Civil Works Program research and development provides the nation with innovative engineering products, some of which can have applications in both civil and military infrastructure spheres. By creating products that improve the efficiency and competitiveness of the nation's engineering and construction industry and providing more cost-effective ways to operate and maintain infrastructure, Civil Works Program research and development contributes to the national economy.

The National Defense

The Civil Works Program is a valuable asset in support of Homeland Security in that it helps to maintain a trained engineering workforce, with world-class expertise, capable of responding to a variety of situations across the spectrum of our operations. This

force is familiar with the Army culture and responsive to the chain of command. Skills developed in managing large water and land resource management projects transfer to most tactical engineering-related operations. As a byproduct, Army Engineer officers assigned to the Civil Works Program receive valuable training, in managing large projects.

The Corps of Engineers continues to contribute to the ongoing global war on terror, as our civil works experience proves invaluable in restoring and rebuilding the infrastructure of Iraq and Afghanistan. More than 3,000 civilians have volunteered and approximately 600 are currently serving along with soldiers to provide engineering expertise and quality construction management in these nations.

In Iraq, the Gulf Region Division has overseen the initiation of more than 1,600 reconstruction projects valued at over $4 billion. More than 500 projects are complete. These projects provide employment and hope for the Iraqi people. They are visible signs of progress.

In Afghanistan, the Corps is spearheading a comprehensive infrastructure program for the Afghan national army, and is also aiding in important public infrastructure projects.

The Corps has also played an integral part in the global effort to provide relief to the victims of the massive tsunamis triggered by the Dec. 26 earthquake off the coast of Indonesia. Corps engineers from the Engineering Research and Development Center in Vicksburg, Mississippi, three Forward Engineering Support Teams from Japan, Alaska, and Arkansas, and the Corps 249th Primary Power Battalion were sent to help in the area's recovery.

Homeland Security

In addition to playing an important role in supporting the global war on terror, we are providing security for physical infrastructure owned or operated by the Corps throughout the Nation, based on risk assessment at each of our critical facilities. The Corps is also a member of the National Response Plan team with proven experience in support of disaster response.

The Civil Works Program has completed over 300 security reviews and assessments of our inventory of locks, dams, hydropower projects and other facilities. We have improved our security engineering capability and prioritized infrastructure and are currently implementing recommended features at the highest priority security improvement projects.

For FY06, $72 million is targeted for recurring security costs and security enhancements at key Corps facilities. Facility security systems can include cameras,

lighting, fencing, structure hardening, and access control devices designed to improve detection and delay at each facility.

CONCLUSION

The Corps of Engineers is committed to staying at the leading edge in service to the Nation. In support of that, we are working with others to transform our Civil Works Program. We're committed to change that leads to open, transparent modernization, and a performance-based Civil Works Program.

Thank you, Mr. Chairman and Members of the Committee. This concludes my statement.

DEPARTMENT OF THE ARMY

COMPLETE STATEMENT

OF

THE HONORABLE JOHN PAUL WOODLEY, JR.

OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY (CIVIL WORKS)

BEFORE

THE SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

UNITED STATES HOUSE OF REPRESENTATIVES

ON

THE ARMY CIVIL WORKS PROGRAM

FISCAL YEAR 2006

MARCH 10, 2005

COMPLETE STATEMENT

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BEFORE

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UNITED STATES HOUSE OF REPRESENTATIVES

ON

THE ARMY CIVIL WORKS PROGRAM
FISCAL YEAR 2006

Mr. Chairman and distinguished members of the Subcommittee:

Thank you for the opportunity to testify before the Water Resources and Environment Subcommittee of the Transportation and Infrastructure Committee and to present the President's budget for the Civil Works program of the Army Corps of Engineers for Fiscal Year (FY) 2006.

OVERVIEW OF FY 2006 ARMY CIVIL WORKS BUDGET

The FY 2006 budget for Army Civil Works provides funding to continue development and restoration of the Nation's water and related resources, operation and maintenance of existing navigation, flood damage reduction, and multiple-purpose projects, protection of the Nation's regulated waters and wetlands, and cleanup of sites contaminated as a result of the Nation's early efforts to develop atomic weapons.

The budget continues the Administration's focus on those activities within the Corps main mission areas that have high expected net economic and environmental returns. Building upon the Administration's Principles for Improving Program Performance in the Civil Works program, which were announced in the FY 2004 Budget, the FY 2006 budget uses performance criteria to allocate funding within each program area, in order to achieve a greater overall net return to the Nation from the total to be invested in FY 2006.

The budget emphasizes ongoing studies, projects and programs within the three main missions of the Civil Works program, namely, commercial navigation, flood and coastal

storm damage reduction, and aquatic ecosystem restoration. As in the past, to be supported in the budget, a study or project must also meet current economic and environmental performance standards and be otherwise consistent with established policies.

The budget provides funding for other activities as well, including regulatory protection of waters and wetlands, cleanup of sites contaminated by the Nation's early atomic weapons program, and the management of natural resources and provision of hydroelectric power and recreation services at Federally operated Civil Works projects. However, it does not include funding for work that should be the responsibility of non-Federal interests or other Federal agencies, such as wastewater treatment, irrigation water supply, and municipal and industrial water supply treatment and distribution.

The budget includes new discretionary funding of $4.513 billion. This includes $200 million for the Construction account that is over and above the amount in last year's budget and that would be available if the overall allocation of funding among projects under the enacted legislation is substantially consistent with the performance budgeting guidelines proposed in the budget. The estimate for associated outlays is $4.643 billion.

The budget also includes proposed appropriations language to reclassify certain receipts collected by three of the Federal power marketing administrations. The appropriations language, if enacted, would enable the power marketing administrations to directly fund the operation and maintenance costs associated with the power functions of the Civil Works projects that generate the power that these agencies sell. The budget proposes to make available $181 million in offsetting collections in FY 2006 for this purpose, reducing the total discretionary funding request for the Civil Works program to $4.332 billion.

The first attachment to this testimony displays the current estimate for the distribution of the discretionary funding request by appropriation account, business program, and source.

PERFORMANCE-BASED BUDGETING

Budget and Performance Integration, one of the initiatives of the President's Management Agenda, is central to the preparation of the FY 2006 Army Civil Works budget. The budget targets funding to studies and projects with high returns, and incorporates performance planning into budget planning by program area.

Targeting Funding to Water Resources Studies and Projects with High Returns

For many years, there have been too many projects authorized and initiated without funding for timely completion, which has led to protracted construction schedules and the deferral of benefits for the most worthy projects. Consequently, the overall

performance of the Civil Works program has suffered. The budget addresses this problem by allocations for planning, design, and construction that reflect a focus on those studies and construction projects with the highest expected returns in the Corps' primary mission areas, which are commercial navigation, flood and storm damage reduction, and aquatic ecosystem restoration. The budget also targets funding for operation and maintenance to the highest-return activities. These considerations are discussed below.

Studies and Design. The FY 2006 budget supports funding for the most promising studies and preconstruction engineering and design (PED) activities.

For the navigation and flood and storm damage reduction studies, performance was assessed based primarily on potential economic benefits and costs. For PED activities for such projects, the estimated ratio of remaining benefits to remaining costs is known, and PED activities for projects with ratios of 3.0 to 1 or greater at a 7 percent discount rate were funded. For aquatic ecosystem restoration studies and PED activities, performance was assessed based on relative cost-effectiveness in solving regional and national aquatic ecosystem problems. In all cases, the likelihood of implementation also was considered, including the existence of an executed cost sharing or concurrent financing agreement. The FY 2006 budget concentrates funding on the 142 most promising studies and PED activities. This compares to 272 studies and PED activities that were funded in the FY 2005 budget.

The budget for the General Investigations account is $95 million. Of this amount, $55 million is for studies, $6 million is for PED activities, and $34 million is for planning coordination, technical assistance, and research and development. In addition, the Flood Control, Mississippi and Tributaries (MR&T) account includes about $1 million for studies and $720,000 for the collection and study of basic data.

The budget provides a total of $20 million to continue planning and design work under the very high priority Louisiana Coastal Area study, which is needed to address the continuing loss of wetlands along the Louisiana coast. This increase of $12 million over the budget allocation for Fiscal Year 2005 reflects the progress that the Corps has been making in working with the State to establish priorities for implementation of restoration and related science and technology efforts over a 10-year period.

The budget also includes funding to initiate four reconnaissance studies that competed successfully with the highest performing of the ongoing studies. Three of these studies are funded in the General Investigations account: Coyote Creek, California; Neches River, Texas; and St. Louis, Missouri. The fourth is funded in the MR&T account: a high priority study of opportunities to reduce flood damages and restore the aquatic ecosystem through the further acquisition of real property interests in the Atchafalaya Basin.

One of my priorities is to improve analytical tools to support water resource planning and decision-making. The budget addresses this, for instance, by increasing funding for research and development on modeling and forecasting tools, including $2.4 million for

the Navigation Economic Technologies research program funded in the General Investigations account.

Construction. The budget uses seven performance budgeting guidelines to allocate funds among projects in the Construction account, in order to achieve greater value to the Nation from the construction program. In conjunction, the budget proposes the repeal of existing continuing contract authorities and their replacement with modern, multi-year contracting authorities, as discussed in the section on "Proposals for Programmatic Changes."

The performance guidelines are spelled out in the Appendix to the President's FY 2006 Budget and are provided as the second attachment to this testimony. Under the performance guidelines, construction projects are ranked and funded based on their estimated economic and environmental returns. The net effect is to redirect funding away from the lowest priority projects to accelerate completion of the highest priority projects. The guidelines are based on sound financial management principles similar to those used by private industry to rank and select investments.

The budget provides $1.637 billion dollars for the Construction account, including $200 million that would be available only if the overall funding allocation among projects under the enacted appropriations legislation is substantially consistent with the seven proposed performance guidelines. The budget also provides $111 million dollars for construction activities in the MR&T account after a reduction for anticipated savings and slippages. The total of $1.748 billion is the highest amount ever included for construction in a Civil Works budget. In all, the budget provides funding for 105 specifically authorized projects in the two accounts.

Under the performance guidelines, all construction projects are ranked within their program area by their remaining benefits relative to their remaining costs, or, in the case of aquatic ecosystem restoration projects, by the extent to which they cost-effectively address a significant national or regional aquatic ecological problem. However, dam safety, seepage correction, and static instability correction projects are given the highest priority without regard to these rankings. The budget provides 100 percent of the maximum that the Corps can use to carry out work efficiently on 14 dam safety, seepage correction, and static instability correction projects.

Based on these performance rankings, the budget identifies a total of 47 high priority projects. Among the 47 high priority projects are nine projects that the Administration views as a national priority and 38 other projects that have a high ratio of remaining benefits to remaining costs, or that are very cost effective in addressing a significant regional or national aquatic ecosystem restoration problem. To accelerate completion of the high priority projects, the guidelines provide that the budget must allocate at least 80 percent of the maximum that the Corps could use to carry out work on these projects efficiently. The Corps provided the estimates for the maximum that the Corps could use to carry out work on these projects efficiently in mid-January, 2005.

The national priority projects include eight that the Administration previously has identified: Columbia River Fish Recovery; South Florida Everglades Ecosystem Restoration; Missouri River Fish and Wildlife Recovery; New York and New Jersey Harbor; Olmsted Locks and Dam; Sims Bayou, Texas; Upper Mississippi River Restoration; and West Bank and Vicinity, Louisiana. In addition, for the first time, Oakland Harbor, California, is included as a national priority.

The budget includes $137 million for the Corps contribution to the Everglades restoration effort. Of this amount, $35 million is for the Corps to participate financially in the Modified Water Delivery project, along with the National Park Service. The Administration has proposed appropriations language in the Construction account and companion appropriations language for the National Park Service to clarify that both agencies would be contributing financially to the Modified Water Delivery project. In addition, the budget proposes funding of the pilot projects program for the Comprehensive Everglades Restoration Plan (CERP) component of the Everglades program as part of design for the CERP features because the need to prove these technologies is central to the success of this restoration effort.

The budget proposes funding to initiate construction of the Washington, D.C. and Vicinity flood damage reduction project, which is one of the highest-return projects in the Nation. The initiation of this project is necessary to reduce the risk of flood damage to the museums on the National Mall, the Franklin Delano Roosevelt Memorial, and the World War II Memorial.

The budget also includes funding for an additional 44 construction projects. The funding is to continue work on contracts awarded before FY 2006, and to initiate contracts in the instances of several beach nourishment projects to mitigate sand loss impacts due to the operation and maintenance of Federal navigation projects.

The amount budgeted for the construction and major rehabilitation of inland waterway projects, $353 million, is the highest amount ever included in a Civil Works budget. This funding will help ensure the continued efficiency and reliability of the major locks and dams on the inland waterways system.

The budget proposes that 35 previously budgeted construction projects with lower returns be examined for possible suspension. The budget provides a suspension fund of $80 million in the Construction account and a suspension fund of $8 million in the MR&T account for these projects. Where it would be less costly to complete an ongoing contract, that course would be pursued. Otherwise, the contract would not be funded, and the suspension fund would be used to pay the Federal share of settled claims. Construction of the suspended projects could be restarted in the future, to the extent that they compete successfully for future funding based on their relative economic and environmental returns.

Operation and Maintenance. The budget for operation and maintenance emphasizes essential operation and maintenance activities at key Corps facilities, including maintenance dredging and structural repairs. The program areas of navigation, flood

control, hydropower, recreation, and natural resources management receive operation and maintenance funding. The overall budget for the Operation and Maintenance account is $1.979 billion, the highest ever included in a Civil Works budget. The budget provides an additional $157 million for operation and maintenance activities in the MR&T account, after a reduction for anticipated savings and slippages.

In general, the budget provides funding for "must-have" operation and maintenance activities at Civil Works facilities. These include operations and time-sensitive maintenance necessary for meeting performance objectives at important facilities, plus efforts to comply with Federal environmental and other mandates.

The budget continues the policy of establishing priorities for funding navigation maintenance based primarily on the extent to which a channel and harbor project or waterway segment supports high volumes of commercial traffic. The budget also funds channel and harbor projects that have low commercial traffic but support significant commercial fishing, subsistence, or public transportation benefits. Navigation operation and maintenance at other facilities is funded to support surveys and other caretaker activities.

The budget includes funding for an assessment of the economics and long-term policy options for navigation facilities with relatively low levels of commercial traffic. The study will identify the universe of Federal channel and harbor projects and inland waterways segments that support lower levels of commercial use, classify these projects based on the kinds of contributions that they make, develop methods to quantify the differences in their attributes, and examine possible criteria for determining when a continued investment in operation and maintenance would produce a significant net return to the Nation. The study also will formulate a range of possible long-term options for the funding and management of navigation projects with lower levels of commercial use, evaluate these options, and examine their applicability to the various types of such projects.

Since the events of September 11, 2001, the Civil Works program has received appropriations of $362 million to provide facility protection measures that have recurring costs (such as guards), to perform assessments of threats and consequences at critical facilities, and to design and implement the appropriate "hard" protection at those critical facilities. The Administration is continuing its commitment to facility protection in FY 2006, with an allocation of $72 million for facility protection in the Operation and Maintenance account. Of the $72 million, about $30 million is for recurring costs, about $30 million is hard protection at operating projects, and $12 million is included as a "remaining item" in the Operation and Maintenance account for recurring costs and hard protection at laboratory, administrative, and other facilities.

The budget includes $20 million for an emergency maintenance reserve fund, from which the Assistant Secretary of the Army (Civil Works) would make allocations to meet high-priority, unexpected, and urgent maintenance needs at key facilities. When an unexpected emergency occurs under current practice, it is sometimes difficult to find the needed funds on a timely basis. The new arrangement will enable the Civil Works

program to respond to these situations promptly, without interfering with other program commitments.

Incorporating Performance Planning by Program Area

The findings and recommendations of program evaluations using the Program Assessment Rating Tool (PART) informed budget decisions. To the extent that performance data were available, the Corps used this information during the budget development process to allocate funding.

The Corps also uses the PART to evaluate the performance of its program areas and determine whether they are achieving the desired results, and to improve the overall effectiveness and efficiency of these program areas. This year the recreation, storm damage reduction, and coastal channels and harbors program areas were assessed, and the hydropower program area was reassessed.

On March 22, 2004, the then-Chief of Engineers and I provided the Civil Works Strategic Plan to the committees and subcommittees of Congress responsible for water development authorizations and appropriations, including this Subcommittee. That plan included an effort to suggest some program-specific goals, objectives, and performance measures, as well as some that are crosscutting.

Both the Civil Works Strategic Plan and the PART-based program evaluations are works in progress. As Civil Works programs are newly assessed and reassessed, the resulting findings will be addressed and recommendations implemented. Further, as new performance measures are identified and existing measures refined through the PART process, these changes will be reflected in the Strategic Plan through periodic updates.

To illustrate how the FY 2006 budget for Civil Works reflects performance planning, I would like next to discuss the Regulatory Program and the Emergency Management program.

Regulatory Program. The activities funded in the budget include permit evaluation, enforcement, oversight of mitigation efforts, administrative appeals, watershed studies, special area management plans, and environmental impact statements.

The recent performance assessment for this program concluded that it is moderately effective. Better efforts are needed to ensure compliance with permit conditions and mitigation requirements. The volume of permits is growing, and billions of dollars of investments are affected by permit processing times. One of my priorities for the Civil Works program is to improve the effectiveness of aquatic resource protection and the efficiency of permit reviews and decision-making.

For the regulatory program, the performance measures reflect a strong linkage between funding decisions and performance. The budget provides $160 million, which is $10

million more than included in the FY 2005 budget, $16 million more than the enacted amount for FY 2005, and more than has been budgeted for the regulatory program ever before. This increase is needed and will enable the Army to improve protection of aquatic resources and reduce permit evaluation times.

Emergency Management. The Emergency Management program includes work funded in the Flood Control and Coastal Emergencies (FCCE) account and the National Emergency Preparedness program, with FCCE comprising the bulk of the program. The FCCE account finances response and recovery activities for flood, storm, and hurricane events, preparedness for natural events, and preparedness to support to the Federal Emergency Management Agency through the Federal Response Plan.

The recent performance assessment of FCCE activities concluded that they are moderately effective, and should be funded at the average annual cost of doing business so as to improve program management and reduce the likelihood of having to borrow from other accounts or obtain supplemental appropriations when disaster events occur. Accordingly, the FY 2006 budget includes $70 million, which is approximately the amount that the Corps has spent in a typical year on flood and coastal storm emergency preparedness, response, and recovery activities.

FOUR PROPOSALS FOR PROGRAMMATIC CHANGES

Programmatic changes proposed in the budget include the following: the funding of beach nourishment and renourishment to address the impacts of navigation projects; replacement of continuing contracts with multi-year contracts; direct funding of hydropower operation and maintenance costs; and raising additional revenues to finance recreation modernization.

Beach Renourishment

This year the coastal storm damage reduction program area of the Army Corps of Engineers (Corps) was evaluated using the Program Assessment Rating Tool (PART). That evaluation addressed concerns with having a long-term Federal involvement in periodic beach renourishment, which ties up out-year funds that in many instances could be invested in other projects that yield a greater return to the Nation. This finding supports a policy of not providing Federal funding for the costs of renourishment to replace sand lost due to ordinary, expected natural erosion. Therefore, the Administration's view remains that non-federal interests should be responsible for those costs once the initial nourishment has been accomplished, just as they operate and maintain other types of projects once the installation is complete.

The Administration continues to support Federal participation in the initial phase of authorized beach nourishment projects for storm damage reduction and ecosystem restoration.

The budget also includes funding for beach nourishment and renourishment to mitigate sand loss impacts to shorelines due to the operation and maintenance of Federal navigation projects. The budget proposes that both the initial nourishment and renourishment phases be funded by Civil Works 100 percent, but only to the extent that they address the impacts of Federal navigation operation and maintenance. The budget also proposes that this Civil Works funding be derived from the Harbor Maintenance Trust Fund. The budget recommends enacting this proposal through appropriations language for the Construction account.

The Army will continue to participate financially in other coastal activities. These include the following: planning and design of coastal storm damage reduction and ecosystem restoration projects; deposition of dredged material from navigation projects on the adjacent shores when it is the least-cost, environmentally acceptable disposal method; one-time placements of dredged material for the beneficial use of storm damage reduction; and regional sediment management research.

The budget also provides funding to continue renourishment-related activities for the Westhampton Shores area of the Fire Island Inlet to Montauk Point, New York, project, as called for by a court order in the settlement of the case of Rapf et al. vs. Suffolk County of New York et al.

Construction Contracting

The budget proposes to replace the special continuing contract authorities of the Civil Works program with the authority to issue standard multi-year contracts, as are used elsewhere in the Federal Government. This change to multi-year contracting is needed to increase control over future contract costs, make more funding available in the out-years to complete Civil Works projects that have a high net return to the Nation, and subject contracting in the Civil Works program to the same rules and oversight that apply in other Federal agencies. The budget recommends enacting this proposal through an appropriations general provision.

Continuing contracts involve unfunded obligations that sometimes can be large. This long-term commitment to fund projects regardless of their relative performance has reduced the overall performance of the Civil Works program. In addition, under continuing contracts, contractors may accelerate their earnings, which increases the immediate cost to the Government of the accelerated work performed and could lead to contract termination, inefficient progress on remaining work, or the deferral or slowdown of important work on other projects.

Direct Financing of Hydropower Operation and Maintenance Costs

In the past, the Congress generally has financed the operation and maintenance costs of Civil Works hydroelectric facilities from the General Fund, and the Federal power

marketing agencies have repaid the Treasury for these costs from the revenues provided by ratepayers. The exception has been in the Pacific Northwest where, under section 2406 of the National Energy Policy Act of 1992, Public Law 102-486, the Bonneville Power Administration (BPA) has directly financed the costs of operating and maintaining the Corps' hydroelectric facilities from which it receives power. BPA funds have been used in this manner since FY 1999.

Each year, Corps facilities experience unplanned outages around 3 percent of the time. In 1999, the General Accounting Office found that the Corps' hydropower facilities are more likely to experience unplanned outages as private sector facilities, because the Corps does not always have sufficient funds appropriated from the General Fund to schedule the needed preventive maintenance. To address this problem, the budget proposes that the Southeastern Power Administration, the Southwestern Power Administration, and the Western Area Power Administration finance hydropower operation and maintenance costs directly, in a manner similar to the mechanism used by Bonneville. The budget contemplates that these power marketing administrations, in consultation with the Corps, would make more funding available for hydropower operation and maintenance in order to provide economical, reliable power to their customers. Unplanned outages would be expected to decline over time.

The budget recommends enacting this proposal through appropriations language for the Operation and Maintenance account. The proposal, if enacted, would reclassify certain receipts collected by the power marketing agencies, and use the receipts to directly fund a category of expenses now being paid out of the General Fund.

Recreation Modernization

The FY 2006 budget proposes a recreation modernization initiative for Civil Works recreation facilities, based on a promising model now used by other major federal recreation providers such as the National Park Service and the Forest Service. The goal of the modernization initiative is to ensure that quality public outdoor recreation opportunities may be provided on Corps lands into the future.

The Administration will propose legislation to allow the Corps to use additional fees and other revenues to upgrade and modernize recreation facilities at the sites where this money is collected. The legislation will include authority for the Corps to charge entrance fees and other types of user fees where appropriate.

Specifically, the Corps would use the additional collections above a $37 million per year baseline to improve the Corps recreation program. This will give the Corps staff who manage Civil Works recreation facilities a stronger incentive to collect fees and develop other sources of revenue. I would expect that the people who enjoy recreation at Corps facilities will support this proposal as well, since they will know that the additional money would be used to improve the program.

In conjunction with the proposed legislation, the Corps will focus on the following areas of interest: adjustments to fees and user charges under existing authority; new planning, financing, and management partnerships with local units of government such as Lake Improvement Districts; and expanded cooperation with local volunteers, other stakeholders, and interest groups. Demonstration projects in urban areas will be investigated, and the six demonstration projects initiated in FY 2005 will be continued.

MANAGEMENT AND OVERSIGHT

The Assistant Secretary of the Army (Civil Works) oversees Civil Works budget and policy. Corps executive direction and management of the Civil Works program are funded from the General Expenses account. The President's Management Agenda is the centerpiece of the Army's and the Corps' efforts to improve the effectiveness of program management.

Office of the Assistant Secretary of the Army for Civil Works

Congress funded the Assistant Secretary's office from Energy and Water Development appropriations for the first time in FY 2005. The budget proposes that the Assistant Secretary's office be funded from the Operation and Maintenance, Army account in defense appropriations, as had been the custom until FY 2005. The reasons are that the Assistant Secretary, as an advisor to the Secretary of the Army, has some oversight responsibilities outside the purview of the Subcommittee on Energy and Water Development, and the Assistant Secretary's office is a part of the Army headquarters, where many expenses are centrally funded and managed.

General Expenses

Funding budgeted for the General Expenses account is $162 million. These funds will be used for executive direction and management activities of the Corps headquarters, the Corps division offices, and related support organizations that pertain to Civil Works.

Audit activities will be financed by the Revolving Fund rather than under General Expenses. The FY 2005 budget and enacted amount of $167 million includes $7 million for an audit of the Civil Works financial statements by the Department of Defense Inspector General. Financial audit activities formerly were carried out by the Army Audit Agency (AAA) using its own funding, but under new General Accounting Office auditing standards the AAA is not sufficiently independent of the Corps to conduct this audit. The balance statement audit being performed in FY 2005 includes extensive review of historical data to remedy findings of the Inspector General. This type of review is appropriate for funding from the General Expenses account and is expected to be completed with the FY 2005 funds. The costs of annual audits beginning in FY 2006

will be considered normal costs of doing business and, as such, will be financed from the Revolving Fund and appropriately distributed to the appropriation accounts.

President's Management Agenda

The Civil Works program is making progress on the President's Management Agenda. Like many agencies, the Corps of Engineers started out in 2002 with "red" ratings across the board.

The Civil Works program is striving to attain "green" or "yellow" status scores for most initiatives by July 2005. For the human capital initiative, significant progress is expected in reducing hiring time lags and integrating the accountability system into decisions. For competitive sourcing, the Corps has two ongoing competitions and is conducting preliminary planning for three more. For financial management, no change in status is expected until audit issues have been resolved and historical data have been collected. For e-government, efforts are underway to establish an effective Enterprise Architecture, adhere to cost and schedule goals, secure currently unsecured information technology systems, and implement applicable e-government initiatives. For integration of budget and performance, efforts are under way to prepare additional program assessments and reassessments, to improve performance measures, and to begin to use performance information in short-range decision processes. For real property asset management, the goal is to develop and obtain approval of an asset management plan, an accurate and current asset inventory, and real property performance measures.

I am confident that this work on the President's initiatives will yield greater program efficiency and effectiveness in the years to come.

CONCLUSION

In his State of the Union Address of February 2, 2005, the President underscored the need to restrain spending in order to sustain our economic prosperity. As part of this restraint, it is important that total discretionary and non-security spending be held to levels proposed in the FY 2006 Budget. The budget savings and reforms in the Budget are important components of achieving the President's goal of cutting the budget deficit in half by 2009, and we urge Congress to support these reforms. The FY 2006 Budget includes more than 150 reductions, reforms, and terminations in non-defense discretionary programs, one of which affects the Civil Works program, specifically, the Civil Works construction program: the adoption of performance guidelines and reduction in funding compared to FY 2005 enacted amounts. The Army wants to work with the Congress to achieve these savings.

The FY 2006 budget for the Army Civil Works program was developed using the modern management concept of performance-based budgeting, in line with the President's management principles.

At $4.513 billion, this is the highest Civil Works budget in history. Specifically, the amounts for construction, operation and maintenance, and the Regulatory Program are the highest ever submitted to Congress.

Nonetheless, the budget reflects explicit choices based on performance, particularly insofar as funding is targeted for high performing studies, design, and construction, and for areas where additional funding can make a real difference such as in the emergency management program and the regulatory program.

As I have testified before, I have three priorities in mind for the Civil Works program. One priority is to develop the Civil Works budget and manage the program based on objective performance measures. My second priority is to improve the analytical tools that we use for water resources planning and decision-making, and my third priority is to improve the effectiveness and efficiency of the regulatory program. This budget contributes to the advancement of all three goals.

The Army Civil Works budget for FY 2006 will enable the Civil Works program to move ahead with many important investments that will yield good returns for the Nation in the future.

Thank you, Mr. Chairman and members of the Subcommittee, for this opportunity to testify on the President's Fiscal Year 2006 budget for the Civil Works program of the Army Corps of Engineers.

ATTACHMENT 1
DEPARTMENT OF THE ARMY
CORPS OF ENGINEERS – CIVIL WORKS BUDGET, FY 2006

Requested New Appropriations by Account:	
General Investigations	95,000,000
Construction	1,637,000,000
Operation and Maintenance	1,979,000,000
Regulatory Program	160,000,000
Flood Control, Mississippi River and Tributaries	270,000,000
General Expenses	162,000,000
Flood Control and Coastal Emergencies	70,000,000
Formerly Utilized Sites Remedial Action Program	140,000,000
TOTAL	4,513,000,000
Requested New Appropriations by Business Program:	
Commercial Navigation	1,796,000,000
Channels and Harbors	(882,000,000)
Inland Waterways	(914,000,000)
Flood and Coastal Storm Damage Reduction	1,085,000,000
(Flood Damage Reduction)	(998,000,000)
(Coastal Storm Damage Reduction)	(87,000,000)
Environment	716,000,000
(Aquatic Ecosystem Restoration)	(483,000,000)
(FUSRAP)	(140,000,000)
(Natural Resources)	(93,000,000)
Hydropower	249,000,000
Recreation	268,000,000
Water Supply	2,000,000
Emergency Management	75,000,000
Regulatory Program	160,000,000
Executive Direction and Management	162,000,000
TOTAL	4,513,000,000
Sources of New Appropriations:	
General Fund	3,436,000,000
Harbor Maintenance Trust Fund	674,000,000
Inland Waterways Trust Fund	184,000,000
Special Recreation User Fees	37,000,000
Disposal Facilities User Fees	1,000,000
Power Marketing Administration Direct Funding	181,000,000
TOTAL	4,513,000,000
Additional New Resources:	
Rivers and Harbors Contributed Funds	445,000,000
Coastal Wetlands Restoration Trust Fund	61,000,000
Permanent Appropriations	18,000,000
TOTAL	524,000,000
Total New Program Funding	5,037,000,000

ATTACHMENT 2
DEPARTMENT OF THE ARMY
CORPS OF ENGINEERS – CIVIL WORKS BUDGET, FY 2006

PERFORMANCE BUDGETING GUIDELINES FOR CIVIL WORKS CONSTRUCTION

1. *Funding distribution and project ranking.* (a) All ongoing construction projects, including those not previously funded in the budget, will be classified as being primarily in one of the following program-based categories: Coastal Navigation; Inland Navigation; Flood Damage Reduction; Storm Damage Reduction; Aquatic Ecosystem Restoration; or All Other (including the major rehabilitation of existing commercial navigation, flood damage reduction, and hydropower facilities). (b) At least 70 percent of the construction budget will be allocated to projects in the first four of these categories. At least 5 percent of the construction budget will be allocated to "all other" work. The funding allocated for the construction of aquatic ecosystem restoration projects will not exceed 25 percent of the budget in the construction program. Changes to these percentages are, however, permitted under the seventh guideline. (c) Projects in all categories except aquatic ecosystem restoration will be ranked by their remaining benefits divided by their remaining costs (RBRC). All RBRCs will be calculated using a seven percent real discount rate, reflect the benefits and costs estimated in the most recent Corps design document, and account for the benefits already realized by partially completed projects. Aquatic ecosystem restoration projects will be ranked primarily based on the extent to which they cost-effectively address a significant regional or national aquatic ecological problem. (d) Dam safety, seepage, and static instability projects will be treated separately. They will receive the maximum level of funding that the Corps can spend efficiently in each fiscal year, including work that requires executing new contracts.

2. *Projects with very high RBRCs.* The budget will provide funds to accelerate work on the projects with the highest RBRCs within each category (or the most cost-effectiveness in addressing a significant regional or national aquatic ecological problem, for aquatic ecosystem restoration). Each of these projects will receive not less than 80 percent or the maximum level of funding that the Corps can spend efficiently in each fiscal year, including work that requires executing new contracts.

3. *New starts and resumptions.* The budget will provide funds to start new construction projects, and to resume work on projects on which the Corps has not performed any physical construction work during the past three consecutive fiscal years, only if the project would be ranked in the top 20 percent of the ongoing construction projects in its category that year and appears likely to continue to qualify for funding as a project with very high RBRC under the second guideline thereafter.

4. *Continuing contracts.* Except for projects considered for deferral, the budget will continue to support work under continuing contracts executed prior to 2006. From 2006 onward, the Corps will issue contracts based only on the kinds of authorities that are available to other Federal agencies. All new contracts will include clauses to minimize termination penalties, cap cancellation fees, and ensure that the Corps is able to limit the amount of work performed under each contract each year to stay within the overall funding provided for the project during the fiscal year. The Corps will also reduce out-year funding commitments by using contracts whose duration is limited to the period needed to achieve a substantial reduction in costs on the margin.

5. *Lower priority projects.* All projects with an RBRC below 3.0 will be considered for deferral, except for aquatic ecosystem restoration projects. Aquatic ecosystem restoration projects that do not primarily address a significant regional or national aquatic ecological problem and are less than 50 percent complete will be considered for deferral, except for those that are highly cost-effective in addressing such problems. Where a project considered for deferral was previously funded, the budget will cover the cost of terminating or completing each ongoing contract, whichever is less.

6. *Redirection of funding.* Any budget year and all future year savings from the suspension of ongoing construction projects, after covering the cost of termination or completing ongoing contracts, will be used to accelerate projects with high RBRCs. The savings will be allocated to the projects with the highest RBRCs and the highest environmental returns in the construction program.

7. *Ten percent rule.* The budget may allocate up to a total of 10 percent of the available funding to ongoing construction projects regardless of the requirements stated above. However, this may not be used to start or resume any new projects.

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