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DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT AND INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2000

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

ON

H.R. 2684/S. 1596

AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT, AND FOR SUNDRY INDEPENDENT AGENCIES, BOARDS, COMMISSIONS, CORPORATIONS, AND OFFICES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2000, AND FOR OTHER PURPOSES

Corporation for National and Community Service
Department of Housing and Urban Development
Department of the Treasury
Department of Veterans Affairs
Environmental Protection Agency
Executive Office of the President
Federal Emergency Management Agency
National Aeronautics and Space Administration
National Science Foundation
Nondepartmental witnesses

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DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT AND INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2000

THURSDAY, MARCH 4, 1999

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:33 a.m., in room SD–192, Dirksen Senate Office Building, Christopher S. Bond (chairman) presiding.

Present: Senators Bond, Stevens, and Mikulski.

FEDERAL EMERGENCY MANAGEMENT AGENCY

STATEMENT OF JAMES L. WITT, DIRECTOR

ACCOMPANIED BY:

MIKE WALKER, DEPUTY DIRECTOR
GARY JOHNSON, CHIEF FINANCIAL OFFICER
CARRYE BROWN, ADMINISTRATOR, U.S. FIRE ADMINISTRATION

OPENING STATEMENT OF SENATOR CHRISTOPHER S. BOND

Senator BOND. Good morning. The subcommittee will come to order. Today we begin the deliberation of the fiscal year 2000 budget for the VA, HUD, and Independent Agencies Subcommittee. This morning we will hear testimony on the Federal Emergency Management Agency's request. We welcome Director James Lee Witt; FEMA's new Deputy Director and former Acting Secretary of the Army, Mike Walker; and Gary Johnson, FEMA's Chief Financial Officer.

The good news this morning is that we have not had many large-scale disaster events this year. Unlike last year when FEMA personnel were spread across the country responding to El Nino-related weather events, this year has been relatively quiet. Disaster cost projections to date fall below the 5-year historical average and we do not anticipate the need for a supplemental for the disaster relief fund, reversing a long-term trend. As of the end of January, FEMA had $2.3 billion in unobligated disaster relief funds.

The bad news is that once again we face a very tough battle in the Appropriations Committee. The budget caps put in place by the 1997 Balanced Budget Act are extremely tight. Spending available for discretionary programs overall is $30 billion below the current year level. Unfortunately, the President's budget busted those caps by about $18 billion by assuming offsets from tobacco revenues,

Superfund taxes, and other gimmicks which frankly have little or no chance of flying whatsoever. This makes our job harder because it raises expectations that we simply will not be able to fulfill.

Within the VA–HUD Subcommittee, we have identified several areas of shortfall in the President's request. The largest such shortfall is within the VA medical care appropriation request which would be frozen at current levels, despite the fact that VA has identified many new requirements, such as treating patients with hepatitis C. VA estimates are that this problem alone will cost at least $500 million next year. Once again we will be forced to make some very difficult trade-offs in order to accommodate the dire needs.

I congratulate you, Director Witt, at your success in the internal budget process at OMB. It is always nice to see who is a winner in that internal battle, and your star must be at the peak. While the VA–HUD Subcommittee portfolio would decline $1.7 billion overall under the President's budget request, OMB has smiled upon you and FEMA's budget would increase $84 million, or 10 percent over the current year, for a total of $923 million. Do not count on that coming through the full process necessarily.

FEMA proposes several new programs, such as a new $12 million repetitive loss initiative aimed at eliminating those properties with significant repeat claims posing the biggest drain on the flood insurance fund, and a new flood map modernization fund to update and digitize FEMA flood maps. These programs, accompanied by some new requirements on policyholders currently under consideration, would help put the flood insurance program on a more sound footing. And I agree that is an urgent need. Nevertheless, I have grave reservations about a FEMA proposal for a mortgage fee to finance those requirements.

There are also significant program enhancements proposed in the budget, such as the $25 million increase for the emergency food and shelter program, the $13 million increase to augment various activities at the U.S. Fire Administration, the $13 million increase for anti-terrorism activities, which my ranking member and I have supported very strongly in the past, and additional funding for State preparedness activities. I also recognize and express my appreciation that FEMA's budget includes full funding of $5.9 million for the dam safety program, an increase of $2 million over the current level.

Let me be quite clear. These are all critical activities which we support. However, the constraints imposed by the budget caps will make these demands quite difficult to fund fully. We will have many questions on each of these funding proposals as we seek to ascertain the priorities.

In addition to FEMA's request for $923 million in discretionary appropriations, FEMA proposes $2.48 billion in off-budget disaster relief contingency funds. It is, frankly, very disappointing to me that once again the administration has chosen not to budget for these anticipated requirements under the budget caps. We know we will have disasters next year, and we know that the funding requirement will be several billion dollars. That is no mystery. We should budget for those requirements up front.

Among the items not approved by OMB in FEMA's original budget proposal was a new mitigation grant program for universities which totaled $175 million in your proposal. OMB approved instead a $1 million study of such a program. I have already heard from a very important constituent in Missouri, Washington University in St. Louis, about their support for such an initiative. While clearly it is in the Nation's interest to protect our significant investment in university research, it would be tremendously difficult for us to find the funds for such a massive new spending program.

There are many other areas we have a particular interest in this morning. At the top of the list is the Y2K computer problem that my ranking member will be addressing. It is my understanding that the National Association of Counties completed a survey in December which found that roughly half of the 500 counties which participated in the survey do not have a county-wide plan for addressing Y2K conversion issues. Almost two-thirds had not yet completed the assessment phase of their Y2K work. That is not encouraging, and that shows a potential problem.

FEMA's role, relative to Y2K, is consequence management, and the agency received over $7 million through OMB from the Y2K contingency funds. We look forward to hearing what FEMA is doing to prepare for and minimize Y2K-related emergencies, particularly in the emergency services sector.

We also look forward to hearing what FEMA is doing to improve the level of preparedness at the State and local level for acts of terrorism. FEMA is one of many agencies involved in this effort, perhaps too many. Unfortunately, my concern is there does not appear to be a strategic approach to this critical issue and that the roles of FEMA, DOD, and the Department of Justice remain confusing.

We do not have a good handle on what remains to be done to ensure the readiness not just of the major metropolitan areas, but the country at large. In testimony before the House Government Reform and Oversight Committee last year, GAO raised many concerns about the Nation's domestic preparedness program for terrorism and it is urgent these issues be addressed.

We also remain concerned about the disaster relief program. You and I have talked over the years about escalating costs of disaster relief and the need to tighten up this program. Since 1989 we have spent $25 billion on FEMA disaster relief and there remains more than $2.6 billion in anticipated costs associated with open disasters.

Mr. Witt, I commend you for a number of the initiatives you have implemented to improve the program, such as reengineering the public assistance program and the concerted effort to close out old disasters, which has returned hundreds of millions of dollars to the Disaster Relief Fund. This effort, spearheaded by Mr. Johnson, is in large part our reason for not needing to provide additional supplemental appropriations for FEMA in fiscal year 1999, and we acknowledge your good work in this area.

We also recognize that you have proposed criteria for declaring disasters. I appreciate your effort here, particularly in the face of strong resistance in various quarters. Unfortunately, I am concerned that the criteria are no more stringent than the factors currently used to consider whether a disaster should be declared and

do not take into consideration a State's economic health or the ability to raise public revenues to cover the cost of a disaster.

Much remains to be done to eliminate the loopholes and streamline the program, both through the regulatory process and through legislation. We understand you plan to go forward with a requirement that public facilities be insured at least to 80 percent of their replacement value. I would urge you to move expeditiously with that rulemaking which should result in savings to the Disaster Relief Fund.

You may recall that in last year's Senate committee report, we asked for a report, now due within a few weeks, of FEMA's effort to propose through regulation administrative changes to reduce disaster relief costs. We hope we can see that report shortly.

With respect to the Stafford Act legislation, FEMA just yesterday submitted another legislative proposal to OMB which includes several important proposals such as authority to reduce the Federal share of public assistance for projects which have incurred multiple losses. And I appreciate your diligence in again proposing legislative improvements.

However, the package does not contain many of the proposals that were in the July 1997 set of proposed amendments and we need to understand why. Also, we urge you to work aggressively with the committees of jurisdiction to move legislation that would tighten up the Stafford Act, further streamline the program, and reduce disaster relief expenditures.

With respect to mitigation activities, there are a number of concerns we have and some questions, concerns about the way the 404 hazard mitigation grant program is working, whether adequate cost-benefit procedures are being utilized, and whether these dollars are being put to the best uses. We have asked GAO to provide testimony for the record today, which I have reviewed and which will be inserted in the record following my opening statement, without objection, and ask that FEMA consider and respond to the issues raised by GAO.

Last year we expressed concern about the need for improved interagency coordination on disaster preparedness, response, recovery, and mitigation activities. We continue to have strong concerns in this area. It is my understanding that despite language in the appropriations bill for the past several years requiring the close involvement of FEMA and other agencies in the distribution of emergency HUD CDBG monies for unmet needs, HUD has refused to follow the law's requirements. I am mystified as to how the initial round of funds from the fiscal year 1998 supplemental were distributed.

This afternoon the full committee will mark up an emergency supplemental bill, and while there will not be any funds for FEMA disaster relief, I have asked to transfer to a new account at FEMA from HUD's emergency CDBG funds unobligated balances totaling over $313 million. That is in direct response to our concerns with how HUD has handled these funds. Given your track record, Mr. Witt, it is my expectation that FEMA will move out with funds in an expeditious manner after careful consideration of needs, priorities, and appropriate mitigation strategies. We expect FEMA to follow closely the detailed legislative requirements we will include

for allocation of the funds and to keep us apprised on a regular basis.

While I am very much concerned about expanding FEMA's roles and responsibilities, particularly without an explicit authorization, there is significant demand to address so-called unmet needs following recent disaster events. I strongly believe that, along with Stafford Act proposals currently on the table, the authorizers should look at this issue. Early this week I sent a letter to the chairman of the EPW Committee and the subcommittee chairman, Senators Chafee and Inhofe, asking them to consider this issue along with other cost-saving and streamlining reforms.

In report language last year, we asked FEMA to convene an interagency group to assess areas of duplication and overlap, propose the streamlining of activities, and define clearly areas of responsibility among agencies. This report is due within a few weeks, and we look forward to getting a preview of that effort.

Other areas of interest include FEMA's plan to implement the recent Blue Ribbon Panel recommendations to improve the U.S. Fire Administration and FEMA's efforts to consolidate further the non-disaster grants that go to States and whether there is adequate accountability in exchange for the increased flexibility provided to States.

It is now a pleasure to turn to my ranking member, Senator Mikulski, for any statement she may have.

EMERGENCY SUPPLEMENTAL

Senator MIKULSKI. Thank you, Mr. Chairman. Before I give my opening statement, I note that the chairman of the full Appropriations Committee is here. I would be happy to yield to him because I know he has other duties, if he wishes to give a statement.

I also would like to thank the chairman of the Appropriations Committee as we move into the supplemental as we met our supplemental emergency needs. This year the VA–HUD Subcommittee was not raided. As you know, we have often been viewed as the ATM machine for emergency supplementals. This year that dangerous trend I think from a fiscal standpoint has reversed. I really thank you for doing that.

If you wish to make a statement, recognizing your other obligations, I would be happy to yield to you.

STATEMENT OF SENATOR TED STEVENS

Senator STEVENS. Well, you are very kind. I thank you, Senator Mikulski. As a matter of fact, we have three subcommittees meeting at the same time, and I have got another hearing of my own. So, I do appreciate the opportunity to be here to greet James Lee Witt and his colleagues.

First, let me thank you for the prompt action on setting up the task force for our western Alaska fish disaster. I have heard from many of the Eskimo families out there. They would not have survived the winter had you not moved as expeditiously as you did.

We have one issue in Alaska that I wanted to call your attention to. The Corps of Engineers built the Moose Creek Dam upstream from North Pole, Alaska. It is not quite the North Pole, but it is pretty far north. It has resulted in downstream flooding of about

50 homes, and it has been rezoned now so there will be no new homes. What is needed is some modification of these homes to prevent the additional flooding. I would like to see if you would work with us on that.

DISASTER INSURANCE

But that leads me into another thing, Mr. Witt. I was fortunate enough to ride with a friend on his boat through the inland waterway, and as we went down from Virginia on down to the Carolinas and Georgia, through that wonderful country, we just saw repeated areas which had been hit by either floods or hurricanes.

The interesting thing about that for someone who is not from the area is the vision of the fickleness of these disasters. Portions were destroyed and others not touched. It is just like some of the fires up our way, as the swath of fire comes through and destroys areas and others are left untouched.

I really admire this new initiative of yours, talking about the flood plain. I would hope that perhaps we could expand that to cover areas where we have had multiple disasters. I am thinking we should ask the people in the authorizing committee on HUD to see whether we should have Federal insurance for homes that are in areas that have been repeatedly subject to fire or flood or hurricane, and if we do, whether or not we should not require some specific types of protections.

I noted along the inland waterway how many of the newer homes have been lifted up, some as high as 10, 12, 14 feet. Well, that just means those homes that were not hit last time are going to get it for sure the next time because they do not have that protection.

It just seems to me we ought to further your initiative on preventive medicine in this area of disasters where we are spending so much of the taxpayers' money repeatedly in the same areas. I think this committee would be very much inclined to work with you and to work with the authorizing committees to give you even more authority. But somehow or other, between your agency and HUD, we ought to move out. As the chairman said, we have not had too many of these disasters this year. Maybe this is the year to move out and try to spend some money to prevent future disasters of the type that we have faced in the last few years.

That is particularly so in the flooded areas. One fellow told me his place had been hit by floods three times, and he just rebuilt it at taxpayers' expense really in effect. So, I think we have to find a way to deal with this on a preventive basis.

I really congratulate you for taking the initiative on that. What I would like to do is just broaden the horizon a little bit and take it beyond just the flood plain. I would be happy to talk to you about that another time.

Thank you very much for your courtesy.

Senator BOND. Thank you, Mr. Chairman. I had mentioned to Mr. Witt there were media articles on repeated disasters striking particularly along the Outer Banks. If they are secondary homes, I have a real question why we as taxpayers need to continue to rebuild them when they are built in areas which are subject to hurricanes, flooding, and other natural disasters. We worked in the flood insurance reform to get people out and make them take certain

protective steps and have actuarially sound insurance. Frankly, you have put your finger on another very serious problem.

Senator STEVENS. Well, I spent part of my time in California, and I remember fires when I was a boy in the Santa Monica Canyon and slides and those homes were all rebuilt. I guess they have been rebuilt 8 or 10 times since then. I really think we have to have greater protection for the taxpayers. Most of those are, in fact, recreation homes that we are talking about, second homes. But there has to be some way to be fair about it and at the same time start preventing future losses to the taxpayers.

Thank you very much.

Y2K HEARING

Senator MIKULSKI. Before the chairman goes, if I just might say Senator Bond and I will be talking about Y2K and counter-terrorism here. One of the things we were discussing is perhaps the need for a joint hearing between Defense, VA–HUD with FEMA, HHS, and CJS, and we would like to discuss this with you.

Senator STEVENS. You are talking about the full committee.

Senator MIKULSKI. Let us do the full committee.

Senator STEVENS. Anytime you say.

Senator MIKULSKI. Because we have got a lot of money going out there and some wisely focused and some, quite frankly, like the Keystone Cops.

Senator STEVENS. I will be happy to do that anytime and be sure we get the other chairmen and ranking members from those subcommittees involved.

Senator MIKULSKI. Well, Senator Gregg has been deeply involved.

Senator STEVENS. Good. We will plan it. Thank you very much.

Senator BOND. Senator Mikulski.

STATEMENT OF SENATOR BARBARA MIKULSKI

Senator MIKULSKI. Thank you very much, Mr. Chairman.

Once again, I am happy to join with you at really our first hearing of VA–HUD for fiscal year 2000. It is hard to believe that we are actually going to do a fiscal year for the new century and the new millennium. So, this really has to be I think a well-focused appropriations that looks not only at the immediate needs of our constituencies, but also the long-range needs of the Nation, which is why it is so important we do this.

In a post-impeachment environment, everybody is talking about the new-found comity and bipartisanship, and we have been doing that for a long time together, and I look forward to our continued relationship to move the bill. Though you and I would disagree with President Clinton's agenda and President Clinton's budgetary arithmetic, I do think we do agree on so many things in this bill, and I believe even now with the issues that you have raised in your opening statement, I find myself so much in alignment with the questions that you have raised. So, I look forward to working with you.

Mr. Witt, I want to thank you and the entire FEMA staff for their continued dedicated response to the various disasters within our Nation. FEMA has been absolutely upgraded, and I think we

all know that if a Governor calls or disaster hits, that FEMA will be a 911, ready to be able to respond.

We really admire that and want to continue both the funding sources as well as the culture of FEMA that you have established, but we now also want to institutionalize this so it is not based on one person's response or one person's directive. We believe in this appropriation, we have a great opportunity.

DISASTER PREVENTION

First, let me comment on the disaster aspects. I come from a background, as you know, of social work, of community organization, organizing people for self-help. I have a great passion for the field of public health, and what they say in public health is the best action is always prevention. In the field of public health, they do an audit of what people are most likely to have happen, what diseases will most attack children or the elderly, and they develop an immunization strategy. And this is what I am looking for in the pre-disaster mitigation effort, which is essentially almost like using the tools of epidemiology, where are the problems, what is the concrete, specific data, and then where do we need to immunize ourselves so we are not hit by a tragedy.

So, therefore, in looking at the pre-disaster mitigation, we do not want to create a big program. We do not want it to be pork barrel. We do not want a new kind of local entitlement program where we are either FEMA's CDBG or FEMA revenue sharing by proxy. I think we are clear on that.

What we are looking forward to do is how we can, in an organized, systematic way, identify those communities that are most at risk in terms of loss of life and loss of property to be able to deal with that.

I understand from a preliminary look at data there are 76,000 buildings that have repetitive losses, more than two loss claims in 10 years and they have cost the Federal Government $2.8 billion.

We look forward to hearing your action plan based on that prevention model that does not create again a whole new fiscal black hole where suddenly—and Senator Bond will know this --there will be what we will call Project Impact creep so that something 100 miles away from a flood plain suddenly somebody at a local level is trying to put into it. So, we look forward to that.

We also look forward to the issue that will not get a lot of attention but the necessary mapping of flood plains because that again is an important tool to do the prevention strategy. We know our colleague in State, Justice, Commerce is going to be looking at the same issue for NOAA and coastal plains, but you would have rivers and other aspects. So, we look forward to supporting you on that.

Also in terms of the emergency shelter grants, we want to again work with you because we know that the emergency shelter grants, particularly working through faith-based groups like Catholic Charities or nonprofits, that we have really gotten out and met compelling human need.

In the appropriations markup this afternoon, I support Senator Bond's effort to see that you have the emergency CDBG. It is going to raise a lot of hackles, but we have got to be able to respond. I do not want a Maine in Maryland.

Y2K AND COUNTER-TERRORISM EFFORTS

This takes me then to the new issues. First, I am very concerned about the issue of Y2K and also about the issue around counter-terrorism. I will elaborate on those in my questions, but I think we have got to be right and clear on our response on Y2K as a building block to be ready for counter-terrorism response. I understand from my State-Justice hearing that Justice is responsible for crisis management. You are responsible for consequence management, but the consequence management could be the same. Therefore, we will be looking forward to hearing this.

We want to compliment Senators Bennett and Dodd for their work on the Y2K, but now that we have done the analysis, I do not want to see States being in paralysis over Y2K. Sometimes we analyze, then we get paralyzed, and I do not want that. So, I am going to be asking you questions on Y2K because, quite frankly, I am very concerned about power outages, the failure of people to have access to money, food, medicine, and then panic occurring resulting in civil unrest.

The other is I am concerned about pre-panic because the talk shows could take over and hype it. We are already seeing the concern about food, bottled water. Some people are buying gold. Our colleague, Senator Frist, talked about an elderly citizen who got so jazzed by a radio show, he took $30,000 out so that he could have it at home in the anticipation of New Years Eve only to be robbed. When I talk about our prevention strategy, part of it is preventing a breakdown of services to people, not only your services, but the basic services. But we also need to have our strategies so that we do not have panic and pre-panic.

Then that, of course, will take us to the terrorism response. We will get into questions.

REPORT ON THE NATIONAL FIRE ACADEMY

Then I want to just comment quickly about the Fire Academy. I read that report. First of all, I would like to compliment you on your leadership in commissioning that report. That Fire Academy is located in Maryland. It was really Senator Mathias, my predecessor, who was an appropriator, who helped do that.

Now, I want that Fire Academy to be a world class Fire Academy that meets not only the needs of our Nation, but they want to come from around the world to learn best practices for really being able to respond. And those fire fighters are first responders.

When I read that report that you had to have a report to tell them how to talk with each other, it bothered me. And then the fact that they had no relationship to the fire fighting community really escalated my concern. And last, but not at all least, they had no consciousness or awareness about these new threats to the security and stability of our country. I found it deeply and profoundly troubling. I would like to pursue that with you and hear your action plan so that we can get it right.

So, that is kind of my framework of kind of how to proceed with you. Thank you again for your hard work. Obviously, you have got a plan here that wants to be a step ahead of the problem, whether

it is helping the first responders be ready to respond or preventing the loss of life and property.

Mr. Chairman, I am ready to go to questions, and thank you very much.

Senator BOND. Thank you very much, Senator Mikulski. I thank you for your kind words about our being in agreement on so many issues. I assure you it is because I have learned many of these issues and the questions from you. That is why I appreciate so much your service and leadership on this committee.

Well, Mr. Witt, you have now got a pretty good idea of our concerns. Maybe it is appropriate we turn to you and hear what you have to say. So, thank you for joining us.

STATEMENT OF JAMES L. WITT

Mr. WITT. Thank you and good morning, Mr. Chairman, and good morning, Senator Mikulski.

I really do appreciate the opportunity to be here today at this subcommittee hearing to present our budget proposal for fiscal year 2000. I really, truly want to thank your staff for the work that they have done with us and the support that they and you have given us. It truly has made a difference for us.

We are proud of our work. We are proud of the FEMA employees and what they have done, and they continue to work very hard and are very dedicated.

My statement this morning is going to be very brief so that we can get to the questions.

We have made improvements not only in the delivery of disaster services, but improvements in the management and accountability of FEMA's programs. This has made a huge difference for us and the States and local emergency management. I am particularly pleased to note that our Inspector General has completed the review of FEMA's financial statements, and has rendered an unqualified opinion on all of our financial statements, which we are very proud of. Much of the credit goes to Gary Johnson and his staff for what they have done. I thank them for that and they have done a great job and have worked very hard on these statements.

Gary Johnson is here with me today, as you stated, Mr. Chairman, and our Deputy, Mike Walker, my partner in FEMA. Also, I want you to meet the Fire Chief from Farmington Hills, Michigan, Rich Marinucci, who will be working with us for the next several months. Rich, do you want to raise your hand? He is going to be working with us on the implementation plan based on the Blue Ribbon Panel report. Rich is very well respected across all fire services, and we are honored to have him helping us with this. He will be working with Carrye Brown, the U.S. Fire Administrator, and myself to have the very best fire service programs that we can have.

Mr. Chairman, this budget is not a "disaster budget," we hope. Instead it focuses on prevention for the future. As we go into the year 2000 and the 21st century, I think that is important to stress smarter government and more community responsibility. I think this budget is the blueprint for the future, including the effective and efficient use of new technologies. The three fundamental principles driving this budget are that prevention works, that we can

work even smarter and more efficiently, and that the communities need to be empowered to take personal responsibility. Instead of just responding to disasters we can do more in the area of prevention, and that is what we want to do.

PREPARED STATEMENT

So, Mr. Chairman, we will be happy to answer your questions. [The statement follows:]

PREPARED STATEMENT OF JAMES L. WITT

Good Morning Mr. Chairman, Good Morning Senator Mikulski. I appreciate the opportunity to appear before the Subcommittee today to present our budget proposal for fiscal year 2000.

I want to thank the Members of the Subcommittee for their support of FEMA's programs and for all the time that the Members and staff have provided in reviewing our programs.

We are very proud of our work at FEMA—not only in our successful delivery of disaster services but also in the improved management and accountability that we have brought to FEMA's programs. I am particularly pleased to note that our Inspector General has just completed his review of FEMA's Financial Statements and rendered an unqualified opinion.

Much of the credit for putting our financial house in order goes to Gary Johnson, my Chief Financial Officer, who is with me today. I'm also pleased to be accompanied by the rest of my senior staff from FEMA.

One member of my staff who this Subcommittee hasn't met before is my new Deputy, Mike Walker. You may know Mike from his work as a Deputy Secretary of the Army and prior to that for his work in the Senate on Appropriations. We are very pleased to have Mike as a part of our team.

Also joining us for the next several months is Chief Rich Marinucci from Farmington Hills, Michigan. Rich will be working with Carrye Brown, Administrator of the U.S. Fire Administration, to implement some of the changes recommended by our Blue Ribbon Panel.

This is a strong and dedicated group and I am happy to have them working with me. It is a team that, with the support of the Administration and the Congress, has made America and Americans much safer. So much of what we have done in changing the face of emergency management could not have been accomplished without the help of Congress. In our visit today, I would like to share with the members of this subcommittee examples of how Congress has enabled FEMA to improve our programs and the manner in which we serve the public. I will also highlight ways in which we are asking for continued support from Congress to do more. I will be talking about just how far we have come, where I believe we need to be going, and how I propose that we get there.

What I am placing before you today is not a disaster budget, but a prevention budget. The keys to saving lives and reducing the cost of disasters are prevention, smart government and community responsibility. We have to be willing to go after long-term savings that result in safer communities for years to come.

I would not only like to demonstrate some of the successes that we have realized, but more importantly I would like to discuss our blueprint for the future. This blueprint, like all good building plans, has been shaped by the lessons we have learned and will be implemented using the most effective and efficient techniques and technologies available to us. The three pillars upon which we are building are the lessons that: prevention works; that we can work even smarter and more efficiently; and that communities need to be empowered to take personal responsibility.

The fiscal year 2000 budget is built upon those three pillars. I would like to highlight some examples of how we have laid the foundation for these three principles already and I'd like to discuss how together with your help and this fiscal year 2000 budget, we will take FEMA and emergency management in this country to the next level. Instead of responding to disasters, we must prevent them instead of waiting to react, we must prepare NOW for the next flood, hurricane, fire or earthquake. We are shifting to proactive prevention.

In this budget we are asking that the Administration and Congress invest new resources in our mission to buyout repetitive flood loss properties—as a matter of prevention; to invest in mapping modernization—that will help FEMA, the States, and local communities work smarter and more efficiently; and once again to invest in pre-disaster mitigation—which is an investment in prevention that supports per-

sonal responsibility empowered at the community level. These are investments that will save hundreds of lives and billions of dollars worth of property and personal belongings, as well as help us to further reduce disaster costs.

FEMA's progress during this Administration has been built on the pillar of prevention. I'd like to share with you a few examples demonstrating that prevention works. Alabama experienced severe flooding in March 1990 when 6,000 people lost their homes and Statewide damage estimates totaled more than $100 million. In June 1994, Alabama was hit by Tropical Storm Alberto and again devastating floods left a trail of flooding destruction along the Pea and Choctawhatchee Rivers. Small towns along these waterways like Elba and Geneva were hit particularly hard.

Following the 1994 floods, Geneva officials began an aggressive campaign to convince homeowners in the most flood prone area of their community to relocate outside of the floodplain area. The community applied for and received funding from FEMA to acquire 54 homes.

At this time last year a heavy storm from the Gulf of Mexico moved inland across the United States. Torrential rains swept through the region and caused serious flooding in several Alabama counties. Of the 54 homes identified for purchase through the FEMA grant, 30 had actually been acquired by March 1998. FEMA's benefit-cost analysis determined that for an upfront investment of $672,000 to acquire the properties, over $1.4 million in damages and losses were avoided, that's $2 saved for each $1 invested—that is the hallmark of mitigation.

All of the acquired structures lay deep in the floodplain, and would have been flooded had they remained in the flood-risk zone. If these buildings had been merely replaced after the 1994 flood, many would have been severely damaged or destroyed in 1998.

The program that funded this property acquisition was our Hazard Mitigation Grant Program. This is a program that delivers the bulk of mitigation assistance to communities following disasters so that they may better survive the next storm. We may not have had the resources to do this without the Volkmer Amendment of 1994 that increased the resources available for this purpose. Unfortunately, funding for this program is generated following a Presidentially disaster declaration—after something bad has already happened to a community.

I want to expand a program that we already have to address the problem of properties suffering repetitive flood losses. For fiscal year 2000, we are requesting that an additional $12 million be appropriated to the Flood Mitigation Fund which Congress established through the Flood Insurance Reform Act of 1994 to accelerate the process of removing repetitive loss homes from our flood insurance rolls. This appropriation would give us a total of $32 million to make a real impact on this recurring problem. Mike Armstrong, our Associate Director for Mitigation, and Jo Ann Howard, our Insurance Administrator, are working hard to make this happen.

As many of you know, the National Flood Insurance Program (NFIP) collects fees and policy premiums from homeowners with properties in floodplains and some homeowners with properties outside flood plains who want flood insurance protection. Each year the insurance fund pays out more than $700 million to policyholders who have suffered losses due to flooding. Of this $700 million paid out annually, $200 million of the payouts are to policyholders who have already suffered at least one other loss during the past 10 years. By targeting the repetitive loss properties first, we can save the insurance fund these unnecessary annual losses and, more importantly, we can move the individuals who are suffering the most out of harm's way.

Up to $20 million collected in fees from policyholders in 2000 will be used to buy out or elevate properties or take other sound mitigation measures, in every State in the nation. In fiscal year 1999, I asked that we concentrate as much of the $20 million as possible to buy out or elevate properties that have suffered multiple losses. We plan to continue to target the $20 million to repetitive loss properties in fiscal year 2000. But, this $20 million is not enough to really get at the heart of the problem.

We estimate that there are over 35,000 properties with more than one loss. Of this amount, about 8,000 have suffered four or more losses over the past ten years or at least two losses that totaled more than the value of the entire house. To start making a significant impact on the repetitive loss properties, we are requesting an appropriation to use in concert with the $20 million generated from the flood fund.

To eliminate the 8,000 properties with four or more losses or two losses totaling more than the value of the house, it would cost nearly $300 million. Our fiscal year 2000 budget request includes $12 million that would allow us to get at the 270 worst properties. Buying out the 270 properties would save over $2.6 million in the first year and a projected savings exceeding $27 million over the next 15 years. That's a $12 million investment resulting in a $27 million savings!

In order to further protect against flood risks, we need to continue to ensure that our nation's dams are safe. The National Inventory of Dams classifies nearly one-third of the nation's 75,000 dams as either "High Hazard" or "Significant Hazard." This classification does not mean that nearly one-third of the dams are likely to give way in the near future. It does mean, however, that a problem with any one of these dams will result in loss of life or at the very least, cause a significant economic impact on the surrounding community. To help guard against problems at our nation's dams, our fiscal year 2000 request fully funds the dam safety program to the authorized level.

Finally, in the area of prevention, our budget also includes a $1 million request for a pilot program designed to help make our colleges and universities more disaster resistant. With so many billions worth of Federal funding going to higher education institutions for research, it is very important that we help these schools mitigate against future disasters in order to protect the Federal government's investment.

The second pillar of our blueprint for the future supports our effort to get people out of harm's way by implementing methods to work smarter and more efficiently. One important way of doing this is through better flood maps.

We are proposing this year an aggressive map modernization effort—bringing our flood maps up to date and digitizing them so they will be both more accurate and easily available to communities. We are asking for a $5 million appropriation in start up funds until we can generate a steady stream of funding for the program.

That steady stream of funding, and our proposal to put a $15 fee on all mortgage transactions to produce that funding, are issues I suspect we might discuss a little bit today. I welcome that discussion because these maps are important to ensure that the future growth and development in our country is done based on the best information available.

As many of you know, FEMA's flood maps are used for several different purposes. Some of the main users are mortgage lenders who use them when a house is purchased to determine whether or not the property is within a flood plain. If a property is likely to be flooded sometime in the future, the lenders require the homebuyers to purchase flood insurance. In addition to lenders, flood plain managers, States, communities, surveyors and insurance companies use the maps for different purposes.

Currently, we spend about $50 million annually from the flood insurance fund to pay to update the flood maps. Unfortunately, at this funding level, we have fallen behind in producing new maps. Most of the $50 million is actually spent amending the old maps rather than creating entirely new maps. Nearly our entire map inventory is on paper or plastic panels. We would like to be able to digitize our maps so that they are easier to update and transport. The Technical Mapping Advisory Panel, a group of map experts from government and the private sector, recently endorsed our map modernization plan in its annual report.

Figuring out how to pay for updated maps and who should pay for them are difficult questions. To update all of our maps, we estimate that it will cost nearly $900 million and take more than seven years to complete. The $50 million currently spent on updating maps comes from insurance premiums and fees collected from homeowners who purchase flood insurance. This does not seem fair for the policyholders as many people and businesses benefit from up-to-date maps, while only flood insurance policy holders are paying for them.

Because last year's subcommittee report asked us to identify a creative way to find funding for updating maps, we came up with the idea of assessing a $15 fee on every federally backed mortgage transaction. Proceeds from the fee will go into a Map Modernization fund that will allow us to start updating and modernizing our map inventory. By charging the fee on mortgage transactions, we will not be putting an additional burden on the flood insurance policy holders.

Also, and I want to emphasize this very strongly, I want these maps to become the community's maps, not just FEMA's maps. I have been working closely with our Associate Director for Mitigation, Mike Armstrong, to get funding out to communities to do this mapping themselves. It is time that communities contribute resources to produce better maps instead of spending money to fight the maps at the end of the process.

Although the $15 fee will have some opposition, nearly everyone agrees that we need to update the maps. We look forward to working with you to identify the best solution.

Aside from my desire for us to have better maps, the Agency has already made great strides in the area of working smarter and more efficiently. These efforts have already been demonstrated through several efforts to streamline the delivery of disaster assistance and by incorporating better business practices.

Our program for assisting communities whose public infrastructure has been damaged during a disaster has been streamlined as a result of the recent business process re-engineering effort. Working with our customers in State and local emergency management we have simplified the method for getting aid to communities for the repair of their public roads, bridges, and other critical infrastructure so that they can begin to recover soon after a disaster strikes. Again, we appreciate the support of the Appropriations Committees and support of the Stafford Act authorizing committees.

The final step in the grant delivery process would be further streamlined if FEMA were permitted by law to settle with applicants on the basis of estimates, as is accepted industry practice. This would speed closeout of disasters, improve project management and significantly economize the use of Federal and State resources. We will be pursuing this change in legislation this year.

For the first time ever, in 1999 we published an administrative rule in the Federal Register that identifies criteria that must be considered when evaluating whether an incident should be declared a disaster. The criteria is tied to the CPI so that it adjusts annually. By implementing this rule, we are helping ensure that disaster declarations are consistently applied in every State.

When I testified before this Subcommittee last year, I told you that we were going to emphasize closing out the books on older disasters as quickly as possible. By the end of fiscal year 1998, the Territorial Closeout Teams that were established under the leadership of our CFO, Gary Johnson, have reduced the number of open disasters by 44 percent and reduced remaining costs by $1.7 billion. Our close-out efforts resulted in recoveries of $675 million in fiscal year 1998—funds that help us avoid having to replenish the Fund as quickly as we would have.

In addition to new close-out procedures that will help recover disaster funds, we are attempting to simplify the manner in which funds are delivered to our State partners. When I was a State Emergency Manager, FEMA used to send funds to me under about thirteen different accounts. Each account had a different matching level and specific reporting requirements. It was an administrative nightmare. During my first five years at FEMA, we have been able to reduce the number of funding streams to seven. This year's budget request includes a proposal to consolidate the seven remaining funding streams that go to state and local emergency managers into a single funding stream.

From my experience in emergency management at the State level, I know that this consolidation will help reduce administrative red tape for states and for FEMA. It is going to allow States to take more responsibility for putting resources against the risks that they assess to be the greatest threats.

When I first came to FEMA in 1993, the agency's financial house was in disarray. OMB had designated our financial system as high risk, and the agency was in no position to produce the financial statements required by the Chief Financial Officers Act. In fact, the agency had never reconciled over $20 billion spent in the Disaster Relief Fund. We immediately set out to install an integrated financial system that would aid in reconciling the agency's books. We then established an intensive, three year effort to improve our financial reporting so that we could prepare, and audit financial statements for all the agency's activities. I am pleased to report to you today that we have met that schedule. For the first time, FEMA has prepared comprehensive financial statements for all of its programs, including the Disaster Relief Fund. And I am very proud to report that the Inspector General has rendered an unqualified opinion on those statements. Achieving this goal is not only important for our reporting to OMB and Congress, but it is critical for enabling the program managers to make sound decisions—based on solid financial data.

The final pillar of our blueprint for the next century is that communities need to be involved in promoting personal responsibility. This can best be illustrated by Project Impact.

Three years ago I came here asking for your help in starting pre-disaster mitigation—the work we could do with communities before disaster strikes. Today, we have 118 communities across all 50 states participating in Project Impact. This would not have been possible without the support of our Appropriation Committees.

Many Members who were on this Subcommittee before have heard me say that Project Impact is not a traditional government program. Instead of the Federal Government giving large amounts of money to local communities, the small amount of money and technical assistance given to communities is used to leverage additional community and private sector involvement and support in many different forms. When community members take steps to mitigate the impacts of future disasters at the grass roots level, great success stories come about.

I am especially pleased to report that the initial grants that the Federal Government has given to the 118 Project Impact communities resulted in the leveraging

of nearly 700 corporate partners which have contributed volunteers, in-kind donations and funding to help their communities mitigate the impacts of future disasters.

In addition to corporate partners, Project Impact communities rely upon individuals who live in the community to get involved. I wish all of you could have joined us at the Summit we had in December that brought Project Impact participants together from places like Tillamook, Oregon, Deerfield Beach, Florida, West Virginia and California. All of these people had shown leadership in their communities in addressing the risks they face.

All of the Project Impact participants know that we can prevent disaster damage if we act now. After Hurricane Georges, a lot of people have asked me why that storm did not devastate the U.S. Virgin Islands and the Gulf States the way other storms have in the past. The answer is mitigation. The Virgin Islands adopted tougher codes and built back stronger and smarter. This last hurricane showed the wisdom of that work. That is exactly what Project Impact wants to do.

One of my favorite examples of local citizens taking ownership of the pre-disaster mitigation process occurred in Tucker County, West Virginia. Tucker County was a community that had flooded repeatedly over the years. Each time the town flooded, the residents had to work together to piece their lives back together.

After this pattern of disaster/recovery/disaster occurred several times, a local resident, Mrs. Katie Little, decided she was going to try to do something to make the situation better. Mrs. Little and a group of her friends started selling pies and cakes in order to raise enough money to build the Concerned Citizens Coalition to help minimize the flooding in her community of Tucker County, West Virginia. From their bake sales they raised over $50,000 which was used to leverage $2 million from the State of West Virginia. This money, along with support from other Project Impact business partners in the community, allowed Tucker County, West Virginia to make their community more resistant to future flooding disasters by clearing debris and stabilizing eroding riverbanks.

We are hearing stories like these in community after community as Project Impact continues to expand. Fully funded at the $30 million level, we will be able to expand the program to at least 50 more communities.

The last few budget items that I would like to highlight, incorporate elements of all three pillars prevention, smarter government, and community based responsibility.

FEMA's fiscal year 2000 budget requests almost $31 million to support counterterrorism initiatives. This includes training for fire departments and State and local emergency managers who are likely to be the first responders in the event of a terrorist incident. These are the people we work with every day and they are going to be called upon in these situations.

Although several agencies are involved in the government's anti-terrorism efforts, the agencies involved are coordinating closely together to ensure that our efforts are effective and efficient. Attorney General Janet Reno and I have visited personally about the responsibilities of our respective agencies on several occasions. This coordination is going to help our State and local partners to access the Federal resources that can help them respond in their communities.

In fiscal year 1998, I commissioned a Blue Ribbon Panel of representatives from our nations fire service community to review the programs and facilities of the United States Fire Administration (USFA). The Panel provided me with a report that outlined recommendations for improving the operations of the USFA.

FEMA's fiscal year 2000 budget request includes an increase of about $12 million to pay for some of the recommendations in the initial report. If approved, the funding would improve the USFA's data collection system so that the national fire problem can be better defined and addressed. The funding would allow the USFA to better focus its public education materials and firefighter training courses to meet the needs of the fire community, local citizens and all professions involved in fire prevention. Each of these activities give local fire departments better tools to respond to a local incident, whether it is a fire, a flood, or an EMS call.

To implement the recommendations, we are pleased to have Chief Rich Marinucci of the Farmington Hills Michigan Fire Department and past president of the International Association of Fire Chiefs. He graciously accepted this challenge. Rich will be reviewing the recommendations made, meeting with members of the Panel and other constituents and working with our staff at the Fire Administration to improve operations.

I also want to call your attention to a major funding increase for the Emergency Food and Shelter Program. We at FEMA are very fortunate to have been a part of this program for fifteen years. This program is a great way to work with local com-

munities, especially the non-profit community that does the essential work with the working poor and elderly and the people in the roughest circumstances.

The increase of $25 million brings the program up to $125 million. Our partners in this program the Salvation Army, Catholic Charities USA, the American Red Cross, the National Council of Churches, the Council of Jewish Federations and the United Way of America—have joined with us to be careful stewards of these funds. And it is really important to remember that the millions of extra meals and nights of shelter that come from this program are all delivered with an administrative expense share of just under 3 percent. That is a really good deal, not only for the federal government but also for the people who desperately need these services.

Finally, I want to touch on the work we have been doing in relation to the Y2K problem. By the end of this month we will have hosted a meeting in each of our 10 regional office cities bringing in State and local officials to give them information, but mostly to listen and to hear where they think their needs are and to suggest what they should be looking at.

Many of my staff with me today, including Mike Walker, Lacy Suiter and Kay Goss have been on the road with representatives of other Federal agencies, as well as with John Koskinen's task force, to take a reading on where the State and local emergency officials are and to arrange a plan for maintaining this channel of communication over the next nine months.

We are taking this problem very seriously but we are also serious about striking the right balance in approaching a complicated issue. We will continue to keep this Committee informed on our work in this area.

The ability to implement this blueprint for the next century and to continue this bold experiment of creating the finest emergency management system in the world we need to retain and attract good quality people.

The fiscal year 2000 budget requests an increase of over $14 million for salaries and expenses. Protecting our employees at FEMA is very important to me because I know what I've asked of the staff at FEMA and I know how they have responded. "People helping people" is not just a phrase but the way my staff approaches every day at work. They work smart and they work hard. I am very proud of them.

Just moments ago, I described several ways in which the FEMA staff has worked to make the agency run more efficiently. The most remarkable thing to me is how they are able to accomplish so many improvements in the way day-to-day business is conducted while also being asked to absorb so many new responsibilities.

For example, during the past two fiscal years, FEMA has received additional funding for anti-terrorism initiatives. However, each time funds were appropriated for anti-terrorism programs, corresponding S&E funding was not provided. Instead, staff had to absorb the anti-terrorism initiatives while also continuing to perform the agency's other functions at a high level. Similarly, although Project Impact funding was provided, we had to detail staff from other places in the agency to support the initiative.

Finally, increased S&E funds will allow us to actually implement the reforms we want to see in the U.S. Fire Administration. The S&E increase will support more positions at the Fire Academy in Emmittsburg and will help USFA to discharge its increased responsibilities due to the threat of terrorism.

I know how often the request for more S&E funds comes before you. I know how often I have asked!

But I have asked because I have a tired and stretched work force that is always asked to do more; from frequent disasters around the country to new initiatives—whether it's a church arson program, pre-disaster mitigation or helping States and communities face the consequences of terrorism. I am especially grateful to the Administration for recognizing this and supporting this request for increased S&E funding for FEMA.

I want to conclude by telling you that this budget is important to me and to FEMA, and it is especially important to the future of our communities across the nation.

I have been privileged to work for the President, to be his representative in bringing some hope and help to towns and cities and counties and states that have been hit by disasters. But I have gone back to the same places too many times over the last six years. I have seen the same problems that could have been prevented with an "ounce of prevention."

The last few years of terrible weather events—floods and hurricanes and El Nino and other natural events like the Northridge earthquake—are telling us that we have to take action to reduce their impact in the future.

It seems that sifting through debris and looking for resources to rebuild are the constant parts of our current approach to disaster response and recovery. Unfortu-

nately, that approach is short-changing ourselves, our families, our businesses, our communities, and the future for our children.

We can and should be proud of how much we have accomplished in our work after disasters, but we really need to look forward. As I mentioned earlier, this is a budget that takes emergency management to this next level of proactive prevention. Through mitigation, improved mapping and additional training opportunities, FEMA will help prepare states, local communities and citizens to save lives, cut property and business losses, protect our environment, and make our communities safer and stronger for our children and their children. I hope you can provide us the support we need to look to that promising future. Together, FEMA and Congress are creating and will continue to create a true legacy of natural disaster protection.

Thank you for the opportunity to appear before this Subcommittee and I am happy to answer any questions you may have.

[General Accounting Office, March 4, 1999]

DISASTER ASSISTANCE—INFORMATION ON THE COST-EFFECTIVENESS OF HAZARD MITIGATIO PROJECTS

(By Stanley J. Czerwinski)

Mr. Chairman and Members of the Subcommittee: This statement for the record provides our preliminary views on how the Federal Emergency Management Agency (FEMA) ensures the cost-effectiveness of projects funded under the Hazard Mitigation Grant Program. We are conducting this work at the request of this Subcommittee and the Chairman of the Subcommittee on Oversight, Investigations, and Emergency Management, House Committee on Transportation and Infrastructure.

For a number of years, the Congress has been concerned about the increasing costs of federal disaster assistance. One of FEMA's primary approaches for reducing these costs is to promote mitigation measures that will reduce future damage within communities—potentially decreasing future federal disaster expenditures. However, there are concerns that FEMA's mitigation funding is not targeted to cost-effective measures, as mandated by the Robert T. Stafford Disaster Relief and Emergency Assistance Act. Our statement is based on previous and ongoing work and provides (1) an overview of the increases in disaster assistance costs and FEMA's mitigation programs and (2) our preliminary views on the approaches FEMA uses to ensure that funding under the Hazard Mitigation Grant Program is targeted to cost-effective mitigation measures.

In summary:

—Federal disaster assistance costs billions of dollars annually. For disasters that occurred between 1989 and 1993, average annual obligations in FEMA's disaster relief fund totaled $1.6 billion, in 1998 dollars, while average annual obligations over the past 5 years (1994 through 1998) have increased to $2.5 billion annually in 1998 dollars (even with the exclusion of one of FEMA's costliest disasters—California's Northridge earthquake). The growth in disaster assistance costs in the 1990s has been attributed to a number of factors, including a sequence of unusually large and costly disasters; an increase in the number of presidential disaster declarations; and a gradual expansion in eligibility for assistance. To reduce these costs, FEMA is using, among other things, hazard mitigation efforts. These efforts promote community involvement in mitigation measures by providing grants and training to state and local governments. FEMA's efforts include providing federal flood insurance, converting flood-prone properties to open space, mitigating damage to public facilities, reducing earthquake risks, and helping mitigate the loss of life and damage from fires.

—Our ongoing review of FEMA's efforts to ensure the cost-effective use of federal dollars for hazard mitigation has focused on the Hazard Mitigation Grant Program—one of FEMA's primary sources of funding for implementing hazard mitigation measures within communities. FEMA uses benefit-cost analysis [1]—an approach recommended by the Office of Management and Budget—as its primary approach for ensuring that mitigation measures within the Hazard Mitigation Grant Program are cost-effective. However, FEMA also excludes certain types of Hazard Mitigation Grant Program projects from benefit-cost analysis—including projects that fund the removal of certain structures from floodways, research for new building codes, and planning efforts. FEMA officials stress a need for flexibility in assessing these projects, citing the difficulties of quanti-

[1] Benefit-cost analysis is used to determine how the anticipated dollar savings gained through implementing a project compare with its cost. In order to be considered cost-effective, a project must return more money over its life than it cost.

fying the benefits of some projects and the time needed to gather data to conduct a benefit-cost analysis. However, these exemptions limit the agency's ability to demonstrate that the funded mitigation measures are cost- effective. Additionally, according to our review of selected benefit-cost analyses in two FEMA regions, officials conducting these analyses were generally knowledgeable and had been trained in how to conduct the analyses. However, they did not always use the best available information in analyzing projects designed to mitigate future damage from flooding events. For example, the officials did not always use flood damage information available from past insurance claims.

BACKGROUND

Following a disaster, at the request of a state governor, the President may issue a major disaster declaration for the affected areas, thus triggering a range of assistance from federal agencies. The costs of this disaster assistance have grown notably between the late 1970s and 1990s. Between 1979 and 1988, FEMA's obligations in its disaster relief fund exceeded $500 million only in 1 year. In comparison, since 1989, the obligations in the fund have exceeded $1 billion every year except for 1991. The increase in costs is also seen in the number of large, costly disasters. Prior to 1989, only Hurricane Agnes cost the fund in excess of $500 million, while 10 disasters have cost over $500 million since 1989. While FEMA has implemented a number of approaches to reduce the costs of disaster assistance—such as consolidating multiple disaster response and recovery functions at individual disaster sites to reduce administrative costs—the agency has made disaster mitigation a primary goal in its efforts to reduce the long-term costs of disasters.

FEMA's September 1997 strategic plan, entitled "Partnership for a Safer Future," states that the agency is concentrating its activities on reducing disaster costs through mitigation because "no other approach is as effective over the long term." Mitigation activities are undertaken to reduce the losses from disasters or prevent such losses from occurring. The agency's hazard mitigation efforts include grants and training for state and local governments; funding for mitigating damage to public facilities; the purchase and conversion of flood-prone properties to open space; federal flood insurance; the development of land-use plans and zoning ordinances to discourage building in hazardous areas; and programs targeted at reducing the loss of life and property from earthquakes and fires.

However, as we noted in previous testimony,[2] quantifying the effects of mitigation efforts can be difficult. Specifically, determining the extent to which cost-effective mitigation projects will result in federal dollar savings is uncertain because the savings depend on the actual incidence of future disasters and the extent to which the federal government would bear the resulting losses.

The Stafford Act requires that hazard mitigation measures under the Hazard Mitigation Grant Program be cost-effective and that they substantially reduce the risk of future damage, hardship, loss, or suffering. According to Office of Management and Budget (OMB) guidelines, contained in OMB Circular A–94, the use of benefit-cost analysis is the recommended approach for determining cost- effectiveness. FEMA's guidance for determining the cost-effectiveness of hazard mitigation projects[3] states that "a key criterion for mitigation projects to be eligible for funding is that they must be cost-effective" and that "benefit-cost analysis is used for all cost-effectiveness determinations."

Benefit-cost analysis is used to assess whether the expected costs of investing in a hazard mitigation project are justified because the project will help avoid damages expected from future disasters (the benefits). FEMA generally conducts the benefit-cost analysis for the projects that states submit for approval.[4] By conducting a benefit-cost analysis, the analyst determines a benefit-cost ratio—the ratio of the expected benefits divided by the expected costs. If the expected benefits are greater than the expected costs, the ratio is greater than 1.0 and the project is considered cost-effective. If the expected benefits are less than the expected costs, the ratio is less than 1.0 and the project is considered not cost-effective. FEMA's guidance describes four main elements of a benefit-cost analysis:

—an estimate of damages and losses before mitigation,

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[2] *Disaster Assistance: Information on Federal Disaster Mitigation Efforts* (GAO/T–RCED–98–67, Jan. 28, 1998).

[3] *How to Determine cost-Effectiveness of hazard Mitigation Projects, A New Process for Expediting Application Reviews*, Interim Edition, Dec. 1996.

[4] Three states (Florida, North Dakota, and Ohio) typically conduct the benefit-cost analysis for projects from their communities and submit a sheet summarizing the analysis for FEMA's review. These states have been given additional responsibilities as participants in a pilot program called the "managing state concept."

—an estimate of damages and losses after mitigation,
—an estimate of the frequency and severity of the hazard causing the damages (such as the risk of flooding), and
—economic factors used in the analysis (a project's expected life span, for example).

After all of these elements are considered, along with a project's expected costs, a project's cost-effectiveness can be determined. However, other factors outside of the benefit-cost analysis can also influence whether a project is accepted for funding, such as the project's potential impact on environmental conditions.

GROWTH IN FEDERAL DISASTER ASSISTANCE COSTS

Federal disaster assistance costs have increased in the 1990s for several reasons, including several unusually large and costly disasters, increasing population and development in hazard-prone areas, increases in the federal share of disaster assistance costs in larger disasters, an upward trend in the annual number of presidential disaster declarations, and an increase in the types of facilities eligible for disaster assistance. Total obligations from FEMA's Disaster Relief Fund for the 10-year period prior to 1989 were $4 billion; since 1989, they have totaled $25 billion.[5]

Factors Underlying Increasing Costs

The large disaster assistance costs in the 1990s have been attributed to a number of factors. Since 1989, the United States has experienced a series of unusually large and costly disasters, including Hurricane Hugo, Hurricane Andrew, the 1993 Midwest floods, and the Northridge earthquake. Hurricane Georges was added to this list in 1998—FEMA is projecting that it might be the agency's second costliest disaster ever. The close occurrence of such costly disasters in the United States is unprecedented. Furthermore, increases in population and development, especially in hazard-prone areas, increase the potential losses associated with these disasters. For example, FEMA expects that by 2010 the number of people living in the most hurricane-prone counties (36 million in 1995) will double.

For several of these large disasters, the federal government has increased its share of the disaster relief costs to provide additional assistance to the states. For example, while the federal share of funding is at least 75 percent for assistance to repair or replace disaster-damaged public and nonprofit facilities, the President used his authority to raise the federal share to 90 percent for the Northridge earthquake and to 100 percent for Hurricane Andrew.

There has also been an upward trend in the annual number of presidential disaster declarations. From fiscal years 1989 through 1993, the average number of major disaster declarations was 38 per year, while from fiscal years 1994 through 1998, the average number increased to 49.

Additionally, over the years, the Congress has generally increased eligibility by expanding the categories of assistance and/or specified persons or organizations eligible to receive assistance. For example, a 1988 law expanded the categories of private nonprofit organizations that are eligible for FEMA's public assistance program.

According to a report by the Senate Bipartison Task Force on Funding Disaster Relief,[6] federal budgeting procedures for disaster assistance may also have influenced the amounts appropriated for disaster assistance. This is because disaster relief appropriations have often been designated as "emergency" spending, thus excluding them from the strict budget disciplines that apply to other spending. Some views in the report suggested that the assistance provided is more generous than would be the case if it had to compete with other spending priorities.

FEMA'S HAZARD MITIGATION EFFORTS

To reduce disaster assistance costs, one of FEMA's primary approaches has been to emphasize hazard mitigation through various incentives. Mitigation consists of taking measures to prevent future losses or to reduce the losses that might otherwise occur from disasters. For example, floodplain management and building standards required by the National Flood Insurance Program might reduce future costs from flooding. FEMA estimates that the building standards that apply to floodplain structures annually prevent more than $500 million in flood losses.

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[5] Since these figures are expressed in nominal dollars, they do not reflect the effects of inflation over the time periods cited.

[6] *Federal Disaster Assistance,* Document No. 104–4, U.S. Senate (Washington, D.C.: U.S. Government Printing Office, 1995).

A Number of Programs Provide for Hazard Mitigation Assistance

FEMA funds or otherwise promotes hazard mitigation through a number of programs. As part of its National Flood Insurance Program, FEMA attempts to reduce future flood losses by providing federally backed flood insurance to communities that adopt and enforce floodplain management ordinances that help mitigate the effects of flooding upon new or existing construction. This program also funds a flood mitigation assistance program through the National Flood Mitigation Fund. In 1998, FEMA distributed over $14 million to states and communities to plan and implement measures to reduce future flood damage in homes and other properties that had experienced repeated losses from flooding. Eligible projects under this program include elevating structures, flood-proofing properties, and buying out and converting flood-prone properties to open spaces.

FEMA also provides grants to states to prevent or reduce the risks of earthquakes by using mitigation measures such as the seismic retrofitting of buildings. The agency also conducts training, public education, and research programs in subjects related to fire protection technologies. The agency's efforts support the nation's fire service and emergency medical service communities through such services as the national fire incident reporting system, which collects and analyzes data in order to help mitigate the loss of life and damage from fires.

In 1997, FEMA began Project Impact—an initiative based on the premise that consistently building safer and stronger buildings, strengthening existing infrastructures, enforcing building codes, and making proper preparations prior to a disaster would save lives, reduce property damage, and accelerate economic recovery. The initiative intended to build "disaster-resistant communities" through public-private partnerships, and it included a national awareness campaign, the designation of pilot communities showcasing the benefits of disaster mitigation, and an outreach effort to community and business leaders. Project Impact received an appropriation of $25 million in the fiscal year 1999 budget.

Under section 406 of the Stafford Act, communities recovering from disasters can use federal funds to mitigate future damage to public facilities that have been damaged. For example, as a damaged building is rebuilt, seismic retrofitting is added to help reduce damages from future earthquakes. Mitigation measures funded under the section 404 program—the Hazard Mitigation Grant Program—differ from the 406 program in that they can be targeted to either damaged or undamaged facilities. For example, putting storm shutters on the windows of structures is expected to help mitigate wind and rain damage from future hurricanes. Our statement focuses on the measures funded under the Hazard Mitigation Grant Program.

Hazard Mitigation Grant Program

Under the Hazard Mitigation Grant Program, up to 15 percent of the total funds spent on a disaster may be spent specifically on hazard mitigation measures. Subject to certain dollar limits, the act generally allows the funding of up to 75 percent of the cost of hazard mitigation measures within communities that have been affected by a disaster[7] (the states or local governments pay the remaining portion of the costs). In fiscal year 1998, FEMA approved and obligated over $415 million in Hazard Mitigation Grant Program grants. These grants can be used to protect either public or private property, including the acquisition and relocation of structures from hazard-prone areas. The Stafford Act establishes that the federal contribution is based on measures that "the President has determined are cost-effective and which substantially reduce the risk of future damage, hardship, loss, or suffering in any area affected by a major disaster." The program funds a range of projects, including purchasing properties in flood-prone areas, adding shutters to windows to prevent future damage from hurricane winds and rains, or rebuilding culverts in drainage ditches to prevent future flooding damage.

Historically, hazard mitigation has been considered primarily a responsibility of local and state governments as well as private citizens, since these entities often control the decisions affecting hazard mitigation. For example, building code enforcement and land-use planning are generally under local jurisdictions. As a result, FEMA works with state and local governments to instill a community-based approach to implementing disaster mitigation efforts. Section 409 of the Stafford Act plays a role in developing this approach because it helps to establish the requirement for a comprehensive state hazard mitigation plan that includes an evaluation

[7] In an October 10, 1997 regulation, FEMA announced that for disasters declared after April 6, 1997, eligibility for program funding would be statewide rather than limited to the communities affected by the disaster. FEMA was attempting to give the states enhanced flexibility in using the funding for priority projects across the states and to expedite closing out the funding from older disasters.

of a state's vulnerability to natural hazards. Additionally, as a condition of receiving a Hazard Mitigation Grant Program grant, the state must prepare an administrative plan that establishes its procedures and priorities for identifying and selecting mitigation projects. FEMA, however, has final approval authority for funding these projects. FEMA guidance states that an "ideal" plan would include a statewide mitigation strategy and identify potential hazard mitigation projects that are consistent with the plan.

We talked with FEMA staff responsible for approving these plans and reviewed plans from several states. In general, we found that state administrative plans exhibited a broad range of approaches for identifying and selecting mitigation projects. Additionally, a 1996 study[8] found that many of the 39 state plans reviewed were "merely intended to qualify the state for post-disaster mitigation grants under section 404 of the Act." FEMA officials generally agreed with this conclusion. However, several officials noted that the agency has recently initiated changes to improve the states' planning efforts.

FEMA DOES NOT ALWAYS USE BENEFIT-COST ANALYSIS TO DETERMINE COST-EFFECTIVENESS AND AT TIMES DOES NOT USE BEST AVAILABLE DATA

Our preliminary review found that FEMA's guidance recommends the use of benefit-cost analysis as the primary approach for determining a project's cost-effectiveness. However, the agency excludes certain categories of Hazard Mitigation Grant Program projects from this analysis. These categories include projects that fund the removal of certain structures from floodways, tornado-related measures, research for new building codes, and planning efforts. While FEMA has explained the rationales for these exemptions, certain factors, such as the lack of an analytical basis for an exemption on the acquisition of certain floodplain properties, are limiting the agency's ability to demonstrate that these mitigation measures are in fact cost-effective.

Certain Types of Projects Exempted From Benefit-Cost Analysis

The Stafford Act requires that Hazard Mitigation Grant Program projects be cost-effective. FEMA's guidance establishes that benefit-cost analysis is the preferred method for making this determination. However, since September 1996, FEMA has exempted the following four categories of Hazard Mitigation Grant Program projects from the use of benefit-cost analysis:

—projects involving the purchases of substantially damaged structures in 100-year floodplains;
—up to 5 percent of the Hazard Mitigation Grant Program funding for a variety of hazard mitigation measures, such as disaster warning systems or the application of new, unproven mitigation techniques;
—hazard mitigation planning projects for older disasters; and
—an additional 5 percent of the Hazard Mitigation Grant Program funding for tornado-related projects.

FEMA's general rationale for the exemptions varies, although the agency's policy guidance establishes that two of the exemptions were made because some mitigation projects were often difficult to evaluate against "traditional quantitative program cost-effectiveness and eligibility criteria." FEMA officials have explained that the benefits of some projects are difficult to quantify against known project costs and that the time involved in gathering the data on some mitigation projects can be excessive. For example, it is difficult to determine the benefits of establishing an educational program that uses fliers to inform the public about the risks of living in a floodplain because it is hard to predict the resulting changes in public behavior that might result from the fliers. However, without any measurement and subsequent comparison of a project's expected benefits with its expected costs, it is unclear what criteria the agency is using to determine cost-effectiveness.

Exemption of Projects Involving the Purchase of Substantially Damaged Structures

Through policy guidance established in September 1996, FEMA exempted projects that involved purchasing structures located in floodways and floodplains—if the cost of restoring the damaged structures equaled or exceeded 50 percent of the structures' market value and the structures were located in a 100-year floodplain. This particular exemption has come under criticism by FEMA's Inspector General. In a March 1998 report,[9] the Inspector General questioned the exemption's lack of analytical data supporting the contention that acquisition projects involving substan-

[8] Edward J. Kaiser and R. Matthew Goebel, *Analysis of Content and Quality of State Hazard Mitigation Plans Under Section 409 of the Stafford Act*, June 1996.

[9] *Improvements Are Needed in the Hazard Mitigation Buyout Program*, FEMA OIG, Inspection Report I–01–98, March 1998.

tially damaged properties in the 100-year floodplain were cost-effective. While FEMA officials have begun to retroactively analyze some of the acquisition projects exempted under this policy, the agency is currently unable to provide the analytical data that would support exempting all substantially damaged structures in a 100-year floodplain. FEMA officials explained that they need to conduct a detailed and rigorous analysis of acquisition projects to support the policy. Without this analytical basis, it is difficult for FEMA to demonstrate that the exempted acquisition projects it is funding are cost-effective.

Exemption of Up to 5 Percent of the Hazard Mitigation Grant Program Funding for Various Projects

In September 1996, FEMA established another policy that exempted projects from benefit-cost analysis. Known as the "5 percent Hazard Mitigation Grant Program initiatives," this policy allowed the states to use up to 5 percent of their Hazard Mitigation Grant Program project funding for a variety of hazard mitigation measures. According to FEMA's policy memo for this exemption, the evaluation of funding for certain mitigation measures, such as hazard warning systems or research for new building codes, required a large amount of time at the state and federal levels, although it was generally recognized that such measures reduced the potential losses from a future disaster. The policy was intended to provide the states with discretion in deciding which mitigation measures they wanted funded, as well as the responsibility for providing the rationale for the cost-effectiveness of the projects selected. FEMA officials explained that the intent of the policy was to spur creativity and avoid the time and expense involved with conducting a benefit-cost analysis.

To be eligible, a project type had to be identified in the state's hazard mitigation plan and reduce or prevent future property damage, injury, or the loss of life. Instead of conducting a benefit-cost analysis, the states were instructed to include a narrative that identified the mitigation benefits and the reasonable expectation that future property damage, injury, or the loss of life would be reduced or prevented. In fact, FEMA's guidance instructs project applicants to use 5-percent funding if the project was "previously denied because of difficulty in measuring cost-effectiveness." While FEMA's guidance instructs the states to identify a project's benefits, it does not specifically suggest any comparison of the benefits with the project's costs or competing alternative projects. Without any measurement and subsequent comparison of a project's expected benefits with its expected costs, the criteria the agency is using to determine cost-effectiveness are unclear. Additionally, by using such a broad determination of a project's cost-effectiveness, it appears that almost any project could be determined as cost-effective.

Exemption of Hazard Mitigation Planning Projects for Older Disasters

About 1 year later, in October 1997, FEMA announced its third policy decision, when it exempted hazard mitigation planning projects associated with older disasters from benefit-cost analysis. FEMA decided that in the interest of expediting the closeout of disasters that occurred on or before June 10, 1993, the agency would make remaining program funds from these disasters available for hazard mitigation planning purposes.[10] States were invited to submit Hazard Mitigation Grant Program applications for funding that would help them develop multi-hazard mitigation plans. The policy memo stated that "funds provided for planning purposes shall be considered a cost-effective measure."

Exemption of Up To 5 Percent of the Hazard Mitigation Grant Program Funding for Tornado-Related Projects

In August 1998, FEMA announced the fourth policy exempting certain projects from benefit-cost analysis. FEMA extended its 5-percent set-aside funding by another 5 percent to fund tornado-related projects. The agency noted an increase in tornado activity that it associated with the 1997–98 El Nino weather pattern and suggested that the need for additional funding for warning systems could not be accommodated through existing programs. In essence, the agency increased the 5-percent set-aside policy to a 10-percent set-aside policy, although the additional 5 percent of Hazard Mitigation Grant Program funding was limited to states that had received a presidential disaster declaration for tornadoes. In addition to including a narrative that identified the project's mitigation benefits and the expectation that future damage or loss of life or injury would be reduced or prevented, the states were required to develop a comprehensive plan for warning their citizens, including

[10] When the Hazard Mitigation Grant Program was established, it provided federal matching grants on a cost-share basis of up to 50 percent of a project. Thus, FEMA refers to these mitigation projects as "50/50 planning" projects. With the 1993 amendments to the Stafford Act, the federal cost share was changed from up to 50 percent to up to 75 percent.

a public education component. The policy applied to all disasters with unobligated funds that were declared before fiscal year 1998, as well as all fiscal year 1998 and future declarations in which tornadoes or high winds played a role. The policy remains in effect until FEMA adopts proposed regulatory changes stating that warning systems will only be funded from the original 5-percent set-aside. FEMA officials expect that the regulatory changes will be made final in mid-March 1999.

Estimating the Number and Dollar Figure of Hazard Mitigation Grant Program Grants Exempted From Benefit-Cost Analysis

We are working with FEMA to quantify the number and dollar amount of all of the Hazard Mitigation Grant Program measures exempted from benefit-cost analysis. However, for a number of reasons, FEMA is unable to readily provide us with this information for all of the exempted projects. For example, it is hindered in providing this information because there is no data field in the Hazard Mitigation Grant Program database that would allow the agency to specifically identify the projects that fall under the exemption for acquiring property that has been substantially damaged. Additionally, agency officials have expressed reservations about the accuracy of the data. For these reasons, our preliminary numbers are limited to the 55 hazard mitigation project files we examined for four states (Arkansas, Florida, Louisiana, and Texas) in FEMA regions 4 and 6.

These 55 projects represented approximately $20 million in hazard mitigation grant funding, with Florida accounting for 36 projects, or $17.2 million of the amounts reviewed, while the other states accounted for the remaining 19 projects, or approximately $2.8 million in funding. Of the 55, 14 (25 percent), or over $8 million (42 percent) of the funding, were exempted from benefit-cost analysis. One-half of the exempted projects were property acquisitions, while the remaining exempted projects included funding for emergency satellite communications, all-weather radios, emergency alert systems, and a public awareness campaign. The 41 remaining projects subjected to benefit-cost analysis included wind retrofits (shutter projects), drainage improvements, seismic retrofits of buildings, and the installation of gas shut-off valves in structures.

Some Benefit-Cost Analyses Conducted on Acquisition Projects Do Not Use the Best Available Data

In the four states we reviewed, the officials conducting the benefit-cost analysis were generally knowledgeable about the process and had received training on how to use FEMA's computerized modules. However, we also found that the officials did not always use the best available data for estimating the benefits of projects involving the acquisition of property located in floodplains. These data help determine the extent of the expected benefits attributed to a project and significantly influence the accuracy and final outcome of the benefit-cost analysis.

For example, in determining flood hazard data—which establishes the probability and severity of a flood event—FEMA's guidance suggests using the flood insurance rate maps available through the National Flood Insurance Program.[11] These maps establish the number of times a flood is expected to occur in a given area (the frequency of future flooding) and the level of the flooding (its severity). The quality of this information can significantly influence the benefit-cost analysis' outcome because overestimating the frequency or severity of a flood can inflate the estimated benefits attributed to an acquisition project. We found little evidence that information from flood rate maps was used in the benefit-cost analyses we reviewed. Therefore, we are in the process of reviewing several of the analyses to determine how the use of information from the flood rate maps would have affected the analyses' outcomes.

We also found that the officials conducting the benefit-cost analysis may not always use the best available data on damage claims from past flooding. The quality of this information has a significant influence on the outcome of the benefit-cost analysis because overestimating the extent of the damage from a previous flood event can inflate the estimated benefits attributed to an acquisition project. FEMA officials told us that information on flood claims available from the National Flood Insurance Program was not always used, suggesting that they simply used information supplied by project applicants. We also found that the officials conducting the analysis do not always validate the damage claims information submitted by the applicants. As a result, the benefit-cost analysis may rely on testimonial evidence from the applicant—the individual most likely to benefit from the acquisition project. We are now working with FEMA to determine if the agency can easily provide damage

[11] The flood hazard data needed is actually found in flood insurance reports which accompany the flood insurance rate maps.

claims information from the National Flood Insurance Program to the officials conducting the benefit-cost analysis.

We provided a draft of this statement to FEMA to verify its factual content and modified the statement where appropriate. Our review was initiated in December 1998, and it is continuing in accordance with generally accepted government audit standards.

RELATED GAO PRODUCTS

Disaster Assistance: Information on Federal Costs and Approaches for Reducing Them (GAO/T–RCED–98–139, Mar. 26, 1998).

Disaster Assistance: Information on Federal Disaster Mitigation Efforts (GAO/T–RCED–98–67, Jan. 28, 1998).

Disaster Assistance: Information on Expenditures and Proposals to Improve Effectiveness and Reduce Future Costs (GAO/T–RCED–95–140, Mar. 16, 1995).

GAO Work on Disaster Assistance (GAO/RCED–94–293R, Aug. 31, 1994).

BUDGET PRIORITIES

Senator BOND. All right. Well, thank you, Mr. Witt.

FEMA has requested $83 million in increased expenditures, a 10-percent increase. An increase has also been requested for additional staff, the emergency food and shelter program, a new repetitive loss initiative, fire program enhancements, and the list goes on.

Given the fact that the budgetary caps will likely prevent us from funding all these increases, would you give me your highest priorities: one, two, three? What areas are the most needy in terms of increases?

Mr. WITT. Well, of course, the Y2K effort is so important and also the anti-terrorism program is very important.

Senator BOND. You picked that up I think from our discussion. [Laughter.]

Mr. WITT. They are priorities for us too, Mr. Chairman.

The Pre-disaster Mitigation Fund, and the flood map modernization fund are absolutely critical. We are requesting increases for the Fire Prevention and Training activity, and the Emergency Food and Shelter program which does so much good, and the National Flood Mitigation fund. And the Salaries and Expenses are a priority, and I think the budget reflects that.

Senator BOND. Well, I appreciate that listing, but would you give us for the record your one, two, three priorities, recognizing, of course, that by the time this new fiscal year begins, we will be in the middle of the Y2K problem and the advance planning stage will be over. I would like to have them listed in terms of the additions. What's one, what's two, what's three?

Mr. WITT. Salaries and Expenses are number one. There is no doubt about that. The Pre-disaster Mitigation Fund and the National Flood Mitigation Fund have to be considered as well. Of course, you said three, but the fire prevention and training is absolutely one of the top priorities too. So, those are the four that reflect my priorities.

DISASTER 5-YEAR HISTORICAL AVERAGE

Senator BOND. May I ask why FEMA is once again requesting $2.5 billion off budget? Is it not true that the 5-year historical average, which used to be $1.6 billion, now even excluding Northridge

it is $2.6 billion. Is that not a pretty good estimate even though we do not know the specific disasters?

Mr. WITT. We have found that the average is running pretty close to that. Of course, it depends on the events of a particular year. We wished that we did not have them, but you are absolutely correct. This year could be a very active year—we hope not—in hurricanes and flooding.

Senator BOND. The weather man I listen to on television this morning said with La Nina, it is going to be a super hurricane season. It should not be a surprise if we have some disasters.

Mr. WITT. True. Dr. Gray's projections, I believe, include 19 named storms this year.

UNMET DISASTER NEEDS

Senator BOND. You know in the past several years, as I mentioned earlier, we have appropriated hundreds of millions of dollars to HUD for so-called unmet needs, and even though there is no authorized HUD program, we tried to address the need for standards with appropriation language, ensuring that HUD works with FEMA in allocating the funds.

Could you tell me how HUD has consulted with FEMA in allocating the fiscal year 1998 supplemental needs and whether this consultation has been effective and whether it allowed the prioritization of needs for the most effective allocation? How would you have done it differently if you had been in complete charge of that?

Mr. WITT. Those funds are very, very important in that unmet need area, and I think you have seen this many, many times, particularly when we have done the long-term recovery reports showing those unmet needs.

What we have tried to do is to work with the States and local communities to gather the accurate information in unmet needs in each disaster, then forward that information to HUD so they can use it to make their decisions on how to meet those unmet needs, based on the priorities that we felt needed to be addressed first.

Senator BOND. Did HUD actually follow your recommendations? Were the HUD expenditures expenditures recommended by FEMA? You and I know the answer to that, do we not? [Laughter.]

You can submit for the record any analysis showing where HUD actually funded needs that FEMA identified.

Mr. WITT. Thank you, Mr. Chairman.

Senator BOND. I am from Missouri, and you better show me because I have a high degree of skepticism on that one.

Let me turn now to the ranking member for some questions, and we will go back and forth as long as we can enjoy it.

MORTGAGE TRANSACTION FEE

Senator MIKULSKI. Thank you very much, Mr. Chairman.

Before I get into really the meat of Project Impact and Y2K and all of those things, I want to raise an issue that I think could get prickly as we move along, and that is on page 5 of your written testimony, you talk about a $15 fee on all mortgage transactions to produce the funding for the maps.

Well, I woke up on Sunday morning to read the Baltimore Sun, and the headline in the real estate section said this: A new tax on homeowners in FEMA's budget. I tell you the cream in my coffee curdled when I read that—[Laughter—] because I knew every real estate agent was reading it, et cetera.

Now, Mr. Witt, I think we do have to find a way to fund this. The chairman and I have not had a chance to talk about this, but I would just like to put a bright light around it to talk about the $15 mortgage transaction.

Did you want to say something?

Mr. WITT. Senator Mikulski, when we made a proposal to OMB on how we could fund the map modernization program——

Senator MIKULSKI. Well, I think you need to go back to OMB——

Mr. WITT. I agree, we should look at all options.

Senator MIKULSKI [continuing]. And say that you have to come up with other solutions.

Mr. WITT. I think the point of it is—and the chairman and I talked about this in our meeting—that we need to show the significance and the importance of this mapping program, and we have to address this problem. The chairman advised me and several others advised me that this proposal probably will not fly, and I understand that. But we have to address this problem, and this is a starting point to talk about how we can do that.

Senator MIKULSKI. Well, there are those who do view it as a tax, and I do not think you want this thing to go to the Finance Committee or the Ways and Means Committee.

Mr. WITT. We do not want a tax.

FLOOD MAPPING

Senator MIKULSKI. But I would like to just give a comment here. I do not want to spend all my time on the maps. We put money into NASA for both Mission to Planet Earth and something called LANDSAT. My question later on will be, but not now—I am going to get to some other things—is what is it that NASA can tell you and could they help you do the maps in a way that would lower cost, et cetera? They have pictures that go back years and years and years of this planet. We are funding Mission to Planet Earth. They love to show me those lovely little satellite pictures that are red, green and blue, and if it is blue, it is this, and if it is green, it is that, and so on. And I love looking at it, but I wonder if it could be transferable in that way.

Mr. WITT. Yes, ma'am. Dan Golden and I have talked several times. My staff has met with the NASA staff. We are working on signing an MOU with NASA now to use the satellite technology as much as possible to update maps.

Senator MIKULSKI. Well, I think that is good, and when we meet with Dr. Goldin, we can actually thank him for his cooperation. We do not say that is the only step to your mapping.

Mr. WITT. Oh, no, but it is one way.

Senator MIKULSKI. Yes, because essentially with LANDSAT, we have got so many pictures over so many years that have been catalogued in such a confusing way that we now have a data mortuary. I would like to see if we could not pull it out and maybe find their DNA and get it back into business. [Laughter.]

CONSEQUENCE MANAGEMENT

Now, let us go to Y2K. Mr. Director, could you tell us, number one, what is consequence management? Do you have responsibility for consequence management, and what are your plans in terms of consequence management? Because Tip O'Neill once said all politics is local, but all response and preparedness and prevention is also local. Could you share where you are?

Mr. WITT. Sure. Consequence management is the responsibility to plan, train and equip State and local governments to deal with public health and safety in response to incidents. What we are doing now for Y2K is another portion of consequence management. As you said earlier, the Y2K initiative and the anti-terrorism program do have a connection to our all-hazard planning.

The 10 regional meetings that we have scheduled working with the other Federal agencies and our counterparts in the regions—we have had four of these meetings with the State directors of emergency management, with State fire marshals, and several other local officials—have gone extremely well, and have provided us a world of information.

Mike Walker, our Deputy Director, has had the lead on the Y2K and has been to every single one of these meetings and will be at the other six meetings and the follow-up meetings that we are planning to have with each of the States and local governments. So, Mike, do you want to expand on it just a little bit?

Senator MIKULSKI. Mr. Walker, first of all, welcome. We have known you in other roles.

Mr. WALKER. Thank you.

STATE PREPAREDNESS FOR Y2K

Senator MIKULSKI. But my question to you, sir, is are we ready in the 50 States, and is FEMA helping the 50 States get ready or is it very uneven?

Mr. WALKER. Well, FEMA is working very closely with all 50 States on Y2K, as we do on all hazards. As we have these 10 regional meetings around the country, not only are all 50 State emergency managers coming, but a number of local emergency managers are coming also.

Quite frankly, I want to take this opportunity to also commend the work of the Senate special committee. They did an excellent job. They have indicated an assessment of the Y2K issue that we agree with—Y2K will not pose major disruptions, awareness is growing and progress is being made. We do have concerns which we share in the small business sector and in many small towns and small counties. The biggest difficulty that we have is drilling the message down to the smallest community where awareness is only now beginning. James Lee has made it very clear that that is going to be our highest priority to work with the States to foster awareness and the need to fix any problems before the end of the year.

Senator MIKULSKI. Every State has a Governor and essentially the Governor is the commander-in-chief of that State. Have you asked every State to have a Y2K designee?

Mr. WALKER. Yes, and they do. Every State has a Y2K coordinator who is separate from the emergency manager.

Senator MIKULSKI. Have you furnished to the States essentially a Y2K readiness checklist? Because again rural States have different needs, et cetera.

Mr. WALKER. Oh, absolutely, we have. We provided a guide to State and local emergency managers and we are in the process of putting together some other materials which will be available right down to the very smallest unit of government.

It is a complex problem. There are 200,000 water districts in this country and 87,000 units of local government, and it is hard to get the message out. Congress can be of great benefit too through your newsletters and in putting the word out to local folks.

Senator MIKULSKI. But is not the point of accountability a Governor who would then assemble the local jurisdictions and so on?

Mr. WALKER. That is correct.

Senator MIKULSKI. Do you anticipate a breakdown in services and the need to be concerned about any civil disturbances?

Mr. WALKER. No. Based on current assessments, the sky is not falling. We are telling people in our regional meetings there is no need to hoard. There is no need to take money out of banks. There is no need to head for the hills.

This is much more than a technology problem. It is a leadership issue. It is a matter of taking responsibility, and there is still time to do that in these communities.

Senator MIKULSKI. Well, I think when we say there is nothing to worry about, then I think that there is a sense of complacency. Later on next week I will be asking these same questions of my own Governor Glendening when he comes to present this.

Now, let me tell you why I am so hot on Y2K. Because it is an anticipated event and can be planned for in an organized, systematic way. This then says if we do not have it together for Y2K, we certainly do not have it together for counter-terrorism.

Senator BOND. Senator, may I just interject just two quick Y2K questions?

Senator MIKULSKI. Why do you not go right ahead?

Senator BOND. No. I will come back to that.

Senator MIKULSKI. I think we are on the same wavelength.

Senator BOND. Will FEMA have all of its own mission-critical systems corrected and tested by March 1 of this year?

Mr. WALKER. March 31.

Mr. WITT. March 31, yes.

DISASTER RELIEF FOR Y2K

Senator BOND. What will be the Federal policy with respect to disaster declarations stemming from any possible Y2K related emergencies? In what circumstances would disaster relief be granted if there is some kind of failure as a result of the Y2K problem?

Mr. WITT. That was the very same question I asked Mr. Suiter, the Associate Director for Response and Recovery. They drafted a one-page guidance on what it would take to trigger a Federal declaration which we shared with your staff, and we will be continuing to finalize that to make clear that we have it down to a very, very tight compliance in order to make a declaration like that.

Senator BOND. I think it is clear—and we have had staff discussions—if somebody says, oh, well, we have got a disaster because

our computers came up 00 and they thought it was 1900, that is not a disaster. That is not an unforeseen disaster.

Mr. WITT. No, it is not.

Senator BOND. I think the message ought to get out that if somebody says, oh, my gosh, my computers do not work, that is not grounds for bringing in the Federal resources. We do not plan to pay for failure to plan for a completely predictable and understandable contingency that everybody ought to know is going to arise.

Mr. WITT. I think that is important too, Mr. Chairman, because I think Mike Walker and Lacy Suiter have shared the information directly with the participants in the regional meetings, that if you have a problem with your computer system, we are not going to give disaster declarations to fix computer problems because we do not want communities waiting to get their computers fixed or systems fixed under a Federal declaration.

Senator BOND. Your warnings about flood insurance in the media have been very good. You might consider even making Y2K warnings.

Let me return to Senator Mikulski to go back and take on the next questions.

INFORMING THE PUBLIC ABOUT Y2K

Senator MIKULSKI. Just a couple of other points again about Y2K. I gather we could go all morning just on that. But I must really impress upon you, sir, and ask you to impress upon the interagency groups and also your locals that you are working with, people are starting to get scared, but there is also public information being given out.

In my last utility bill from the Baltimore Gas and Electric Company, they said they anticipate that they will be ready to deliver electrical services in Maryland, and that presumes everything else is working. They then did say if you are concerned, have at your home what you would have for an ice storm. As you recall, a couple years ago we had very severe ice storms and parts of our States had ice storms even in recent weeks. Our cousins in Virginia went almost a whole week in certain parts of it. So, they gave you guiding principles and a checklist of what to do. It was just like any utility communication. It was a bit boring, but it was very factual and you had that. But it was also reassuring because if you were hearing this ozone type stuff on the talk show, you knew what to do.

The second is I got a mailing from the Washington Cathedral, and it was not about a prayer breakfast or a women's religious weekend. It was about them convening a regional workshop on the nonprofit response to Y2K and if you were a citizen, what you needed to do to get ready for it. People are getting ready on their own, which I thought was great Washington Cathedral was going to do that, but that is the Cathedral.

So, we cannot be processing ourselves to death here. We have to get out the public information, make sure that we have our infrastructure lined up with our Governors, and really have this. Otherwise, this is going to get away. And it is really going to get away from you. So, we have a wonderfully responsible private sector, the utilities; the nonprofit sector, like the Washington Cathedral. And

then we have the talk shows that the aliens are going to land or in every dam in America the locks will fail and so on. So, we have doomsday, Armageddon, and I do not want the American people to be caught because we were processing and having regional meetings and the coordinators felt very good and felt everything was under control because the infrastructure might work, but there might be panic whether the infrastructure works or not. It is the pre-panic that we need to start to manage now. I am not saying the panic is here, but it will be here unless there is some type of organized effort about that.

THE NATIONAL FIRE ACADEMY

Then we can go to terrorism, if I could. Actually I am going to have the chairman ask his questions on terrorism and I will come back because anything we respond to goes to our first responders. Our first responders are the fire fighters, volunteer and professional, and I happen to believe the volunteers train very hard to be professional. And then we have the emergency technicians that are usually part of fire fighting units as well as then moving into ER rooms and so on.

This thing with the Fire Academy really bothered me. It bothered me tremendously about the report. I would like to compliment you on your leadership in terms of pulling that out.

Could you tell us what your intentions are to make the Fire Academy fit for duty? We welcome your new personnel.

Mr. Chairman, I just want to show you. They have to revisit their mission statements. The Fire Academy needs to be an active partner and proactive in disaster relief and terrorism. There is this whole other question which is that the Fire Academy is not involved with the professional organizations around the country. This is not good news. This is not good news.

So, do you want to tell us how you will address these management and other defects?

Mr. WITT. Senator Mikulski, the concerns that are reflected in the report are shared by Administrator Brown, the fire services, and myself. That is why I asked the national fire associations to appoint a person to convene a panel to look at what we are doing in fire services on a national level, look at our programs, look at our delivery of the programs, look at how we are managing these programs, look at what we needed to change to make sure that we have the best fire service possible, the best trained fire fighters in America, the newest technologies, the latest research; everything that is going to save lives and protect property. That is what we asked them to do. And they came up with a very good report.

Now it is our responsibility to take that report and those comments, and implement a plan over the next 2 years to put in place, as you said earlier, the very best academy that we can have for this Nation. And that is what we want to do. I think we can do that. That is what Rich is going to be working on, and I am very excited about this. The fire services are excited about it. As we go through this, we will be happy to report to you what we are doing and how we are doing it.

In August we will be meeting with all the national fire associations, and I have suggested we have the meeting at Emmitsburg

at the Fire Academy where we will have opportunity to interact with Administrator Brown and the fire staff up there. Hopefully, Rich will have an implementation plan to share with them and go through it at that time.

Senator MIKULSKI. In the executive summary, it says the Fire Academy's fire program must be first and foremost adequately funded. We cannot fund something that is hemorrhaging the way this is.

Second, beyond money, however, lies the crisis of faith and confidence which money will not fix, which goes to the leadership issues.

Now, a 2-year program, meaning a step-by-step program from a fiscal standpoint, is very good, but Mr. Witt, is there a sense of urgency not only within headquarters, but out at the Fire Academy about really moving on some of the leadership and communication issues that are not about money but it is about getting your act together and getting it pretty quick?

Mr. WITT. Absolutely.

URGENCY FOR ADDRESSING FIRE ACADEMY ISSUES

Senator MIKULSKI. In other words, I want a response to the report as quick as the fire fighters in Baltimore respond to a 911 call.

Mr. WITT. What we will try to do for you is to share with you a report that we are working on now that says what we can do right now without funds to make a difference.

Senator MIKULSKI. Is there a sense of urgency?

Mr. WITT. I think so. There is an urgency that we need to start now to be ready to go into the 21st century.

Senator MIKULSKI. Do you have a sense of urgency?

Mr. WITT. Yes, I do.

Senator MIKULSKI. Does the leadership at the Fire Academy have a sense of urgency?

Mr. WITT. Yes, they do.

Senator MIKULSKI. And this is not about spring hazing. Were they as mortified by this as they should be?

Mr. WITT. They were very concerned and they are very encouraged by this because it really focuses on what we need to do for the future. So, I think they are very excited about the possibility that we truly can be the best up there. So, they are very encouraged by this.

But there is a sense of urgency that we need to be better and we can do better and we are going to do better.

Senator MIKULSKI. Let me turn it back to you, Mr. Chairman.

ALLOCATION OF ANTI-TERRORISM FUNDS

Senator BOND. Thank you, Senator Mikulski.

On the general theme of anti-terrorism, you are requesting $30.8 million for anti-terrorism, which is an increase of $13 million. $8 million would go to States. Much of the rest would go to FEMA personnel in regions and headquarters.

Can you give me an idea how you would allocate the funds and why the increase is needed?

Mr. WITT. Sure. Gary, do you want to——

Mr. JOHNSON. Mr. Chairman, are you interested in allocating the salary and expense dollars or all of the dollars in that program?

Senator BOND. What are you going to do with the money? What mission is going to be accomplished if we give you $30.8 million? I do not need to know who is being hired to do what, but what is going to be the outcome? What do we get for it?

You can follow up in detail for the record, but I just want to know what is $30.8 million going to get us?

Mr. WALKER. The primary thing, Mr. Chairman, is $21 million of that goes right into the hands of the States and then the State fire people. So, $21 million, as opposed to $12 million last year, is going out there for planning and exercises on the State level.

Mr. WITT. And I think it is important to note that in last year's budget, FEMA had a small role and less responsibility in comparison to what we have now and how the program has been set up with the Department of Justice and Janet Reno. I think now the program is more targeted than it was last year. I think setting up the office in Justice gives a one-stop shop that people can call. They did not know who to call before. They did not know where to go. We had too many players in it without a true focus. By working very closely with John Hamre at DOD and Janet Reno, we do have a focus on it now. We do have a good plan now, and I think it is going to truly make a difference.

INTERAGENCY COORDINATION ON TERRORISM

Senator BOND. You anticipated my next question because the GAO report of April 23, 1998 said the United States is spending billions of dollars annually to combat terrorism without assurance that Federal funds are focused on the right programs or in the right amounts. Then in October, GAO said there had been inadequate coordination and focus for training, equipment, and response, and the GAO says, "Some local officials viewed the growing number of WMD consequence management training programs, including the domestic preparedness program, the Department of Justice, FEMA, EMI courses, National Fire Academy courses, the National Guard's National Interagency Counter-Drug Institute course as evidence of a fragmented and possibly wasteful Federal approach towards combatting terrorism."

I know you say there has been a coordination office set up in DOJ. What is actually happening? How are we getting a handle on these? Because we are going to be dealing with this at the full committee appropriations level, as Senator Stevens has said.

Mr. WITT. I met and talked about this with Janet Reno, John Hamre, and Mike Walker, when Mike was at DOD. I was concerned because I did not think we were getting down to the grassroots, first-responder level and truly getting these people trained and truly getting them the types of equipment they would need to detect a chemical/biological agent if there was an event. I expressed my concerns. I was very vocal about this.

State and local emergency management and the fire services are going to be on that front line. They have got to be able to respond immediately. They will not have 12 or 15 hours to respond.

I was not bashful about this. I said "we do not need to reinvent the wheel." We have got the wheel. We need to put a tight ring

around that wheel. Janet Reno agreed with me, and that is what we have been trying to do and I think we have. She has worked closely with us to make this happen.

While I feel better about it, I am not as comfortable as I would like to be. I think by working the training process with the States and the fire services at the State and local level, I will gain a higher comfort level. We are targeting cities with populations of 100,000 or above.

COORDINATION WITH STATE AND LOCAL GOVERNMENTS ON TERRORISM

Senator BOND. Well, I tell you, pardon my skepticism, but creating another office is not necessarily reassuring to me that we have solved the problem.

Have you got people out of each other's hair? Have you got agencies that are trying to reinvent the wheel that have not been in the wheel business before? Because it is obvious to me that FEMA works with local communities. The National Guard is in every community already. You will have to show me a lot to convince me that between what FEMA does and the National Guard does, there is not a heck of a lot of room where we need to have more Federal employees, no matter how brilliant and how informed they are, trying to work with local communities. Have you gotten the other people out of the field where you and, say, the National Guard have primary expertise?

Mr. WITT. I think the coordination with State and local governments is much better than it was, would you agree, Mike?

Mr. WALKER. Director Witt has made it clear, Mr. Chairman, that if the Congress—and the Congress has not yet approved the NDPO, the National Domestic Preparedness Office, in the Department of Justice—if the Congress does approve the office, from FEMA's standpoint as part of the partnership, we will insist that the focus be on State and local government and first responders. That is going to be what we do in our daily work with the NDPO.

Senator BOND. Well, I think that is important. Frankly, there is legislation that we passed that sends the Department of Defense out to 120 cities. I suppose I voted for it. I do not recall it. [Laughter.]

But when you look at it, you think, does that make a lot of sense?

Mr. WALKER. Mr. Chairman, I managed that program when I was at DOD. So far, 30,000 first responders have been trained. There are 5 million first responders in this country. We have only begun to scratch the surface. That is why it is important that we look at how to deal with the rest of the Nation and keep that focus on the State and local level responders who are going to be there on the front line.

Senator BOND. Is the DOD the right agency to be training, or should FEMA be using its existing relationships, the other emergency responders, the National Guard? In the first couple of years as Governor, I spent more time with the National Guard than I did with my family because I was viewed as the master of disaster because we had everything from projected prison riots to floods to tornadoes, and when it comes to responding, the Guard is the one that

is going to be there, along with the emergency personnel and local law enforcement officials.

Mr. WALKER. You are exactly right. DOD did not ask for the mission. We tried to give it away as soon as we got it. The law required DOD to have it for 3 years. It is a domestic mission. It is not an international mission. This is the last year for DOD and it will transfer to the new NDPO in the next fiscal year.

Senator BOND. Thank you.

Senator Mikulski.

TRAINING FOR FIRST RESPONDERS

Senator MIKULSKI. In our hearing at the State, Justice, Commerce—and Senator Gregg has held four hearings on terrorism—he was very complimentary of the coordination and of the cooperation of Director Freeh of the FBI and our Attorney General. They have good coordination with our Secretary of State and other national technical means agencies for gathering information.

But I share the same concerns that Senator Bond has, that we now are building up a lot of money and we have a lot of coordinators of the coordinators. I am not talking about the interagency group where very senior and dedicated people are trying to work through this, but as we move down those coordinators of the coordinators, even between the White House and here, it is who is Mr. Turf and who is Mr. Big Guy. We cannot fool around like this.

The other thing is I think that there is a lack of clarity between what is DOD and the role of the Guard or, yes, yes, the military and. And then the second is our coordination with HHS and the Centers for Disease Control. I will not go through all of this because it does go to, I think, a full hearing with my colleagues on the other subcommittees that have probed into this. But Senator Frist, even on the authorizing Committee of Health, Education, and Labor is going to hold a hearing on bioterrorism. Everybody is holding a hearing.

Now, why are we holding hearings? Because I think deep down inside of the U.S. Senate we do not know what the plan is and we do not know if everybody has got their act together. So, we are all trying to take bites of this to make sure that on our watch we have fulfilled our responsibility. But I think if we have concern, then there is a reason to be concerned.

Now, I do not want to give countenance so somebody says, oh, they do not have their act together, be ready to go. I believe the infrastructure we have in place and brave people will. But I really do think we really do need a presentation of this and a real sense of clarity because I have yellow flashing lights about the others.

In Maryland, they are using Baltimore as a test site. DOD is in there with their 120 cities. But quite frankly, Washington, DC, is a very high risk area, and guess what counties will be first hit? Montgomery and Prince Georges with both the panic or whatever the nature of, say, a chemical or whatever it could be. Now, they have got training grants from the Department of Justice, but you see, somebody says, oh, well, it is Baltimore. It is a big city. Well, yes, it is. Well, it is my hometown. I want us to be like prime time.

As I said, I will be discussing this with Governor Glendening. The Maryland plan does have a medical strike force. In other

words, there are elements here that give me consolation, but I am really concerned.

This takes me to one other thing about being concerned. You are all training the first responders, and yet I have a report here from the Fire Academy that says it is out to lunch on training first responders. Who is training the first responders? Is it the Fire Academy?

Mr. WITT. The Fire Academy is doing a lot of anti-terrorism training, but also the State fire training academies are as well and the State offices of emergency services are too.

ROLE OF FIRE ACADEMY IN ANTI-TERRORISM TRAINING

Senator MIKULSKI. Who is training the State fire training academies?

Mr. WITT. They are coming to Emmitsburg and taking training.

Senator MIKULSKI. But, sir, in your own Blue Ribbon report it said that Emmitsburg did not have any sense of being proactive or even reactive on training terrorism.

Mr. WITT. Yes.

Senator MIKULSKI. I am going by the report.

Mr. WITT. I understand that. The academy has worked very closely with DOD and Justice in developing those training programs that they are using now as well.

Senator MIKULSKI. Why would the report say they do not know how to do it?

Mr. WITT. I do not know why that report said that, but they are. They have done a lot of work in developing those training programs. There needs to be more of the in-depth training at the academy, there is no doubt.

Senator MIKULSKI. I am just going to this, and this is why I have a worry about the whole thing. Recommendation number 21: The U.S. Fire Academy needs to be an active partner and have a proactive role in the national disaster and terrorism response. Then you tell me they are training them and then there is this recommendation. So, can you see why I do not get it?

Mr. WITT. Sure, I do.

Senator MIKULSKI. So, how can I get it?

Mr. WITT. Carrye, would you like to——

Ms. BROWN. I would like to respond.

Senator MIKULSKI. Would you identify yourself and use the microphone?

Senator BOND. Would you come up to the microphone and identify yourself for the record please?

Ms. BROWN. I am Fire Administrator Carrye Brown, and part of my responsibility, along with Dr. Onieal and the rest of my senior staff, is the National Fire Academy, as well as our other fire related, technology based programs.

But before this whole issue came up, we had a stakeholders meeting to look at the role of the Fire Academy in anti-terrorism. That was way back in 1996. So, before this became a hot issue on Capitol Hill, we had experts from Israel, from Ireland. We had our top level experts here in the United States. And they set out a plan for the National Fire Academy to develop curricula based on anti-terrorism issues. And we started with very little money, seed

money, because as you know, we have been level-funded over the last 4 years, to develop the curricula that DOJ has taken and sent out around the country. So, we were ahead of this.

So, in other words, I respectfully disagree with that conclusion that was reached in the Blue Ribbon Panel report. My outstanding staff at both sides of the house, both the Academy and our technology based side of the house, got ahead of the issue, and we were ready to develop the curricula for anti-terrorism before we got additional seed anti-terrorism money.

Senator MIKULSKI. Madam Administrator, as you know, this is not about hazing you or finger-pointing.

Ms. BROWN. I know.

Senator MIKULSKI. I am going by the reports. That is what we have.

Now, my question to you, presuming the curriculum has been developed, is the curriculum being implemented?

Ms. BROWN. It is being implemented. In fact, we have helped to train about 34,000 trainers. We have leveraged that by giving curriculum to DOJ, and they have utilized it as well and helped to print materials and send it out to others. What we did was train the trainers so that they, in turn, could go back to the States and train others.

We have used, too, something that Director Witt said, our existing training systems. We did not try to replicate anything that was already out there. We have the State training systems and they are excellent in all 50 States. So, that is how we did a great deal of it, but we also trained more than 34,000 on campus.

Senator MIKULSKI. Thank you.

Ms. BROWN. You are welcome.

Mr. WALKER. Senator Mikulski, if I could add, when I was at the Department of Defense, I unfortunately found myself in Oklahoma City after the Murrah Federal Building bombing, and when I talked to the local fire department there, I found out that just the year or so before the incident that they had been at Emmitsburg for training, and they credited that training for how well they responded. The fire department of Oklahoma City under enormous pressure, and in a difficult situation, did a magnificent job. I was not at FEMA then, but they said that the training they received at Emmitsburg helped them do that.

Senator MIKULSKI. Well, I appreciate that, but you can understand our questions based on the material which then goes to the full hearing. Based on the response of the Administrator, I think we need a response to the Blue Ribbon commission about, number one, where it is agreed upon and the highest priorities and then to be able to move.

Rather than go into all the questions on terrorism, I think we need to go to the full committee, Mr. Chairman. I have taken a lot of time here.

COST SAVINGS IN THE DISASTER PROGRAM

Senator BOND. Well, I think it is very important. I am getting ready to, I think, submit most of the remainder of my questions for the record.

But I want to discuss some of the things that we have mentioned before about getting a handle on the disaster relief program. I have congratulated you on the things you have done to improve the program like the disaster close-out teams. There is still much to do, such as defining the circumstances that allow State insurance commissioners to declare the insurance is or is not reasonable.

What actions do you plan for publishing the final rule requiring 80 percent coverage of replacement value? What about the State insurance commissioners? What additional actions do you see to reduce costs in the disaster relief program? And what are the cost savings that you have achieved as a result of actions you have taken to date?

Mr. WITT. Mr. Chairman, in every single State where we have done the mitigation it has been shown, even in repeated floods and other disasters, that prevention has saved money. For example, Hurricane Georges went through the Virgin Islands, however, there was very minimal damage because of the mitigation work that we had done following Hurricane Marilyn. Then when Georges hit Puerto Rico, it showed very clearly that Puerto Rico had not done as much mitigation or prevention.

The insurance component is important. We hope in April to be ready to come forward with a published rule after working with the States and the insurance commissioners and the Public Risk Managers Association. We have a meeting coming up with those State insurance commissioners.

[CLERK'S NOTE.—In subsequent conversations regarding the public buildings insurance rule, FEMA officials indicated that that publication of a draft rule is now scheduled for June due to a desire for additional meetings with stakeholders.]

I feel pretty strongly that we will be able to come forward with that rule. It is a difficult issue to deal with, but we are tackling this and I think it should be addressed.

Reengineering the public assistance program is one improvement that is now being implemented that is going to allow us to save administrative costs and save disaster costs because we are going to be able to respond and close out disasters much faster. The close-out teams that you referred to and that you all helped us put in place—and we appreciate that—are going to be able to consolidate from the three teams down to two teams by the end of this year because they have accomplished so much.

Senator BOND. You have made that much progress in closing out.

Mr. WITT. Yes, sir. That in itself has really made a huge difference.

I think each thing that we are doing, even the flood mapping modernization plan, will help save disaster costs. Even if we can start addressing the repetitive flood losses, that will not only save funds in the Flood Insurance Program, but it is going to save disaster dollars. Even though claims are paid from the flood insurance program, there is still a need for the temporary housing program as part of the disaster response. So, all of those things will help save us money in the disaster program.

Senator BOND. Did you say when the 80 percent replacement value would be published? Is that the one in April?

Mr. WITT. We are hoping to publish in April.

DISASTER CRITERIA

Senator BOND. The disaster criteria. FEMA proposed the rule describing the factors and we need these criteria to be established and on the record. The Stafford Act says that Federal assistance is to be provided following an event which overwhelms State and local capability to respond, but it has not been formally defined.

I am concerned the proposed rule does not go far enough. For example, the $1 per capita threshold has been in use for the past several years. No adjustment for inflation. It does not reflect a State's economic health or ability to raise public revenues. Why not?

Mr. WITT. Well, I think it is a step in the right direction to work with the States in coming to a single disaster declaration criteria with an annual adjustment on the $1 per capita based on CPI and also putting in a minimum of $1 million. $1 per capita for even the State of Arkansas, which is 2½ million people or almost 3 million, would require at least a $3 million disaster in order to qualify. For California, over a $30 million disaster would have to happen before we could even look at declaring a Federal disaster.

And by adjusting the per capita threshold each year, plus the cost share adjustments that we are making moves us in the right direction and with the support of the States. I think it is a good step.

Senator BOND. Do you think there will be fewer disaster declarations as a result of that? Will it cut down on the number?

Mr. WITT. Very possibly, yes, sir.

Senator BOND. How does FEMA determine the amount of insurance coverage that should have been in force as required by law and regulation at the time of disaster? I do not believe that you currently have such information, and how will you get it before issuing a final rule?

Mr. WITT. We are working on that now, and we will be happy to provide it to you, Mr. Chairman, as soon as we get it compiled.

STAFFORD ACT AMENDMENTS

Senator BOND. Very briefly, on the proposed Stafford Act legislation, I gather that has been reported out of OMB now. I am advised by staff I was incorrect.

Mr. WITT. Yes.

Senator BOND. Can you give us a preview just of the key items, how much money they would save, and why you dropped out some of the red hot and ready items in the July 1997 package, such as the requirements that private nonprofits first seek SBA loans?

Mr. WITT. Basically what we are trying to do with the insurance on public buildings covers the private nonprofits, as well as public structures, which I think will help make a difference.

The amendments that we are going forward with hopefully will be incorporated into those introduced by the House and Senate as well. I do not have the legislation with me.

Senator BOND. What kind of cost savings do you expect?

Mr. WITT. I do not have the total, Senator.

Senator BOND. Well, let me give you a little heads up. Last year, to be quite honest about it, we moved forward with some things that would spend some more money in hazard mitigation and do

some things that were very good. When I asked my colleagues who were supporting the legislation where the savings were, they said, well, we are spending more money. And I said, as you and I would say in Arkansas and Missouri, that dog will not hunt.

For me to remove my objection to any reforms in this area, I want to see savings, and I will be happy and join with you in supporting a bill that makes demonstrable savings. Just spending more money is not going to get it. So, we look forward to working together. I know we have got a lot of people who are interested in it, but my bottom line is how much savings are you going to show us.

Mr. WITT. It is ours as well, Mr. Chairman. I think with your support and the committee's support that we have come a long way. It is not saying that we do not have further to go.

Senator BOND. Yes.

Mr. WITT. But we are working very hard on it.

Senator BOND. I am just telling you what I am looking for.

Senator Mikulski, I turn to you for the wrap-up and the exit question or questions, as described by some of our friends in the talk show business.

PROFESSIONAL EMERGENCY MANAGERS

Senator MIKULSKI. Thank you, Mr. Chairman. Just a comment and then a question.

In 1988 when I became the chair of the subcommittee, the Cold War was drawing to a close. I wanted to bring down the fire wall between our response to the American people and a civil defense function because it had been so eaten up. Now it is so ironic that the two are melding because we are now threatened by weapons of mass destruction, perhaps nuclear, but more likely other types of disruption and security threat.

That takes me to not putting walls back, but I think one of the things that I strive with in working with you, sir, was I believe that emergency management is a profession. It is a profession like being in the military. It is like being a physician and so on.

One of the concerns that I had in looking at States was some had professional administrators like you in Arkansas and others were, quite frankly, patronage driven. There was always Louie who had helped in the campaign. Let us give him something. Now we are not going to go back to putting up a wall, but I never wanted to see local administrators patronage driven and really to honor the whole concept that this is a profession.

Could you tell us, as my concluding question, because it is part of the institutionalization of our reforms, what you want to do to professionalize this and, therefore, it can be acknowledged both in service and in benefits, et cetera?

Mr. WITT. Senator Mikulski and Mr. Chairman, since 1993 we have worked with State and local emergency responders to become more professional in what we do, and to be able to respond to do a better job. We have assessed their capabilities and have identified the weaknesses. We have tried to address those, but now is the time to move forward for the future. We have sat down with NEMA.

Senator MIKULSKI. Can you say what NEMA is?

Mr. WITT. NEMA is the National Emergency Management Association.

I can say that NEMA and the local emergency management associations are far better now than they were 6 years ago.

Senator MIKULSKI. Absolutely.

Mr. WITT. And they have worked very hard. I am very proud of them, but we need to go a step further. We need to professionalize emergency management similar to fire services.

The National Emergency Management Association's executive board, the State directors, and I sat down. We talked about what we needed to do in the future. We agreed that we need national standards for emergency management at the State and local level.

We are working now to implement national standards for State and local emergency managers based on the National Fire Protection Association standard 1600. So, I think it is going in the right direction. We are working with them now and have already drafted standards to implement. This will help to professionalize this area.

We have worked with universities. We have several universities that now are offering college credit courses in the emergency management profession leading to a college degree. So, I think we are almost there, but we have one more component to be addressed.

Senator MIKULSKI. Well, we look forward to the advice of the professional association because they gave us a lot of guidance, as did the national organizations of fire fighters during our reform process. So, we look forward to this. We want to have professionals. We do not want to have bureaucracies. We like the idea of training at a collegiate level. We also think these are tremendous opportunities through a community college level, particularly as people are retraining and recycling themselves.

Mr. WITT. I agree.

Senator MIKULSKI. Thank you very much. I look forward to working with you on a prevention budget.

Mr. WITT. Thank you.

ADDITIONAL COMMITTEE QUESTIONS

Senator BOND. Thank you very much, Senator Mikulski. Thank you, Director Witt. We do have a number of questions we have asked you about, and we will be submitting more for the record. We appreciate working with you and look forward to meeting the challenge ahead of us.

Mr. WITT. Thank you, Mr. Chairman.

[The following questions were not asked at the hearing, but were submitted to the Agency for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR BOND

PRIORITIES

Question. FEMA has requested $83 million in increased expenditures over fiscal year 1999, a 10 percent increase. Increases have been requested for additional staff, the emergency food and shelter program, a new repetitive loss initiative, fire program enhancements, and the list goes on. Given that the budgetary caps likely will prevent us from funding all of these increases, please provide a specific ranking of priorities.

Answer. The increases requested in 2000 related to salaries and expenses reflect my first priority. It is absolutely necessary that FEMA have an adequate and well trained workforce, capable of delivering all of our programs in the most efficient and

effective manner possible. The establishment of the Pre-Disaster Mitigation Fund and the request targeting repetitive loss structures under the Flood Mitigation Fund are both investments in the future of this nation that will save money and help prevent our citizens from becoming disaster victims. Therefore, I would place them among our top budget priorities. Finally, the enhancement for Fire Prevention and Training will allow FEMA to address many of the recommendations made by the Blue Ribbon panel, which was convened to review our fire programs.

HUD "UNMET NEEDS" FUNDS

Question. FEMA asked each State with a declared disaster last year to submit a list of its unmet needs in an effort to work with HUD to allocate emergency CDBG funds. The list totals $2.3 billion. How would you characterize the lists sent in to FEMA—are they "wish lists" for the everything the State wants that may be connected to a disaster, or have they been analyzed and prioritized, and have cost-benefit studies been conducted? If FEMA were provided with funding for "unmet needs" how will FEMA's process differ from how HUD allocated funds.

Answer. It is our experience that most States do prioritize the unmet needs lists that they forward to FEMA. Often the lists are the product of the State's own unmet needs task force or hazard mitigation team that reviews requests from residents and local communities and distributes available State and Federal assistance. Because the unmet needs lists include early proposals, it is unlikely that the State has conducted benefit-cost analyses on them. Generally, detailed analyses such as these are done for the top priority projects once the State is certain how much funding is available.

If FEMA had the responsibility for allocating unmet needs funding, our actions would build upon the processes used in supplying data to HUD. Our first priority would be to work closely with our customers at the State level to devise an equitable distribution. We would actively seek the input of State emergency management and community development agency officials regarding how to prioritize the needs reported. FEMA has well established relationships with its State partners and has a high degree of trust in their ability to identify key disaster needs.

DISASTER CRITERIA

Question. In January FEMA proposed a rule describing the factors it considers when evaluating a governor's request for a major disaster declaration. Criteria are needed to depoliticize the declaration process, and to clarify what constitutes a federal disaster. Under the Stafford Act, federal assistance is to be provided following an event which overwhelms state and local capability to respond. But this has never been formally defined prior to this rulemaking.

I'm concerned the proposed rule does not go far enough. For example, the $1 per capita threshold has been in use for the past several years, with no adjustment for inflation, and does not reflect a state's economic health or ability to raise public revenues. Why?

There are problems in other areas, such as how FEMA will determine insurance coverage that "should have been in force as required by law and regulation at the time of the disaster." FEMA currently does not have such information. How will FEMA determine insurance coverage that should have been in place? Will FEMA consider these and other concerns before issuing a final rule?

Answer. The National Emergency Management Association and the National Governor's Association have strongly objected to implementation of any criteria in regulation that would limit the flexibility of the President or the governors in meeting disaster needs. The evaluation factors that FEMA proposes would ensure that requests for disaster assistance are evaluated fairly and consistently while preserving Presidential discretion, and allow consideration of the unique circumstances of each request.

In preparing the proposed rule, FEMA held extensive discussions with its State partners and local government organizations to determine the best means of identifying State capability, and ensuring that proposed declaration criteria encourage insurance and hazard mitigation. We found that there was no agreement on a simple and equitable method to measure State capability. In the interest of clarity, simplicity and practicality, we chose to continue the use of a per capita indicator as a means of gauging the relative means of a State's ability to handle a disaster—but would adjust this indicator annually based on the Consumer Price Index. Even this simple shift in approach met with resistance—a number of large population States objected to the use of the $1 per capita indicator, while some small population states objected to the minimum $1 million threshold proposed under the Public Assistance Program.

With respect to insurance, FEMA proposes to consider the amount of insurance that should have been in force at the time of the disaster. Under the Stafford Act we already have an insurance provision that requires the applicant to obtain and maintain insurance for public buildings unless the Insurance Commissioner determines that the insurance is not reasonably available. FEMA requires flood insurance on all buildings in identified flood hazard areas as a condition of receiving disaster assistance. Under Section 406 of the Stafford Act, FEMA actually reduces the disaster assistance by the amount of flood insurance that could have been purchased, if the damaged facility is located in a special flood hazard area that has been identified for more than one year. FEMA tracks insurance purchase requirements and could determine, for any given disaster, which applicants were required to purchase insurance. Under a separate initiative FEMA is now in the process of preparing a proposed rule that would strengthen and clarify these insurance purchase requirements.

Question. FEMA recently submitted to the Congress legislation amending the Stafford Act.

What are the key items in that legislative proposal that deal specifically with improving the disaster relief program?

Answer. *Pre-Disaster Mitigation*.—Our legislative proposal creates a new Section 203 in the Stafford Act that authorizes the Director to establish a program for States, local governments, and other entities for carrying out pre-disaster mitigation activities that exhibit long-term, cost-effective benefits and substantially reduce the risk of future damage from major disasters. This provision would give an explicit statutory authorization and mandate for FEMA's pre-disaster mitigation program.

Hazard Mitigation Contributions.—We ask that the Congress amend section 404(a) of the Stafford Act by changing maximum post-disaster hazard mitigation contributions from 15 percent to 20 percent of aggregate amount of grants, applicable to all major disasters declared after the date of enactment of the new legislation. This provision would provide increased funding and emphasis on programs to reduce future damages from natural disasters when the window of opportunity, usually following a disaster event, is open.

Insurance.—Our proposal would authorize the President to require by regulation that States, communities or other applicants protect property through adequate mitigation measures if the State's insurance commissioner certifies that insurance is not reasonably available. Under current law an applicant need not take any further action to insure or mitigate the property against future damage if the State insurance commissioner certifies that insurance is not reasonably available. When insurance is unavailable, risks are frequently quite high. This provision would authorize the President to require further action to reduce future potential damage to the affected property.

Management Costs.—The legislation would define management costs and direct the President to establish management cost reimbursement rates, subject to periodic review for grantees and subgrantees receiving assistance under the Stafford Act. The purpose of this provision is to simplify payment of management costs to States and local governments, and to reduce the potential for duplication of payments for administrative and other indirect costs under the current system.

Repair, Restoration, or Replacement of Public Facilities.—We also proposed to amend and reorganize Section 406, which provides authority to the President to make contributions to a State, local government, or person for the repair, restoration, or replacement of public facilities or private nonprofit facilities. The legislation would amend Section 206 to authorize reduction in the current minimum Federal share of disaster assistance for facilities that had previously received significant disaster assistance on multiple occasions. This provision would have particular applicability to facilities, such as roads, for which insurance is not generally available.

The amendment would principally support FEMA's reengineering of the Public Assistance Program by allowing FEMA to provide assistance based on estimates of repair costs. The President could determine actual cost to be eligible for assistance notwithstanding the prior estimate where the actual cost is above 120 percent or below 80 percent of the estimated cost.

Consolidation of Housing and Individual and Family Grant (IFG) Programs.—We further propose to combine the Housing and Individual and Family Grant (IFG) Programs. As amended, this section would establish the type of assistance available for housing, repairs, and construction, and would cap total assistance per individual or household under the combined program at $25,000 per major disaster. In general, applicants would apply insurance proceeds or apply for an SBA disaster loan before applying for assistance under this provision. It would authorize the President to assist some individuals by repairing their homes or allowing them to rent alternate housing accommodations without applying for an SBA loan, and by providing finan-

cial assistance for medical, dental, funeral, personal property, and transportation expenses.

Consolidating the two programs would result in improved services for victims of disasters. By working with only one program instead of two, eligible victims would receive faster processing and face fewer administrative burdens during their time of crisis.

Question. How much money would be saved annually in the disaster relief fund if this legislation were enacted?

Answer. CBO estimated the Stafford Act amendments in H.R. 707 would result in a $2 billion increase in outlays between 1999 and 2004. Of this estimate, CBO projects that "most of the estimated increase in outlays—$1.3 billion of the five-year total—would result from provisions that would accelerate spending from FEMA's disaster relief fund, but would not change total spending over the long term."

Additionally, it is important to note that CBO's estimates do not take into account the savings to be achieved through pre-disaster and post disaster mitigation efforts. It has been estimated that for every $1 spent on mitigation, $2 are saved.

We have not yet completed our analysis of annual savings in the Disaster Relief Fund from this legislation. We are working to refine the projected savings. When completed, we will forward this information to the Subcommittee.

Question. Why does the legislation not include all of the proposals submitted in the July, 1997 package of amendments, such as the requirement that private nonprofits first seek SBA loans? Does FEMA continue to support the July 1997 proposal, or has the agency reversed its position on any of these items?

Answer. We decided early in the drafting stage to propose a streamlined version containing those features that we considered essential to mitigate damages and reduce the costs of disaster assistance. We eliminated certain provisions such as the requirement that private nonprofits first seek SBA loans because these provisions had failed to find significant sponsorship or other support in the last Congress. We were concerned that the opposition generated by these provisions might unnecessarily delay, if not prevent, passage of these amendments. We continue to support our July, 1997 proposal and have not reversed our position on any of the items in that proposal. We have merely modified our proposal for the pragmatic reasons stated above.

Y2K ISSUES

Question. According to a November FEMA survey of state emergency management agencies, states are generally not aware of the status of emergency preparedness and progress towards compliance at the local level. According to the FEMA survey, "the issue cited most often as a problem was the limited to total lack of specific Y2K funding and availability of technical resources and staffing necessary to assess, test, and validate systems and fixes." The survey also found that most states have no plans to assist or provide funding for local authorities to resolve Y2K issues.

What are the resource requirements for ensuring the emergency services sector is prepared?

Answer. FEMA does not have a role in repairing the billions of bytes of publicly and privately held computer code infected by the Y2K computer problem. However, FEMA can respond to the physical consequences of Y2K disruptions if they constitute a threat to lives, property, public health and safety pursuant to a Presidential "Emergency Declaration." More importantly, with respect to the Y2K phenomenon, FEMA has embarked on an extensive "outreach" initiative that has direct and indirect benefits to State and local emergency management and emergency service agencies. The FEMA Y2K effort includes the development of contingency and consequence management planning guidance, training for State and local emergency managers, exercise support, consumer preparedness materials, senior leadership seminars, regional workshops, Emergency Education Network broadcasts, and a clearinghouse to exchange information and best practices.

Question. Will any funds be made available from the remaining emergency funds, and if so, when?

Answer. FEMA is finalizing budget requests for the remainder of fiscal year (FY) 1999 and 2000 to complete ongoing Y2K contingency planning activities and to have in place the operational capability at the Federal and State levels to monitor and, if necessary, respond to emergencies during the year 2000 rollover period. The budget requests will be submitted to the Office of Management and Budget before the end of May.

Question. Is there adequate time remaining to identify and resolve Y2K problems at the local level?

Answer. Given the wide disparity of readiness in emergency services systems at the county and municipal level, FEMA is increasing its outreach activities to these local organizations. Through our regional offices, FEMA is working with State and local emergency management and constituent organizations, as well as others, to broaden and accelerate Y2K emergency preparedness at the local level. Even though every system will not necessarily be fixed before January 1, 2000, it is not too late to begin fixes and develop contingency and consequence management planning.

ANTI-TERRORISM

Question. FEMA is requesting $30.8 million for anti-terrorism activities, an increase of $13 million over the current year. GAO has raised concerns in reports and testimony in the last year about the federal government's counterterrorism efforts. GAO cited the need to develop risk assessments to target resources effectively and set priorities. (See GAO/T–NSIAD–98–164). How has this concern been addressed? Please discuss how other concerns and recommendations cited in this report have been addressed, as they relate to FEMA's role in counterterrorism. Can you give us your assessment of the level of readiness at the state and local level for a possible terrorist attack? The Missouri National Guard has one of the 10 full Rapid Assessment and Initial Detection (RAID) teams. How does the National Guard tie into the planning, training, and exercise activities for possible terrorism attacks?

Answer. Regarding risk assessments, Section 1404 of Public Law 105–261 provides that

> "The Attorney General, in consultation with the Director of the Federal Bureau of Investigation and representatives of appropriate Federal, State, and local agencies, shall develop and test methodologies for assessing the threat and risk of terrorist employment of weapons of mass destruction against cities and other local areas. The results of the tests may be used to determine the training and equipment requirements under the program developed under section 1402 [the Nunn-Lugar-Domenici Domestic Preparedness Program]. The methodologies required by this subsection shall be developed using cities or local areas selected by the Attorney General, acting in consultation with the Director of the Federal Bureau of Investigation and appropriate representatives of Federal, State, and local agencies."

The other concerns cited in GAO's testimony are the need to improve coordination, develop overall priorities and strategy, and measure results. FEMA is supporting the Attorney General's National Domestic Preparedness Office (NDPO). In accordance with Presidential Decision Directive 62, FEMA also participates in the National Security Council's Weapons of Mass Destruction Preparedness, Consequence Management, and Protection Group (WMDP) and certain subgroups. Through the NDPO, FEMA expects to work with other departments and agencies to develop an interagency strategy that builds on the Attorney General's Five-Year Counterterrorism and Technology Crime Plan and includes performance measures. At the same time, FEMA will continue working to refine and enhance the Capability Assessment for Readiness (CAR).

Readiness at the State and local levels varies from one jurisdiction to another, and it varies in terms of particular components of readiness: plans, training, equipment, exercises and evaluation. In the pilot State CAR report, States indicated that plans and equipment for weapons of mass destruction terrorism were areas in need of improvement. FEMA's request calls for additional funding for State and local planning; the Department of Justice is providing additional funding for State and local equipment.

As a State asset, the National Guard ties into terrorism preparedness activities as a State's Governor sees fit. Certainly the National Guard is a resource not to be overlooked. It provides valuable support in all kinds of disasters—for example, in the areas of transportation and security. On a national level, the National Guard Bureau is completing a study mandated by Congress last year to determine how it can support terrorism preparedness within the existing framework of Federal, State, and local department and agency authorities and responsibilities. First responders have stressed that expansion of National Guard activities in terrorism preparedness should complement—rather than duplicate—existing systems for emergency preparedness and response, and that attention to National Guard resource requests not detract from resource needs of local responders. FEMA recognizes this as a legitimate concern, and the draft National Guard study indicates awareness of this concern. FEMA training courses are available to the National Guard; more than one-third of the curriculum for RAID teams consists of National Fire Academy courses.

FLOOD MAP MODERNIZATION INITIATIVE

Question. In his fiscal year 2000 budget, President Clinton requested authority to assess a $15 transaction fee on all new mortgages and refinancings. Revenue from this transaction fee, totaling nearly $312 million over 5 years, will be used to update and improve the floodplain mapping system developed by FEMA. Among other things, these floodplain maps help FEMA determine which properties are eligible to participate in the National Flood Insurance Program. These floodplain maps have been found to be inaccurate around the edges. Why has FEMA allowed these maps to deteriorate to such a point where in some cases the maps indicate that properties are within a floodplain when in fact they are outside of the floodplain, and vice versa? FEMA has identified a $900 million requirement to update and modernize its flood maps. Why do we have such a large backlog of outdated maps in this program? Why are new funds needed to improve these maps, instead of a reallocation of FEMA's current funding to update the system?

This proposed $15 transaction fee will apply to all new mortgage originations and refinancings, regardless of whether the property is in a floodplain or not. What is FEMA's rationale to impose a tax on home ownership on properties that are not in the floodplain? How will such homeowners benefit from improved floodplain maps?

Can you explain the rationale for this fee and describe how you have consulted with the mortgage banking industry? If the fee is not enacted, what other ideas do you have to address this very large requirement? What are the ramifications of not addressing this need?

FEMA's proposal would generate about $58 million next year for flood mapping activities. Under your proposal, how many years would it take to completely address the need to update and modernize the maps?

Why is there such a large backlog, and why are new funds needed?

Answer. The deterioration in the map inventory results from resource levels that have been inadequate to keep the map inventory up-to-date. The maps require updating as a result of man-made or natural changes and/or because newer data and/or improved study methods have become available. Also, many maps show flood-prone areas that were analyzed using only approximate methods of analysis which are not adequate for sound floodplain management. At present, FEMA is authorized to spend for mapping only the money generated by the Federal Policy Fee and through the sale of map products and services. FEMA could reconsider some of its current activities, and reduce services provided to rechannel additional funding to map modernization efforts. However, even with authority to do so, reallocating some of FEMA's current funding for map modernization would result in significant cuts in other service areas.

Question. What is FEMA's rationale for assessing a fee on properties that are not in the floodplain? How will homeowners of such property benefit from improved floodplain maps?

Answer. There is already a mortgage transaction fee that applies to all properties, whether or not they are located in the floodplain. Each mortgage transaction requires a flood map determination by the lender. Currently, a fee of about $25 is charged to the borrower for this determination. The fee goes to the lender and/or the contractor employed by the lender to provide the determination based on FEMA's maps; despite this, the NFIP gets no portion of this revenue. It is expected that the cost of the flood map determination reviews will decrease as a result of map modernization because digital flood maps will decrease the business costs of performing the reviews. Consequently, the overall increase in the cost of a mortgage from the proposed flood map mortgage transaction fee should be less than $15.

A mortgage transaction fee is equitable because it is tied to real property. Each of the approximately 11 million mortgages transacted each year and every building permit issued by a community requires the use of the maps. The maps are used during the mortgage transaction process by lenders, flood map determination firms, property owners, insurance companies and agents, and real estate professionals. All homeowners will benefit from improved floodplain maps because new homes will be elevated above the flood elevation or built to avoid the hazards altogether. More accurate flood maps will also mean that there will be fewer instances where Letters of Map Amendment, which require property surveys at the expense of the property owner, are required to remove properties that are inadvertently shown in flood hazard areas.

Question. Has FEMA consulted with the mortgage banking industry?

Answer. The mortgage banking industry, through its representation on the Council, supports map modernization. We have had some interaction with the industry regarding the fee and will continue to work with the banking industry.

Question. If the fee is not enacted, what other ideas does FEMA have to address this requirement?

Answer. FEMA has considered the following funding options for map modernization:

Increase Federal Policy Fee.—One option is to increase the $30 Federal Policy Fee. High fees required to recover the whole cost would be a disincentive to new policyholders and would leave the burden of flood mapping primarily on policyholders. However, the use of fees to cover some of the long-term maintenance costs may be appropriate.

Increase Fees on Sales of Map Products and Data.—Prices for products and data sets could be increased to cover some of the costs of the mapping program. Currently, the prices cover only the direct cost of map printing and distribution. Some increase in price appears to have justification and might be acceptable to customers. However, even a large price increase would only result in minimal additional revenue, and would be unpredictable as a principal source of funding for this initiative. Also, significantly increasing prices for map products, such as digital files, would likely result in few customers purchasing them from FEMA at the higher price and then duplicating and selling the information to multiple other users at a lower price to recoup their costs.

Increase Flood Insurance Rates.—Another option would increase the cost of flood insurance to cover the incremental cost of map modernization. However, this option leaves the burden of paying for flood maps on only a small portion of the beneficiaries (approximately 4 million policyholders), and any increase will discourage the purchase of new policies.

Annual Discretionary Appropriations.—Annual appropriations could be requested each year to cover the map modernization costs from 2000 through 2006. Long-term maintenance costs in 2007 and beyond would be covered by fee increases.

Long-Term Borrowing from NFIF.—The up-front costs of the program could be financed by borrowing from the NFIF. The debt would be repaid with interest through reduced losses and fees paid by program participants. However, fees of some type would be needed to pay back the debt plus interest.

Non-Federal Cost Sharing.—State and local governments could provide some portion of the costs based upon the value of floodplain mapping to other State and local government activities. It would be difficult to obtain significant funding from the relatively few States and communities with adequate resources. Further, it would be a significant challenge to coordinate the funding levels appropriate for each entity. In addition, the States would view this as an unfunded mandate. This option would provide only a portion of the required funds.

Question. What are the ramifications of not addressing this need?

Answer. Many of the proposed new mapping products and processes will gradually be implemented even if full funding for map modernization is not made available. However, the effect of these new products and processes will take longer to be realized, meaning it will take much longer than the planned 7-year period to upgrade the 100,000-map panel inventory for nearly 19,000 communities.

The failure to conduct the needed flood data updates and convert the mapping inventory to a digital format would severely limit the potential of a modernized mapping program to dramatically reduce the loss of property. We project that the map modernization will result in approximately $26 billion less property damage to new residential and non-residential structures over a 50-year period than will result under the current rate of remapping. If implementation of the plan is delayed one year, we estimate that the long-term benefits to be achieved will be reduced by approximately $1.5 billion; a significant portion of these lost benefits will likely result in increased Disaster Relief funding. Each year of delay in implementing the plan will add approximately $19 million to the total cost for the plan.

Question. Under the proposal, how many years would it take to address completely the need to update and modernize the maps?

Answer. As planned, map modernization will take 7 years. However, the proposed mortgage transaction fee represents only approximately one-half of what is needed for map modernization. Thus, with the proposed fee but no other increased funding, map modernization will take 14 to 16 years.

REPETITIVE LOSS PROPOSAL

Question. FEMA proposes $12 million to buyout, relocate, or elevate properties that have had multiple claims to the Flood Insurance Fund, in thousands of cases exceeding the home's value. While this may be a prudent policy, it should be accompanied by administrative reforms to this program which seek more accountability on the part of policyholders.

Can you describe what plans you have to make administrative changes to the program, and the specific time frame, and whether you believe that the repetitive loss program should go forward only with such administrative changes?

Answer. FEMA, along with Members of Congress, is concerned about the cost to the taxpayers for natural disasters. We are especially concerned about the individuals who suffer repetitive losses in these disasters. To address theses concerns, FEMA is interested in implementing improvements to the National Flood Insurance Program (NFIP) to protect residents of communities, not penalize them.

FEMA is in the process now of looking at the NFIP's statutory and regulatory authority to facilitate a repetitive loss initiative using a common-sense approach, which will help homeowners and business owners reduce their flood risks, and reduce the costs to taxpayers, while improving the stability of the NFIP by eliminating reoccurring losses. FEMA looks forward to working closely with the Congress in considering the proposals for this initiative.

FEMA will be targeting those properties that have suffered 4 or more losses and those that have 2 or more losses where cumulative payments exceed the property value. FEMA will provide a list of the target properties to each State. We will work with State and local governments to develop grant applications that address the flood problems facing those high-risk structures. Grants will be provided through States to communities for elevation, acquisition, or relocation projects.

FEMA intends to administer the program in partnership with the State through the Flood Mitigation Assistance (FMA) program, using a 75/25 cost-share. In this way, FEMA will build upon the experience gained in working with communities in previous mitigation projects. Hazard Mitigation Grant Program (HMGP) funds for flood disasters may also be used to mitigate repetitive loss properties. The $12 million appropriation will be exclusively targeted at high repetitive loss properties. Most of the high repetitive loss properties are older structures, built prior to the implementation of the NFIP, and their insurance rates are lower than actuarial rates would be. FEMA is working to enable individuals to protect themselves by providing alternatives through voluntary buy-outs and elevation or floodproofing of their homes.

If an insured property owner refuses FEMA's offer to take action to make the structure less flood prone, FEMA believes it is reasonable public policy to then only provide insurance at a full-risk premium. The Agency is preparing to be able to carry out this policy in fiscal year 2000.

FEMA believes that this administrative change should be part of the overall repetitive loss strategy. However, since the vast majority of property owners targeted in these first mitigation efforts are expected to want to take mitigation action, the repetitive loss program should go forward with or without such an initial change.

Question. How many projects would FEMA be able to target with these funds? How much money is needed to address all of the high-risk, repetitive loss properties?

Answer. FEMA has estimated that the average cost to mitigate a structure (combining and averaging costs for acquisition and elevation) is $57,500. At a cost share of 75/25, the Federal share would be $43,125 per structure. This would allow us to mitigate approximately 270 of the highest risk repetitive loss structures.

FEMA estimates that mitigating these structures would result in an annual reduction of insurance payments of $9,600 per structure, for an overall annual savings of $2.6 million per year for the $12 million initial investment. This one time appropriation would pay for itself within about seven years, by significantly reducing insurance claims on high repetitive loss properties.

An estimated $360 million would be required to mitigate losses to the 8,300 buildings that FEMA has targeted in addition to current programs.

Question. What requirements will there be for participants in the program?

Answer. FEMA believes that those who choose to locate in hazardous areas should bear the risk involved with that decision. Most repetitive loss property owners are paying flood insurance premiums at less than full-risk rates as is allowed for Pre-FIRM properties. Thus, our strategy would be to renew the flood insurance only at full-risk premiums if a property owner declines an offer of mitigation assistance. In addition, the statutory authorities that limit disaster assistance where flood insurance has not been maintained should be fully utilized.

Question. Will funds be used solely for repetitive loss properties which are insured under the NFIP, or will the additional 41,000 non-insured properties which are repeatedly flooded also be targeted?

Answer. The $12 million appropriation will be primarily targeted at insured high repetitive loss properties. The properties that at one time were insured repetitive loss properties, but that are no longer insured, have dropped insurance for a variety of reasons, not the least of which may be that mitigation actions have already re-

solved the problems. FEMA believes that the requested funds should be primarily targeted at currently insured problem properties as a priority.

Those properties that are still at risk, but not insured, remain eligible for assistance through other mitigation programs including the Stafford Act Hazard Mitigation Grant Program (HMGP).

Question. FEMA estimates that $200 million is lost, on average each year, in the NFIP owing to repetitive loss properties. What is the average annual cost estimate in the disaster relief fund associated with repetitive loss properties (both insured and uninsured)?

Answer. At this time, we do not know what the disaster relief costs are associated with repetitive loss properties. Insurance claims payments (and not disaster assistance or SBA loans) cover the costs related to insured repetitive loss properties. There are costs to the Disaster Relief Fund associated with response services and recovery assistance, however, they are difficult to isolate.

Some of the disaster-related considerations are as follows:

—Rental assistance may be required to temporarily house occupants of some buildings while they are being repaired. The average rental assistance provided by FEMA is under $3,000.

—There may be some costs associated with unmet needs, paid for by FEMA and SBA grants, particularly for those who did not purchase insurance coverage for the value of their home contents.

—Costs for Public Assistance to repair the infrastructure that services buildings in repetitively flooded areas are incurred.

—Emergency response services are required for frequently impacted properties.

—Also, in the aftermath of an event, specialized recovery services produce added expenses (including possible additional costs associated with increased demand on building departments for permitting; cleanup of environmental contaminants and household wastes; etc.).

It should be noted, however, that many of the repetitive losses do not occur during declared disasters. For these losses, no disaster assistance would be provided, however they continue to produce added costs for local communities and property owners.

Question. Is FEMA targeting repetitive loss properties within existing mitigation programs and initiatives? Please explain.

Answer. Existing mitigation programs and initiatives are inter-related with the Agency's repetitive loss strategy. For example:

—In September 1998, FEMA issued a policy memorandum challenging States to address repetitive loss buildings by focusing HMGP funding to activities that serve to mitigate damages to these structures.

—In fiscal year 1999, the Flood Mitigation Assistance program guidance requires States to evaluate projects in order of priority depending on how well they address repetitive loss. The first priority is reducing the number of NFIP-insured structures with 4 or more losses; the second is to reduce the number of insured structures with 2 or more losses where cumulative payments have exceeded the property value; the third priority is to reduce the number of insured structures that have sustained substantial damage; and the fourth is to pursue other FMA eligible activities.

—Project Impact communities are also focusing their attention on the issue of repetitive loss, and many have implemented programs to reduce their flood risk.

PROJECT IMPACT

Question. FEMA claims that the federal investment in the initial 7 pilot Project Impact communities has leveraged $24 million in non-federal resources. Please provide a specific, detailed analysis of how you arrived at this figure.

Answer. FEMA solicited information from each of the pilot communities in order to determine what non-FEMA funds were leveraged against the initial FEMA investment. This information included total contributions received by each pilot community, to include "in-kind" contributions, and what benefits were received from the leveraged contributions. The communities were also asked to submit information on how the leveraged funds were utilized.

Examples of some of the pilot community contribution highlights received are provided, as follows:

The City of Oakland, CA, has received in-kind contributions from over 50 corporations, utilities, private non-profit partners and local and State government partners.

The City of Pascagoula, MS, has committed more than $200,000 in fiscal year 1999 for drainage improvements, to include a $96,000 citywide project to clean and reshape drainage channels to improve flows.

Lowes, State Farm, and Wal-Mart donated over 100 smoke detectors that were installed in the homes of elderly and low income families by ROTC cadets and Boy Scouts during "Spring Break" in 1998.

Allegany County, MD, is matching funds with the Natural Resources Conservation Service to restore stream channels.

The State of Maryland is funding implementation of new Allegany County building codes.

The New Hanover County, NC, School Board passed a bond issue of $2,753,000 to accomplish retrofitting of individual school buildings pursuant to a mitigation engineering study.

The City of Seattle leveraged numerous non-Federal partners including: Seafirst and Washington Mutual Banks which reduced charges and profits and marketed loan packages for mitigation; Puget Sound Energy which provided technical assistance products to contractors and homeowners; and, the University of Washington which provided technical assistance products to contractors and homeowners.

The State of North Carolina selected New Hanover/Wilmington as a "pilot community" in the State's Local Hazard Mitigation Planning Initiative and provided $73,000 to assist the development of a multi-hazard mitigation plan.

Solutia, Inc. is donating "Keep Safe" windows valued at an estimated $25,000 for a school in New Hanover County, NC. It is also donating storm resistant windows for the Deerfield Beach, FL, Chamber of Commerce, valued at $25,000.

Fannie Mae and FEMA have established a partnership to offer special loans for residential homeowners that will be dedicated solely to protecting America's homes from hurricanes, floods, earthquakes and other natural disasters. The loan program will fund construction projects such as replacing roofing with fire-resistant materials, waterproofing the exterior walls of a home, and reinforcing the foundation of a home.

The State of Florida designated Deerfield Beach/Broward County as a Florida Showcase Community. This is an initiative for the development of disaster resistant, sustainable communities, similar to and supportive of Project Impact. At least $240,000 has been pledged by the State.

A more detailed report is being prepared pursuant to a request of our Inspector General.

Question. What are the lessons learned to date in this program? Have program deficiencies been identified and corrected?

Answer. The single biggest lesson we learned is that for a community to become disaster resistant it must include as broad a community base as possible, and find ways to keep it a dynamic issue for its citizens. However, to help facilitate a community-based initiative, there has been a cultural shift for the FEMA organization. Our staff have had to rethink the Federal role relative to an initiative that is not a traditional grant program. We need to continue to expand our skill base to cover new challenges such as community facilitation, encouraging peer mentoring between communities, and motivating all sectors of society to accept responsibility for becoming disaster resistant. We need to refine the administrative mechanisms for coordinating Federal participation with locally driven decisions which may include non-traditional applications like revolving funds for retrofitting structures. And we need to do even more to integrate our efforts with other community-based initiatives at the Federal and state level, which would complement Project Impact. We are addressing all of these areas, but they are issues which require institutional change and additional staff resources.

Question. What are the outyear plans for this program? How many Project Impact communities should there be in each state?

Answer. FEMA plans to leverage Federal resources in already-named communities, encourage more established communities to mentor newer ones, and help improve State capability to promote disaster resistant communities.

Also, FEMA will work to incorporate risk reduction into the purview of many disciplines. For instance, urban planners do not typically factor natural hazards risk reduction strategies into community development. School boards do not call for curriculum on becoming disaster resistant as part of environmental studies programs. Civic organizations do not think of mitigation activities as community service. The economic development community does not factor overcoming vulnerability to natural disaster as part of their growth strategies. We see considerable effort in partnerships and education activities as a vital component to maintaining momentum and expanding participation.

Rather than a fixed number, the amount of Project Impact communities in each State will be driven by risks, local initiative, and the need for Federal support for pre-disaster mitigation.

Question. How will you assess the effectiveness in the long-term of the Project Impact grants?

Answer. FEMA has found that mitigation is most effective when designed and implemented at the local level. Unfortunately, in the past the greatest incentive for a community to implement mitigation has typically been after a disaster. Therefore, the Project Impact initiative was designed not only to help communities address current natural hazard risks but to encourage the community to incorporate natural hazard loss reduction as a continuing part of the community culture so that it becomes a sustainable activity. To assess the effectiveness of this strategy, FEMA is implementing an evaluation process that will establish a baseline on the number of structures and infrastructure at risk as well as the current level of mitigation activity in the community at the time it begins the Project Impact process. For five years the community's progress will then be evaluated annually to determine the reduction in the number of structures and the extent to which infrastructure is at risk, increases in mitigation education and training activities in communities, and activities to foster proactive business and/or government actions. The data collected will be used to formulate changes as well as to demonstrate the success of strategy implementation.

Question. How does Project Impact relate to the Institute for Business and Home Safety's Showcase Community Program? Why doesn't FEMA adopt the IBHS's eligibility criteria and program structure that guides the Showcase Community Program?

Answer. We have worked with the Institute for Business and Home Safety both at the community level and at the National level. IBHS is involved directly in some of the Project Impact communities. Director Witt has held several meetings with IBHS staff to explore areas of cooperation. At the last meeting he requested IBHS solicit support from the insurance industry to provide policy incentives for those persons mitigating their structures and to solicit financial support for public education measures.

With respect to the eligibility criteria, we are happy to report that IBHS has adopted many of the Project Impact principles and features within their Showcase community program.

Question. Do projects funded under the Project Impact initiative undergo any type of analysis to determine if they are cost-effective? If so, please describe the approach. If not, how does the agency know that this funding is targeted to the projects that provide the greatest amount of future cost savings?

Answer. The Project Impact grant is intended not only to address immediate community mitigation needs but also as a means for leveraging funding and resources from other partners, and an incentive for becoming proactive about emergency management. Therefore, community Project Impact leaders have been given some discretion on how the funds will be used. Specifically, this discretion allows the grant to be used for training, education, and initiative administration activities, as well as mitigation actions which lend themselves to cost-benefit analysis. When successfully implemented, all of these activities can increase capability and the general public's knowledge of mitigation. A well-informed community can lead to important zoning and/or bond issues that provide tremendous loss reduction benefits.

Nonetheless, evaluation methods have been developed. For more traditional projects such as structural retrofits and buy-outs a cost-effective analysis will be done. In addition, Project Impact communities will be evaluated each year for the number of these types of projects implemented through their Project Impact effort. For the more non-traditional projects as described above, data pertaining to these elements will be collected annually to evaluate the effectiveness of these options in the overall Project Impact effort.

HAZARD MITIGATION GRANT PROGRAM

Question.. Under the HMGP program, 15 percent of the total disaster relief assistance spent on a disaster is made available for a state's mitigation programs. GAO has found that about 20—25 percent of HMGP grants that it looked at are not subject to benefit-cost analysis, so we cannot be confident that funds are going to those projects which will provide the most protection against future disaster losses. Can you explain the rationale for exempting such a large percentage of projects for benefit-cost analysis?

Answer. The 20–25 percent figure mentioned in the question came from recent Congressional testimony submitted by GAO. The report gives a correct explanation of FEMA policy in this area, although the sample taken is not necessarily representative of the entire HMGP process.

Benefit-cost analysis, while useful in many situations, cannot always be applied easily to many projects. The nature and types of hazards, the fact that the return on investment will not be entirely realized until the next disaster, and the necessity of avoiding piecemeal approaches in applying mitigation approaches all justify variance from a singular usage of benefit-cost analysis.

Question. GAO mentions in its testimony that FEMA exempted four categories of mitigation projects within the Hazard Mitigation Grant Program from benefit-cost analysis. How does the Agency determine cost-effectiveness without using benefit-cost analysis? Is any qualitative effort made to compare project costs with benefits?

Answer. The four categories mentioned in the GAO report refer to the following: (1) tornado warning systems; (2) mitigation planning; (3) FEMA's "5 percent" initiative; and (4) substantially damaged structures in a regulatory floodway or floodplain. To address the Stafford Act cost effectiveness requirement, projects in the first three categories must be supported by narrative analysis included with an HMGP application. The fourth category of projects is expected to yield a high level of benefits because the criteria for such projects ensure they protect structures at extremely high risk. A more detailed discussion of each category is provided:

Tornado Warning Systems.—Rigorous economic analysis of warning systems is problematic for two reasons. First, it is notoriously difficult to determine the probability of tornadoes—even the best estimates have considerable statistical uncertainty. Second, it is also hard to predict whether people will take action when they are warned, and how effective their actions will be in preventing injuries or damage.

Given that warning systems reach large geographic areas and give large numbers of people the time and opportunity to protect themselves, a reasonable argument is made that these are among the most cost-effective measures FEMA funds. The Agency requires warning systems to be part of an overall risk reduction plan, thereby enhancing their effectiveness. Risk reduction plans must have public education components, designated shelters, and strategies for encouraging the construction of safe rooms in new buildings.

Mitigation Planning.—Planning is relatively inexpensive, and has broad, long-term positive results. It is somewhat analogous to building codes, in that if mitigation planning influences the way people behave, e.g., how buildings are constructed or where people go in a tornado, there is a general improvement in life and property safety. Here again, benefits are very difficult to quantify. Yet the best use of mitigation funds in other areas is compromised without effective planning. Local governments are particularly effective in applying these dollars in a way which maximizes the effectiveness of the 404 grant. When the relatively low costs of such projects are balanced against this, it is valid to conclude that the intent of cost effectiveness requirements is met.

The "5 percent Initiative".—The "5 percent Initiative" relates to a FEMA policy providing States with discretionary use of up to 5 percent of the HMGP funds available after disasters. The underlying premise for this policy is that since State and local authorities are in the best position to understand local mitigation needs, some leeway in project selection is desirable. Projects typically funded under this exemption include warning systems, planning, public education and mitigation technologies still under development. Very often, the issue of cost effectiveness prevents such projects from being seriously considered because analysis is problematic.

Substantially Damaged Structures in a Regulatory Floodway or Floodplain.—FEMA requires that participating communities in the National Flood Insurance Program enforce a substantial damage provision. This provision requires individual owners to elevate or relocate structures substantially damaged (more than 50 percent of pre-event value) during disaster events. This has proven to be the most cost-effective way of minimizing or eliminating flood damage. FEMA's policy regarding the acquisition of substantially damaged structures is based on 30 years of experience in the National Flood Insurance Program that mitigating structures meeting the two criteria proves cost effective. In fact, the Agency is undertaking a management audit of the policy and expects to have results within two months, which we will share with GAO and the committee.

Question. Based on GAO's testimony, FEMA is limited in its ability to demonstrate that funding under its Hazard Mitigation Grant Program is targeted to cost-effective projects because the agency categorically excludes certain types of projects from benefit-cost analysis, including certain property acquisitions. The committee's fiscal year 1999 report (Senate Report 105–216) directed FEMA to ensure that all property acquisition projects it funded met stringent benefit-cost requirements. During fiscal year 1998, FEMA obligated $415 million under HMGP and a sizable amount might have been obligated without going through a benefit cost analysis. First, how much of the $415 million was obligated for property acquisitions? Second, how much of the $415 million was obligated for relocating properties?

Third, how much of the $415 million was obligated for elevating properties? Fourth, how much of the $415 million was obligated for "50/50 planning" projects and for what planning purposes were funds obligated?

Answer. FEMA made significant progress in obligating HMGP funds in fiscal year 1998. Of the $415 million obligated in fiscal year 1998, acquisition projects accounted for nearly $81 million, relocations accounted for $3.2 million, elevations accounted for nearly $11.5 million, and "50/50 planning" projects accounted for approximately $1.6 million. The planning projects were for local flood mitigation, watershed management, and local multi-hazard mitigation plans, and State mitigation plan updates. The "50/50 planning" projects were part of a limited opportunity for States to utilize funding from disasters prior to June 1993 that had a 50/50 cost-share towards planning efforts.

Question. GAO has also raised concerns with respect to the states hazard mitigation plans, required by Section 409 of the Stafford Act. GAO found that state administrative plans often lack specific information such as the identification of individual mitigation projects. Are you concerned that this requirement is treated as a "boilerplate" exercise? Shouldn't 409 plans be a serious guidepost for an effective, prioritized allocation of HMGP dollars?

Answer. In the last year, FEMA has targeted the issue of effective State mitigation (409) planning as a top priority, creating a new Planning Branch in the FEMA organization and developing new guidance for States. As a result of this effort, State 409 plans are becoming increasingly sophisticated as they realize the value of developing a framework featuring strategies for selecting post-disaster mitigation projects and initiatives in the pre-disaster timeframe. FEMA's Mitigation Directorate has produced guidance documents, courses, and workshops that provide strategies and tools to assist States in establishing mitigation policies and priorities that make 409 planning an ongoing activity, rather than waiting until after a disaster declaration.

With improved 409 planning, the post-disaster identification and prioritization of specific mitigation projects will take place more rapidly. This also results in projects that have been more carefully and thoughtfully selected and designed. While there is clearly room for States to improve their planning activities, the best State 409 plans are bringing about an effective, prioritized allocation of HMGP dollars.

Question. FEMA has made disaster mitigation a primary goal in its efforts to reduce the long-term costs of disasters. In previous testimony to this committee, FEMA noted that, "every dollar we spend in the area of pre-disaster mitigation can save $2 in future taxpayer dollars", and that savings were "well documented". Would you provide this committee with copies of studies or other evidence or analysis that supports this statement?

Answer. This figure, originally cited in 1995 to describe the benefits FEMA expected to accrue from the flood prone property buyouts after the 1993 Midwest floods, was an average of the expected savings FEMA estimated for projects approved under the Hazard Mitigation Grant Program (HMGP). A study conducted by Iowa's Emergency Management Division demonstrated significant benefits associated with mitigation measures taken after the 1993 floods in Iowa. Specifically, the study reported, "55 projects have been funded for a total investment of $47,372,324.94. The long term benefit of this investment in avoided future damages is anticipated to be $101,440,205.42 (page 2 of The Benefit of Hazard Mitigation Projects in Iowa)."

Since all HMGP projects must be cost-effective, an analysis of the expected savings versus the cost of a potential project is completed for all projects approved. Generally, this analysis estimates the expected savings in the form of reduced damages over the life of the project, given the frequency and severity of the hazard at that location. FEMA has greatly improved its capability to conduct such reviews in the last few years through the development of benefit-cost analysis software and training.

FEMA recently updated that analysis to include more recent project approvals. This analysis shows an overall ratio of 2.54. This simply means that the expected savings from a $1 HMGP investment are $2.54 over the life of an "average" mitigation project. This reflects a sampling of 1,334 HMGP projects approved between February 1990 and September 1998. We still recommend use of the more conservative estimate of 2 to 1, however, to characterize the expected savings.

We are finalizing the report that reflects this analysis, and will make it available as soon as it is completed.

Question. In response to this committee's previous request for quantifying the extent to which mitigation reduces future disaster relief costs, you responded that you planned to "initiate a study of the cost effectiveness of a broad spectrum of mitigation measures (such as the implementation of new building codes and acquisition/relocation projects) before the end of fiscal year 1998". What is the status of that

study and what other evaluations are ongoing or planned to determine the cost savings achieved through disaster mitigation efforts, such as the Hazard Mitigation Grant Program and Project Impact?

Answer. FEMA has undertaken several studies and actions designed to capture or demonstrate the cost-effectiveness of mitigation measures. They include the following:

NAS Study of the Costs of Disasters: FEMA funded a multi-year effort with the National Academy of Sciences (NAS) to categorize the direct and indirect costs of natural disasters in order to provide a better accounting of the losses that could be avoided through mitigation actions. This study is nearly complete, and should be available soon.

FEMA has completed two volumes on the "Costs and Benefits of Natural Hazards Mitigation," which outline the benefits of a wide variety of mitigation measures in different geographic regions, and under different circumstances. A third volume is currently under development as well, and should be available this summer.

The Mitigation Directorate recently completed a study of mitigation efforts in four communities in Alabama and Georgia, and two other studies are underway. The Alabama/Georgia study shows the economic results of mitigation projects in the communities, using rigorous economic and engineering analysis. In all four communities, the results were positive—the projects generated more long-term economic benefits than they cost initially. While this does not represent a nationally representative sample, it does provide strong evidence of the cost-effectiveness of mitigation measures in reducing flood risks.

We continue our efforts to examine the Hazard Mitigation Grant Program (HMGP) project database to learn the extent to which mitigation projects produce savings. As noted in the answer above, this has demonstrated a benefit cost ratio of 2.54 to 1.

We are conducting an in-depth review of how the substantial damage cost-effectiveness policy is applied. The former study is intended to be a general look at the economic benefits of funding a variety of mitigation projects nationwide. The study is about half-complete, but the initial results are very positive. The substantial damage policy study is discussed in the question below.

Question. In responding to questions for the fiscal year 1999 VA/HUD Appropriations hearing before the House (p. 103), FEMA cited an example of elimination of flood risk for high-risk properties. According to the example, FEMA conducted a survey that identified about 560 homes along Minnesota's Red River that, "had significant or substantial damage (the damage was categorized as greater than 40 percent)." FEMA funded 555 of them for acquisition under HMGP at a total FEMA cost of about $17.2 million. What were the benefit-cost results for these properties? Answer. The purpose of the survey mentioned above was to identify properties at high risk for future flooding that might be good candidates for the State's property acquisition program. Under FEMA policy, a detailed benefit-cost analysis was not conducted on these properties because they were substantially damaged. Currently, we are completing a study of 370 of these properties to verify the benefit-cost ratios for acquiring them. *Question.* (13g): FEMA is in the process of conducting studies to establish a valid basis for property acquisitions—possibly the most costly of the four exemptions discussed in GAO's testimony. A year has passed and millions of dollars have been obligated since concerns were raised about the lack of analytical data supporting the decision for this exemption. When will that evidence be provided, and why has the exemption continued for the last year, without having the proof that these projects are indeed cost-effective measures? How are you assuring that these projects are cost effective?

Answer. FEMA has started the study, which is expected to take another two months to complete. The study, which is designed to test the presumption that structures meeting the criteria will be cost-effective, has the following elements:

—It will initially focus on six communities in three States.

—Hundreds of structures acquired in the six communities will be subjected to rigorous benefit-cost analysis.

—The study will be carefully controlled so that results will be useful in estimating benefits nationwide for sites similar to those in the study

FEMA believes this policy is sound because it targets structures at the highest risk and that would be required to be elevated or relocated under NFIP standards. Each structure included must meet specific criteria that indicate it is at high risk and would be cost effective to purchase.

It is very significant and important to note that acquisition of substantially damaged structures not only removes a building from a hazardous area, but it reduces the expenses associated with disaster relief efforts. Such projects also provide an en-

vironmental and social dividend in communities through the creation of open space and unobstructed floodplain areas.

FIRE PROGRAM IMPROVEMENTS

Question. FEMA is requesting $45 million for fire prevention and training, an increase of $13 million over current spending levels. This is largely in response to a recent Blue Ribbon Panel Review of the fire program. The panel identified significant problems in terms of leadership, resource management, and communication. Does FEMA plan to implement each of the panel's recommendations? Please provide a description of FEMA's plans for each recommendation. Will the funding FEMA has requested be sufficient to meet the panel's recommendations? What are the highest priorities?

Answer. The development of USFA's fiscal year 2000 budget request began in fiscal year 1998, prior to the establishment of the Blue Ribbon Panel. The Blue Ribbon Panel was established to review the USFA programs and provide recommendations on improvement, and rendered its report on October 1, 1998, after submission of the initial fiscal year 2000 budget request.

In response to the 34 recommendations made in the Blue Ribbon Panel Report, several changes have already been made. Many of the requested budget enhancements for the USFA for fiscal year 2000 are similar to recommendations made by the Blue Ribbon Panel. Although the budget request does not address every increase the Panel recommended, the following requested increases reflect several of USFA's main program areas (the numbers in parentheses represent the corresponding recommendation number from the Blue Ribbon Panel report):

—*Data Collection*.—$1,881,668,and 2 positions to expand and increase fire incident reporting through NFIRS, focusing on data accuracy and timeliness (recommendation 7);

—*Public Education and Awareness*.—$1,631,666 and 2 positions to expand and increase outreach efforts with special emphasis on community hazard assessment and mitigation strategies in support of Project Impact and groups at greatest risk from fire (#11 and 12);

—*Research and Development*.—$1,631,666 and 2 positions to conduct research that addresses the Nation's fire problem to support a basis for training and public education efforts (#8, 9 and 10);

—*Training*.—$4,204,000 and 5 positions to expand and increase delivery of all training programs at all levels and increase development of training materials and curriculum (#14 and 15);

—$1,272,000 and 3 positions to update course materials and provide additional deliveries in Counter-Terrorism (#21); and,

—$3,859,000 for capital improvements and to renovate and expand a building to house the simulation lab and the Integrated Emergency Management Course classrooms. The capital improvements include such things as roof replacement, road repair, equipment and furniture replacement, space utilization renovations on the NETC campus in support of student and user needs. The increase also will support funding for travel (training related, pilot deliveries, site visits, committee meetings, etc.), employee training and other staff expenses such as a portion of the utility expense and supplies.

FEMA has already made several other changes to implement the report's recommendations. While some of these changes have been quickly implemented, others are in the process of being implemented. These include (the numbers in parentheses represent the corresponding recommendation number from the Blue Ribbon Panel report):

—Chief Marinucci, who has over 21 years of fire protection service, 8 years of which were gained as an elected official of the International Association of Fire chiefs, and most recently as President of the International Association of Fire Chiefs, has been appointed as a senior advisor to the Agency. He will develop a plan to be implemented by FEMA to provide the appropriate leadership, management structure, program and training activities, and funding and staff resources to put USFA on a more pro-active course to address the new and challenging issues facing the fire protection community in the 21st Century.

Chief Marinucci will be involved in a USFA and NFA management review, the development of a plan for the future of USFA's major programs, and USFA funding and resource management plans and plans to assure closer integration of fire issues into FEMA's ongoing strategic planning process. (recommendations 1, 3, 4 and 5)

—Increasing the U.S. Fire Administrator's advocacy role, such as participation in Presidentially declared disasters (#32);

—Recommissioning America Burning (#34);
—Calling an annual meeting with the fire service organizations; the first of which is to occur on August 2nd and 3rd in Emmitsburg, Maryland (#29); and,
—Signing a Memorandum of Understanding on Project Impact with the major fire service leaders.

CONSOLIDATED GRANTS PROPOSAL

Question. FEMA proposes $142 million for a new consolidated emergency management grant program for states. This represents an increase of about $12 million over current spending for such activities, $8 million of which is devoted to anti-terrorism activities. The consolidation is intended to streamline administrative procedures and provide greater flexibility to states in the use of these funds. It would allow states to target funds to their highest priority areas based on where the greatest risks are. FEMA has already consolidated several state grant programs, and several years ago launched a performance partnership grant. What's new here? How does this relate to the performance partnership concept? What is the status of performance partnerships?

Performance partnerships are intended to provide flexibility to the states, in exchange for increased accountability. Has FEMA developed performance measures for the states that clearly demonstrate accountability?

Please describe how FEMA has integrated risk information into the Performance Partnership process and how FEMA has assisted state and local governments in conducting hazard identification and risk assessment?

An internal task force recently was formed to determine how this new program will work. Why is FEMA creating this Task Force only now—wasn't this recommended in a 1994 OIG audit report? When will the task force make recommendations?

Answer. The Emergency Management Performance Grants (EMPG) will replace the current cooperative agreement (CA) mechanism through which our non-disaster funds to State emergency management agencies are provided. In 2000, FEMA will continue the existing Performance Partnership Agreements (PPAs). The EMPG, when fully implemented in 2001, will be a performance partnership grant based on State readiness and capabilities. It will continue to provide greater flexibility to States and allow them to target funds (with the exception of Terrorism) to their highest priority areas. Under the PPA/CA, States have had limited flexibility with the funds they received because each funding source retained unique requirements. Also, the past structure of FEMA's budget for these funds precluded flexibility because of the need to retain inherent reporting requirements.

The PPA approach has been successful; it has produced a new way of conducting business between FEMA and our State partners. It marked the end of paternalism in the FEMA/State relationships. While it did not result in an overnight partnership of mutually agreed upon priorities and strategies for achieving objectives, it has moved the relationships a long way toward that goal. Under the PPA/CA, States could combine hazard-specific programs in order to develop multi-hazard strategies. Because some mitigation techniques can result in increased risk of other hazards, hazard mitigation has benefited significantly from these multi-hazard strategies.

Under the EMPG, this concept is developed further to allow States to combine funds, strategically plan, and measure performance. (Funds provided through the EMPG that are derived from Terrorism must be spent on terrorism-related activities.) As we implement the EMPG, we expect there will be far more recognition and accommodation of the unique approaches States are taking to strategic planning. Enhanced accountability will result as State organizations are allowed the flexibility to incorporate their own approaches and criteria into performance agreements. FEMA will hold the States accountable for meeting performance goals set jointly.

The increased flexibility provided to the States through the EMPG is intended to enhance the professionalism of State and local emergency managers and build a decentralized capability for State and local preparedness and response. States will be evaluated annually, and FEMA will develop remedial or corrective actions to address critical weaknesses. In exchange for flexibility, FEMA will require accountability from the State and will achieve this by:

Partnering with the States:
—The task force is working with State representatives to develop program goals and objectives that will serve as the basis for program guidance to ensure the EMPG best meets the needs of FEMA and the States.

Negotiating with the States:
—As part of our partnership with the States, each EMPG will be individually negotiated to determine funding priorities and performance measures.

—State-developed workplans will have to achieve FEMA, as well as State, objectives.
—Workplans will have to describe goals and objectives, results and benefits expected, and quantifiable projections of the program and accomplishments to be achieved and the performance measures to be used.

Requiring quarterly reporting:
—FEMA will require quarterly financial and performance progress reports.
—Technical assistance and monitoring will be provided throughout the year to ensure success of the EMPG.
—States will be required to submit final financial and performance reports that link back to the workplans and performance measures that were negotiated.

A 1994 OIG audit report was issued on FEMA's Comprehensive Cooperative Agreements (CCAs), the predecessor to the PPA. Among the recommendations in that report were:
—Assess hazards and risks;
—Develop integrated emergency management objectives and performance standards;
—Increase States' flexibility by consolidating emergency management programs;
—Move from a hazard-specific to a functional program structure; and
—Assess States' capabilities to respond to disasters by conducting and evaluating exercises and monitoring actual disaster response.

A task force was formed to implement changes to the CCA for 1995. Subsequently, in 1996, the CCA was eliminated and replaced with the PPA/CA. Many of the OIG's recommendations were incorporated into the PPA/CA process, including consolidation of certain programs; decentralization of non-disaster programs to Regions; and devolvement of day-to-day grant management to States. FEMA Regions have spent a substantial amount of time working with States to develop performance measures, which are incorporated into the PPAs. FEMA has also been developing systems for risk assessment and capability assessment.

A recently issued follow-up to the initial OIG report (I–01–99, March 23, 1999) supports our efforts to further consolidate PPA/CA funding streams and recommends the Chief Financial Officer continue to explore such consolidation. In addition, the report recommends that FEMA, in coordination with States, develop performance measures that work towards the Federal goal of improving State emergency management programs and that clearly demonstrate accountability by showing how FEMA funding has improved the States' emergency management capability. We believe the EMPG process will do this.

The EMPG Task Force will continue the process begun four years ago. The Task Force is working with State representatives to work through the issues related to implementing the consolidated grant, such as formulating guidance and developing baselines for performance measurement and methodologies for assessing overall State capability and mitigation needs. Recommendations for a framework to address accountability issues should be completed by early Summer.

NATIONAL FLOOD INSURANCE PROGRAM

Question. The National Flood Insurance Program's outstanding borrowing has decreased from $917 million in June of 1997 to $722 million in December 1998. What is driving the decrease in the program's borrowing and do you expect this trend to continue? What is your plan for repaying the current borrowing?

Answer. Since levels of flooding are the critical determinant in repaying the current borrowing, it is not possible to determine with certainty when the repayment will be complete. Through simulation modeling, FEMA has made some estimates of the probability of repaying current borrowing over the next five year period. Based on premium income alone, FEMA has a 16 to 27 percent probability of completely repaying the amount borrowed from the Treasury at some point within the next five fiscal years.

FEMA has submitted a report to Congress that outlines various alternative strategies for repaying the borrowing. It includes a direct appropriation as one possible option that Congress might consider. Based on premium income and an appropriation or forgiveness of $400 million out of the current $800 million in outstanding debt, FEMA has a 41 to 50 percent probability of complete repayment at some point within the next five fiscal years.

FUNDING FOR PUERTO RICO

Question. According to a recent news article in the San Juan Star (2/19/99), FEMA will be awarding Puerto Rico $190 million to build homes. Is this true?

Under what authority is FEMA awarding funds for the building of homes? Please explain what the "New Safe Home Program" is.

Answer. We understand the Government of Puerto Rico is in the process of developing a grant application for approximately $190 million in federal funding under FEMA's Hazard Mitigation Grant Program (HMGP). This project has not yet been formally submitted to FEMA. FEMA will be assisting Puerto Rico over the next several months to develop a grant project suitable for funding under the HMGP.

Based on our understanding, the "New Safe Home" program that Puerto Rico plans to propose is intended to provide funding to ensure that residents whose homes were destroyed during Hurricane Georges are re-housed in safe, disaster-resistant housing. The proposal is likely to request HMGP funding to go toward the mitigation elements of this larger re-development project. "New Safe Home" houses will be located outside of flood hazard areas and will be designed to withstand both wind and seismic loads. They will also be built in full compliance with the 1997 UBC building code recently adopted by the Government of Puerto Rico.

QUESTIONS SUBMITTED BY SENATOR BURNS

Question. We know that FEMA has been using the National Imaging and Mapping Agency (NIMA) to provide data from national systems for emergency response and assessment. In your newly proposed effort to do detailed mapping of flood risk areas, have you investigated using any mapping tools developed by NIMA or the National Reconnaissance Office to assist in converting your data to a useful mapping format?

Answer. FEMA closely cooperates with NIMA. The laser terrain standard that has been drafted and is currently going through final review was coordinated with NIMA. Data developed under this performance based standard will meet the draft Digital Terrain Elevation Data (DTED) standard used by NIMA, and will be easily converted from Digital Elevation Model (DEM) format to DTED format using standard Geographic Information System (GIS) programs and tools. We are also keeping NIMA informed of our technology applications and are assured by our NIMA partners that they are keeping us abreast of their technology improvements.

STATE AND LOCAL ASSISTANCE (SLA) FUNDS

Question. This program was designed to be a 50/50 match between the federal government and the states. There have been serious shortfalls in SLA funding and this problem only seems to be getting worse. What is your proposal in order to keep your promise and provide adequate funding, at the 50 percent level, for local emergency management agencies? Montana is doing what it can to fund the shortfall, but we're having a tough time.

Answer. State and Local Assistance (SLA) has been one of several programs delivered under the auspices of FEMA's Performance Partnership Agreements (PPAs) that provide financial assistance to State and local governments. SLA has been provided in the past both with 100 percent Federal funding, and with a 50 percent Federal/50 percent State cost share. In accordance with Congressional direction in the Conference Report on the 1996 appropriation and the House Report on the 1997 appropriation, FEMA notified States that 1999 would be the last year 100 percent Federal funds would be provided through the SLA program.

In 2000, funds previously provided to State emergency management agencies under the PPA/CA will be provided through an Emergency Management Performance Grant (EMPG). Rather than receiving several separate annual funding allocations as is presently the case under the PPA/CA, each State will receive one aggregated allocation under the EMPG. The annual allocation will be derived from the programs contributing dollars to the grant. A composite cost share for the grant will be calculated based on the cost share policies of the programs contributing funding as well. The total EMPG request of $142 million assumes funds equal to the 1999 SLA–50 and SLA–100 levels ($105 million). Moreover, an additional $10 million is requested for the EMPG that is attributed to the former SLA funding stream.

Question. What are your specific plans for improvements for Bioterrorism/Biowarfare precautions and response? Is additional funding needed in this area?

Answer. FEMA is working with the Federal Response Plan (FRP) agencies to develop Time Phased Force Packages for different weapons of mass destruction (WMD) scenarios, one of which is the use of a biological agent. Time Phased Force Packages identify what resources are needed for a given scenario and in what order and timeframe they need to be deployed for maximum effectiveness.

FEMA does not offer courses specific to bioterrorism. Some terrorism-related courses developed by FEMA's National Fire Academy and Emergency Management

Institute (EMI) do include information on biological agents and associated precautions. As these courses are revised and new ones are developed, FEMA will include where appropriate information on new technologies and techniques—for example, in the area of chemical and biological agent detection. This also holds true for the first responder Job Aid for terrorism response that FEMA's National Fire Academy plans to issue this year. Training provided by the EMI addresses various terrorism preparedness and general emergency management issues applicable to all types of disasters including bioterrorism. If the U.S. were unfortunate enough to suffer a bioterrorism event, it could result in a public health emergency of major proportions. Standard EMI emergency planning courses, for example, would be very pertinent in helping local officials know how to plan for such an event.

FEMA stands by its request for fiscal year 2000. Before identifying any gaps that FEMA can and should fill in this area in the outyears, FEMA will consider work being done by the U.S. Army Soldier and Biological Chemical Command in its Biological Warfare Improved Response Process (in which FEMA participates), by the Department of Health and Human Services in its initiatives for chemical and biological terrorism preparedness, and by the Department of Justice in its conduct of a congressionally mandated needs assessment.

QUESTIONS SUBMITTED BY SENATOR STEVENS

Question. Thank you for convening the interagency task force to address the fish disaster in Western Alaska. It led to the relief package that is helping Eskimos and others survive the winter.

The Corps of Engineers built the Moose Creek dam upstream from North Pole, Alaska. It resulted in downstream flooding of about 50 homes. The Fairbanks North Star Borough is rezoning the area to prohibit new construction, but the remaining homeowners are literally down the creek without a paddle. The local government believes modification of some of the homes will prevent future flooding, and is seeking funding to begin the work. Would you be willing to take a look at this issue and let me know if there are any programs at FEMA that could help us correct this problem, so we can prevent future flooding?

Answer. FEMA will be pleased to look into how Mitigation programs, particularly the Hazard Mitigation Grant and Flood Mitigation Assistance Programs, may be used to help address this flooding problem. In addition, we will work with the State of Alaska and the local government to see if there are other sources of available funding to help resolve this problem.

As you know, FEMA has been actively involved in dealing with this problem for many years. The Chena Lakes Flood Control Project consists of the Moose Creek Dam and floodway on the Chena River, a levee system along the Tanana River, and an interior drainage network between the Chena and Tanana Rivers. The project was built to protect people and property in and around Fairbanks from the flooding of the Chena and Tanana Rivers. The purpose of the Flood Control Project is to restrict flows on the Chena River through Fairbanks to 12,000 cubic feet per second. This is accomplished by closing the gates at the Chena River and impounding floodwaters behind the embankment that was constructed between the Chena and Tanana Rivers. When the impounded water exceeds the elevation of the floodway sill at the Tanana River, water flows over the sill into the Tanana River. During extended periods of impoundment behind the embankment, water enters the porous medium below the embankment and flows through the ground, thereby increasing the ground-water elevation downslope of the embankment. The elevated groundwater level sometimes causes flooding in basements and crawl spaces and has disrupted well and septic tanks.

Since 1992, investigations have been underway to find a feasible solution to mitigate the groundwater flooding problem resulting from impounding water behind the embankment for extended periods. All major structural solutions investigated have been found to be cost-prohibitive. The suggested solution proposed in a February, 1997, FEMA Report entitled, "Evaluation of Ground-Water Flooding Problems and Mitigation Alternatives for the North Pole Area of Alaska," is a combination of the following non-structural and site specific mitigation measures:

—Implementation of land-use regulations such as were recently adopted by the Fairbanks North Star Borough, to restrict building and construction practices that increase the flood problem;

—Extension of flood insurance for ground-water flooding to all residents in the affected area;

—Development of a Geographic Information System (GIS) to determine structures at risk and to assist community officials in future land-use planning; and

—Implementation of site-specific mitigation measures. Site specific mitigation measures to affected structures could include floodproofing; relocation to higher ground; demolition and replacement; and creating open space (such as parkland.)

Question. The University of Alaska has informed me of a proposal in your fiscal year 2000 budget request called Disaster Resistant Universities, and the need for a federal matching fund to protect the nation's research investment. Can you describe this program, and your idea for a federal fund for universities?

Answer. By proposing a Disaster Resistant Universities initiative, FEMA is responding to the concerns expressed by several university Presidents that their institutions are at risk of serious damage from natural disasters. We believe this initiative will protect the nation's investment in university research and education, preserve the economic engine of communities when they most desperately need it—after disasters—and reduce future Federal disaster assistance costs.

We will take the core ideas of Project Impact—public/private partnerships, local control, and investments focused on "the bottom line"—and apply them to universities. In forming the program, we are also creating a partnership among the White House Office of Science and Technology Policy, Federal research agencies and the Department of Education. Their involvement, as well as the input of the Congress, is critical to ensuring that the investments we protect reflect the nation's research and education priorities.

Currently, FEMA is investing in two initial efforts that are critical to making this project a reality. The first is a study by several professors at the University of California, Berkeley on the economic connections among universities, their surrounding region, State and nation, and how disasters at universities affect these areas. Secondly, a team of university leaders from various States, including Alaska, Missouri, West Virginia, Florida, and New York, will contribute to the development of methods that all universities can use to successfully assess and lessen their risks using a combination of public and private resources. The work of these university leaders over the next six months will result in a precisely defined Disaster Resistant Universities program.

The idea for a federal matching fund to do the mitigation work on campuses was first proposed by universities last year. We believe that the appropriation of such funds will achieve long-term savings, particularly at universities, where the human and economic costs of disaster recovery are very high as compared to the costs of pre-disaster mitigation. Because the purpose of this fund is to protect the large Federal investment in research and education, the cost of this research investment protection fund could be tied to the amount the federal government spends annually on research at universities. A figure that has been discussed—$75 million—represents only one half of one percent of this yearly investment. Federal resources alone cannot solve the problem, but should be used to leverage the support of other university stakeholders. Thus I have made it clear that universities would have to match any grant from this fund with State or private money. This should not be difficult; Project Impact has shown us that Federal resources in this area will generate mitigation investments well beyond "match" requirements.

There are several criteria envisioned for participation in the DRU program. A university would be eligible if they conduct substantial Federal research, if their students receive large amounts of financial aid, and if the campus lies in an area likely to see a natural disaster. Additionally, universities receiving funds would have to demonstrate a commitment to mitigation in partnership with the private sector, have conducted risk analyses, and have completed disaster response plans. The specific criteria for awards from this fund will be determined in consultation with the Congress and Federal research agencies in order to ensure that Federal technical and financial support is distributed broadly, in terms of geography, need, and type of institution.

While the Federal and State governments and private sector have the greatest stake in preserving their investments in higher education, the creation of a Disaster Resistant Universities program is ultimately the responsibility of the universities at risk of natural disasters. To make this program a success, leaders of these institutions will have to assess the hazards facing their campuses, work with their neighbors to mitigate those hazards, inform the Congress of the value of such a program, and, most importantly, forge public-private partnerships with corporations and community groups.

Question. There are many sectors of society that are worthy recipients of federal funds for this purpose. Why should we protect universities over elementary schools, hospitals, or city halls?

Answer. There are many institutions, including those you mentioned, in need of assistance. In fact, in 118 communities throughout the country, FEMA's Project Im-

pact is helping schools, hospitals, and city halls, as well as homes, farms and churches, become disaster resistant.

This proposal responds specifically to the universities' request for Federal leadership because of their critical role in society, the taxpayer's tremendous investment in them, and the high cost of repairing campus facilities after a disaster. Universities are important not only because they educate our future leaders, but also because their research leads to innovations and industries which drive our economy and enhance our quality of life. Additionally, universities are frequently the largest employer and most significant cultural and recreational resource in their regions.

There is substantial Federal commitment to universities; this year it will be over $65 billion for research and financial aid. If we look at just three universities for which natural disasters are a significant concern, the University of Alaska, West Virginia University, and Washington University in St. Louis, we see that last year the Federal research and financial aid investments totaled over $330 million. When natural disasters hit universities, they are very costly to rebuild. For example, in the last five years, FEMA has spent hundreds of millions of dollars at Cal State Northridge, Colorado State University, University of North Dakota and Syracuse University, among others. In proposing this initiative, we hope to reduce these human and economic costs at institutions that are critical to the communities that surround them.

QUESTIONS SUBMITTED BY SENATOR MIKULSKI

ANTI-TERRORISM INITIATIVES/WEAPONS OF MASS DESTRUCTION

Question. How effective is the government's inter-agency effort working in planning to prevent and respond to terrorist attacks? What is your assessment of the working relationship between the agencies? Is there a "one stop shop" that state and local governments can go to for answers regarding preparedness training and resources for Weapons of Mass Destruction attack?

Answer. FEMA is the lead agency for Federal consequence management response. The interagency Federal response planning community has established a strong, productive, and lasting working relationship. The community has worked diligently to ensure the appropriate consequence management response plans and related guidance documents are published. For example, the Terrorism Incident Annex to the Federal Response Plan (FRP), numerous special events plans like the Operational Supplement to the FRP for the North Atlantic Treaty Organization's 50th Anniversary Summit, and the Time Phased Force Packages (under development) are documents that have been worked through the FRP community. FRP-related working groups such as the Catastrophic Disaster Response Group, the Emergency Support Functions Leaders Group, and the ad hoc Interagency Steering Group for the development of the Time Phased Force Packages, as well as the Contingency Planning and Exercises Subgroup established under authority of Presidential Decision Directive 62, all have been directly involved in development and coordination of these documents.

Similar levels of cooperation have existed among departments and agencies involved in terrorism preparedness programs. In the Interagency Work Group on Domestic and International Counterterrorism Exercises, the Contingency Planning and Exercises Subgroup, and the Multi-Agency Task Force on Nunn-Lugar-Domenici Exercises, FEMA and the other consequence management agencies work together with the Federal Bureau of Investigation and the U.S. Army Soldiers and Biological Chemical Command (SBCCOM) to design, plan, conduct, and evaluate a wide variety of emergency response exercises. FEMA also has actively supported training efforts of the Departments of Defense and Justice.

The National Domestic Preparedness Office, proposed by the Attorney General, is poised to become a "one stop shop" for State and local governments to obtain information on preparedness programs and resources relating to terrorism involving weapons of mass destruction.

Question. What is the status of FEMA's work in training local communities? How many cities/localities have received training? Who is being trained—first responders, local trainers? What type of training has been provided?

Answer. FEMA has worked closely with the Departments of Defense and Justice in their training efforts. In addition, FEMA offers a limited program of its own terrorism-related training such as the Emergency Management Institute's (EMI) Integrated Emergency Management Course (IEMC): Consequences of Terrorism, Emergency Response to a Terrorist or Criminal Event, and Senior Officials' Workshop on

Terrorism and the National Fire Academy's Emergency Response to Terrorism curriculum.

To date over 32,000 fire and emergency response personnel—trainers and end users—have received the National Fire Academy's (NFA) Emergency Response to Terrorism training through FEMA and State channels; the same material has been offered through the Department of Justice's training program. Additional NFA Emergency Response to Terrorism courses in incident management and in tactical considerations for company officers, emergency medical services personnel, and hazardous materials responders are being made available this year.

The IEMC: Consequences of Terrorism course has been delivered 16 times since it was created in 1997: five times for specific communities and 11 times for audiences comprised of emergency officials from a cross section of communities. The training audiences for EMI's terrorism-related training includes a broad range of emergency responder and other public officials who have emergency management responsibilities. The Senior Officials' Workshop on Terrorism, for example, which EMI developed in conjunction with the Department of Defense and an interagency team, is specifically intended to train mayors and their cabinets regarding special considerations for planning to deal with terrorist events involving weapons of mass destruction.

FEMA terrorism-related courses are primarily classroom-based training, although the culminating event of the IEMC: Consequences of Terrorism course is a major tabletop exercise, and the other courses include exercises and some hands-on activities. FEMA has a distance learning capability through its satellite-based Emergency Education Network (EENET), and makes some of its terrorism-related course materials available on the internet.

Question. What type of follow-up does FEMA do with localities after they have been trained? Is any work done to ensure that the plan is one that is operational and not just a paper plan stuck in an office cabinet?

Answer. FEMA's National Fire Academy is in the process of obtaining long-term feedback from students (and their supervisors) who have taken the Emergency Response to Terrorism: Incident Management course. The National Fire Academy also receives feedback on its courses through its Training Resource and Data Exchange (TRADE) network.

FEMA is requesting additional funding in fiscal year 2000 for its exercise-based courses. Courses such as the Integrated Emergency Management Course (IEMC) with a terrorism scenario allow key officials from a community to come together, simulate response using the community's plans, and identify gaps in their plans and procedures. FEMA is working with the Department of Justice to make this course available at its Ft. McClellan facility. Communities that participate in FEMA's IEMC are required to submit a report after one year indicating how they have applied the lessons they learned as a result of their participation in this training event.

FEMA is providing funding to States for State and local terrorism consequence management planning and for exercises to test those plans. Exercises allow emergency responders at all levels of government, as well as the private and volunteer sectors, to test policies, plans, and procedures. In recent years, FEMA, other Federal departments and agencies, and State and local governments have participated in a wide variety of terrorism-related exercises including ILL WIND, ELLIPSE ALPHA/GAUGED STRENGTH, KEYSTONE 2–98, ROCK 'N' ROLL, and WESTWIND 99.

Question. What is your assessment of local governments' and first responders' preparedness to respond to terrorist attacks? What was the latest assessment of local and state capabilities to respond to a terrorist attack? What types of criteria were used to measure preparedness?

Answer. The level of preparedness varies across the country, and its varies among the aspects of preparedness (planning, training, equipment, exercises/evaluation). Certain local jurisdictions' terrorism preparedness has benefited from increased Federal attention such as that provided by the Department of Defense's Nunn-Lugar-Domenici Domestic Preparedness Program, the Department of Justice's training and equipment initiatives, the Department of Health and Human Services' Metropolitan Medical Response System initiative, and the interagency and intergovernmental planning involved in preparing for certain special events. Others are able to apply lessons learned from other technological hazard programs, such as FEMA's Chemical Stockpile Emergency Preparedness Program (CSEPP) and the Radiological Emergency Preparedness (REP) program. However, if the pilot State Capability Assessment for Readiness (CAR) report can be used as an indicator of local capability, planning and equipment for weapons of mass destruction terrorism are areas in need of improvement. After-action reports from some of the tabletop exercises con-

ducted under the Nunn-Lugar-Domenici Domestic Preparedness Program provide support for this conclusion.

FEMA's latest capability assessment was the pilot State CAR report of December 1997. The CAR asked States to assess:

—Equipment for nuclear, biological, and chemical (NBC) terrorism (e.g., development of HAZMAT teams with sufficient equipment to respond to an NBC incident, availability of pharmaceuticals);

—NBC terrorism plans (e.g., coordination with Federal agencies, coordination with private sector hospitals);

—NBC terrorism training (e.g., training HAZMAT and EMS responders to recognize NBC incidents and respond safely).

FEMA is revising the CAR instrument to provide more detailed information.

Question. What is your assessment of the "unmet needs" at the local level in terms of preparedness? What is FEMA's role in helping localities and states meet those unmet needs?

Answer. Since the level of preparedness varies around the country, so do "unmet needs." Assessments indicate that, in general, planning and equipment are two areas in need of improvement. In addition, FEMA is working with States to ensure that local jurisdictions not included in Defense and Justice initiatives are able to obtain terrorism-related training.

While the Department of Justice is providing substantial funding for equipment, FEMA's role under Presidential Decision Directive 39 is to ensure that State—and by extension, local—plans and capabilities for terrorism consequence management are adequate and tested. To that end, FEMA is providing funds to the States for State and local planning and exercises. As noted above, FEMA is also working with States—State fire training centers and State (emergency management) training officers—and providing grants to ensure that terrorism-related training is available to emergency managers and responders in the "balance of the nation."

Question. Are there any knowledge or equipment gaps for responding to terrorist attacks at the state and local level that haven't been filled? If so, which agencies are working to fill them? What is FEMA's role?

Answer. There are an estimated 1.3 million paid and volunteer fire service members in the United States. To date, over 32,000 individuals have taken the National Fire Academy's Emergency Response to Terrorism training through FEMA and State channels, and approximately 15,000 individuals have received Nunn-Lugar-Domenici Domestic Preparedness Program training. Even allowing for other training efforts, this leaves a substantial gap. FEMA is supporting the training efforts of the Departments of Defense and Justice, in addition to FEMA's own training efforts. FEMA's focus in training is to make training available to States and local jurisdictions not addressed by the Defense and Justice initiatives. Further, FEMA is working with the Attorney General's National Domestic Preparedness Office to improve dissemination of information.

According to the State Capability Assessment for Readiness (CAR) report, planning and equipment for response to weapons of mass destruction (WMD) terrorism are areas in need of improvement. FEMA is providing funds to States for State and local planning (and for exercises to test those plans), while the Department of Justice is providing funding for responder equipment. FEMA has contributed to the National Domestic Preparedness Office's development of a Standardized Equipment List.

Question. How effective is the training that FEMA is providing if localities and states don't have the equipment they need?

Answer. Response to a suspected incident of nuclear, biological, or chemical terrorist incident may require specialized equipment. Proper and skilled use of equipment does require hands-on training with that equipment.

Much of the training FEMA provides is designed for officials at the policy and executive levels, and for planners. Corresponding equipment requirements for these individuals are minimal. Yet training for these individuals may be effective if it helps senior officials and emergency planners understand the potential scope and consequences of a terrorist incident involving weapons of mass destruction (WMD) and identify gaps in plans and procedures. Thorough emergency planning that includes the risk of terrorism is prudent practice. This planning does not require specialized equipment, although the actual response may.

Even for responders, training may be effective if it teaches a first responder to recognize when he or she does not have the means to deal with an incident safely, or when exotic equipment and "victim" decontamination are unnecessary or even counterproductive.

Question. How far will the budget requested by FEMA for fiscal year 2000 allow FEMA to go in providing training to the 157 largest cities and localities?

Answer. None of the request is intended for training the 157 largest cities and localities. Programs at the Departments of Defense and Justice provide for training of these localities. FEMA will provide assistance to States for training; by working with and through States, FEMA intends to help training reach the "balance of the nation"—communities not otherwise served by the Defense and Justice training programs.

Question. What is being done to capitalize on the unique capabilities of agencies such as the CDC to assist with response planning and preparedness training? How involved is CDC with FEMA's training to states and localities to ensure that local public health officials can identify biological and chemical agents? Is attention being given to the need to prepare for agents (microbes and bacteria) that may be developing immunity to the current standard ways of treating them?

Under the Federal Response Plan structure, the Department of Health and Human Services (HHS) is the primary agency for Emergency Support Function (ESF) 8, Health and Medical. Within HHS, the Office of Emergency Preparedness is the "executive agent" for discharging HHS' responsibilities as primary agency under ESF 8 and coordinates extensively with other organizations of the U.S. Public Health Service, including CDC. FEMA relies on this coordination within ESF 8 to ensure that CDC contributions are incorporated in Federal response planning.

Terrorism-related training at the Emergency Management Institute has been developed in an interagency environment and in conjunction with various Federal departments and agencies. HHS, of which CDC is a component, has been a key player in such training development, as have the Environmental Protection Agency, the Department of Energy, the Department of Justice, and the Department of Defense.

Under Public Law 105–277, CDC was appropriated sums for a variety of initiatives to, among other things, enhance technical capabilities to identify certain biological agents, better identify potential biological and chemical terrorism agents, develop rapid toxic screening, strengthen State and local epidemiological and surveillance capacity, provide for regional laboratories for detecting and measuring biological and chemical agents, and establish a pharmaceutical and vaccine stockpile for civilian populations.

Question. What public and media relations efforts will be implemented in the event of an incident to mitigate widespread panic?

Answer. Widespread panic in any incident will only be mitigated if the public has confidence in the government's response. The effort must reflect that government, at all levels, is working together to quickly respond to the incident. To achieve this, the revised Terrorism Annex to the Federal Response Plan outlines the establishment of a Joint Information Center (JIC) that will ensure a coordinated flow of information to the news media and public.

The JIC will: Include Public Information Officers from all key agencies and departments; Provide media relations counsel for operational leadership; Organize and conduct news briefings as often as needed; Maintain list of pre-designated subject matter expert spokespersons; Gather information from all levels of government; Develop critical updates and fact sheets; Distribute information via not only print and electronic news media but also Internet web sites, e-mail, and the Emergency Alert System (EAS).

It is also important for first responders to communicate as quickly and accurately as possible with the public. In some incidents, this will begin prior to the arrival of Federal assets and the establishment of the JIC. The Rapid Response Information System (RRIS) and special toll-free hotlines make critical information quickly available to first responders.

Emergency public information aspects of WMD incidents continue to be tested in field and tabletop exercises. Exercises provide an important opportunity to build critical interagency cooperation and ensure first responders understand their emergency public information role.

UNITED STATES FIRE ADMINISTRATION (EMITTSBURG, MARYLAND)

Question. How do you think we arrived at the problems outlined in the Blue Ribbon Panel Review?

Answer. The USFA was required to implement level funding budgets since 1994, which limited USFA's ability to accomplish all goals as quickly as possible.

FEMA submitted an enhanced fiscal year 2000 budget that is directly linked to our Government Performance and Results Act (GPRA) goals and objectives. Our enhanced fiscal year 2000 budget will provide for our efforts to more aggressively and effectively launch an organized and coordinated attack on the unacceptable incidents of fire and fire related deaths, injuries and property damage. The USFA budget for fiscal year 2000 was submitted as part of the President's budget at about the

same time the Blue Ribbon Panel was commissioned to conduct their study. It is not a mere coincidence that the USFA budget request for fiscal year 2000, which began in fiscal year 1998, and the Blue Ribbon Panel Report rendered on October 1, 1998, both address the need for additional staff and funding resources.

In addition, we experienced a complete change in individuals in the three most senior management positions that resulted in certain management difficulties which we are working to address.

Question. What expectations do you have for the work to be done by the new Senior Advisor tasked to address improving the Fire Administration? Are there certain criteria in place that will be used to judge whether his work has been effective?

Answer. As Senior Advisor, Chief Marinucci has been asked to develop a leadership and business plan for improving USFA's operations and implementing the Blue Ribbon Panel report. The plan must provide the appropriate leadership, management, and program structure to put USFA on a more pro-active course to address the new and challenging issues facing the fire protection community in the 21st Century.

Question. Are you committed to implementing the recommendations made in the Blue Ribbon panel report?

Answer. Yes. By implementing many of the recommendations in the report and requesting funds in the fiscal year 2000 budget which would allow implementation of many more (see the answer to question 14 above for information about specific recommendations), FEMA has quickly demonstrated a commitment to the spirit and purpose of the Blue Ribbon panel.

Question. Do you plan to implement the recommendation to increase the role of the USFA in FEMA? If so, how?

Answer. Yes. FEMA agrees strongly that the U.S. Fire Administration must be a key player within FEMA and plan to continue to involve the USFA as a partner with other Agency organizations. A most recent example was the signing of a Memorandum of Understanding with over twenty fire organizations to work with us on Project Impact activities. Implementation of the recommendations that result from Chief Marinucci's management review and the successful implementation of USFA's performance standards will certainly go a long way toward strengthening and enhancing the USFA's role within FEMA.

Question. Do you support the recommendation to expand the residential capacity of the National Fire Academy by 110 rooms for students? Do you support a capital construction project on site? If you do support a capital construction project on site, how do you plan to find the resources?

Answer. The issue of the additional 110 rooms, plus all supporting facilities, for NFA resident program students has been addressed in two recent reports to Congress. There are a limited number of classrooms and limited funds for student stipend reimbursements and contract instructor services. There are considerations that are more restrictive to NFA than the lack of dormitory space. The U.S. Fire Administration does not have the necessary resources to support this multi-faceted construction project on site at this point in time. FEMA would need additional resources to accomplish such a project.

Question. Do you plan to change the reporting relationships among the USFA leadership that the panel found to be problematic? If so, how?

Answer. We have created a new position at the USFA, Chief Operating Officer (COO), to oversee the day to day operations of the Fire Administration. As a Senior Executive Service career appointment, the COO will serve as the primary advisor to FEMA's Director and the USFA Administrator on overall operations and management of the USFA.

The COO will report directly to the Director of FEMA, thus freeing the U.S. Fire Administrator to become a full time advocate for the fire services as recommended by the Blue Ribbon Panel report.

Question. What are your plans to implement the recommendations to improve the research and development efforts by making effective use of the capabilities in the National Institute of Standards and Technology (NIST), Consumer Product Safety Commission and other public and private sector organizations?

Answer. USFA initiated a new public effort to involve stakeholders from across the Nation that have indicated interest in USFA's research plans. NIST, CPSC, and other public and private partners participated in the initial meeting.

Senior managers of NIST and USFA have discussed fire research and a basic agreement has been reached to continue national level meetings such as that described above. These open meetings will be hosted jointly by USFA and NIST. The outcome of these meetings will be a National Fire Research Agenda that will identify research needs across numerous areas of interest.

In the original legislation establishing USFA, Congress noted that USFA is in a unique position as the point of contact for individuals in the fire safety community to voice opinion about the needs of the fire safety community and fire safety of the American citizen. USFA continues to serve in this capacity. As the Federal fire focus, USFA utilizes NIST as one of its primary sources for conducting research sponsored by USFA. USFA believes that with the modest enhancement proposed in its fiscal year 2000 budget request, its fire research program will be revitalized. Much of this revitalization will be directed through the research facilities of NIST, CPSC and other public and private sector organizations.

Question. Do you plan to implement the recommendation to develop relationships with minority owned corporations to co-develop fire prevention campaigns designed specifically for at-risk groups? If so, how?

Answer. USFA has worked with and plans to continue to work with minority firms to develop public fire safety educational materials directed toward at-risk target audiences.

Groups with which cooperative efforts have addressed the at-risk populations include:

—International Association of Black Professional Fire Fighters
—Women in the Fire Service
—Telemundo Hispanic Television Stations
—Homung Community Representatives
—Congress of National Black Churches.

In addition, USFA has worked with other groups addressing at risk audiences:

—American Red Cross
—National Volunteer Fire Council
—Safe Kids
—Sesame Street
—Coalition for a Safer America: Advertising Council, American Association of School Administrators, American Trauma Society, Avrett Free & Ginsburg, Congressional Fire Services Institute, Fleishman—Hillard, General Federation of Women's Clubs, International Association of Black Professional Fire Fighters, International Association of Fire Chiefs, International Association of Fire Fighters, National Association of Elementary School Principals, National Consumers League, The National Parent Teacher Association, Consumer Product Safety Commission

USFA considers these partnerships as a means to address at-risk groups. When considering such partnerships, evaluation is made with regard to the knowledge and abilities of the potential partner within the proposed activity. When potential partners are identified or when partnerships are proposed, USFA seeks to maximize its limited funds through joint funding of the proposed project between all partners. USFA considers and evaluates all proposals to address fire related at-risk groups.

INSTITUTIONALIZING REFORMS

Question. What steps have you taken to institutionalize the steps necessary to focus the agency on readiness, response and recovery?

What steps has FEMA taken to institutionalize this focus for states and localities—to ensure they are "fit for duty?"

How often does FEMA do an assessment of local preparedness to respond to natural disasters?

What steps is FEMA taking to respond to the unmet needs states and localities have in being "fit for duty?"

Answer. The current State Capability Assessment for Readiness (CAR) process institutionalizes the emergency management assessment at the State level. It also serves as a model for development of local emergency management assessment instruments and processes. The CAR process was jointly developed in fiscal year 1996 by FEMA working in partnership with the National Emergency Management Association (NEMA), an organization of State emergency managers. The CAR assessment process, which determines "fitness for duty" is structured around thirteen (13) functional areas. These 13 functional areas are: Laws and Authorities; Hazard Identification and Risk Assessment; Hazard Management; Resource Management; Planning; Direction, Control and Coordination; Communications and Warning; Operations and Procedures; Logistics and Facilities; Training; Exercises; Public Education and Information; and Finance and Administration.

All 56 States, Territories and Insular Areas completed a CAR assessment during fiscal year 1997. A Report to the United States Senate Committee on Appropriations was developed and submitted to the President and Congress in December 1997, based on the results of the assessment process. The States were very supportive of

the CAR assessment process. They used the results to identify deficiencies in programs and activities, and modify strategic plans and budgets in order to address their needs and the needs of their localities. The results were also used in FEMA's Preparedness Partnerships and Agreement/Cooperative Agreement process.

Following issuance of the report, FEMA conducted Customer Feedback Workshops in early 1998 throughout the nation with State and regional counterparts in attendance. These workshops were designed to determine if the CAR was beneficial to States and to identify needed enhancements to improve the process and assessment instrument for the next scheduled assessment in the year 2000.

NEMA has requested the involvement of FEMA in the development of a local template assessment instrument and process similar to the current CAR. States will have the option to modify/customize the template for use in their localities. Some States, for example Michigan, North Carolina, and Florida have already begun using the CAR to assess the local governments' emergency management preparedness capabilities. The number of States conducting local assessments is expected to increase dramatically over the next review cycle with the issuance of the local template.

Finally, the CAR assessment instrument and process will incorporate the emergency management standards that are currently being developed under the auspices of the National Fire Protection Association (NFPA). The CAR is also being designed to serve as the assessment process supporting this standards and accreditation process.

Question. What is the status of the Stafford Act reforms that are designed to reduce disaster relief costs?

Answer. FEMA is now in the process of preparing a report to Congress that outlines the following actions that we are taking to reduce disaster relief costs:

The Office of Financial Management has been working to reduce disaster costs in three areas: (1) closing out old disasters; (2) implementing better monitoring of disaster expenditures; and, (3) standardizing Agency policy on reimbursing State management costs.

The Response and Recovery Directorate is proposing to reduce disaster costs through a number of initiatives: (1) publishing evaluation factors for major disasters that would adjust the financial indicator annually for inflation; (2) raising the $64 threshold now used to recommend cost-share adjustments up to current dollars and adjusting that indicator annually for inflation; (3) realizing administrative savings through the new Public Assistance process; and, (4) clarifying and strengthening the insurance purchase requirements under the Public Assistance Program.

Question. In response to questions for last years hearing record, the agency noted that it had developed a series of 26 Essential Elements of Information (EEIs) that is planned to use to judge the severity, magnitude, impact and procedures for conducting a Preliminary Damage Assessment. What is the status of FEMA's work in reviewing the EEIs with other Federal departments and agencies that support FEMA under the Emergency Response Plan?

Answer. FEMA established an interagency work group to review and validate the existing Essential Elements of Information. Based upon this review, 25 EEIs were retained and minor changes noted. The revised EEIs will be published in the updated Federal Response Plan. In addition, the work group is developing baseline Information Collection Plans for several disaster scenarios. The baseline plan for a major hurricane is complete and work has been initiated on an earthquake information collection plan.

Question. What criteria has FEMA institutionalized to determine: what role FEMA will play in responding to a disaster; the extent of FEMA's involvement; what FEMA will pay for; and, whether FEMA will focus on rehabilitation, restoration or re-engineering?

Answer. In the past six years FEMA has undertaken a number of initiatives to institutionalize improvements in disaster response. Following are a few of the most significant accomplishments:

Strengthening and improving the Federal Response Plan so that the Federal government has a single well-recognized and effective means of responding to disasters and emergencies under the Stafford Act.

Creating a national Urban Search and Rescue capability that consists of 27 teams throughout the nation, and that can be activated immediately in response to disasters anywhere in the United States.

Improving our regulations, policies and guidance that clarify FEMA's role, the role of other Federal agencies, and the roles of State and local governments in responding to a disaster. This has been particularly effective in the Public Assistance Program, where a "Policy Compendium" clearly outlines what FEMA considers eligible

costs. This guidance is available both in booklet form and under FEMA's web site on the internet.

Developing and implementing a "New Public Assistance" program in concert with our State and local partners that simplifies and streamlines delivery of the program, and that keeps the end customer—the applicant—uppermost in our minds.

Improving our centralized teleregistration and processing capability so that we can provide assistance to individuals through a toll-free number that is activated immediately upon the declaration of a disaster. This centralized capability can provide assistance within just a matter of days, and includes a helpline to answer applicant questions and needs throughout the process.

PROJECT IMPACT/PRE-DISASTER MITIGATION

Question. What has been accomplished with Project Impact funds?

Answer. Project Impact funds have enabled community-based mitigation to become a reality in an exciting way—it has reached people nation-wide. With Project Impact funds, we have been able to add Federal leadership, support and investment in a national momentum toward creating disaster-resistant communities. Previous grant programs reached selected audiences for targeted purposes. Project Impact motivates communities to change the way they deal with disasters. It encourages communities to use the seed money provided as a tool to leverage additional funding from public and private partners. As a result of Project Impact, interest in and awareness of the need for pre-disaster mitigation has sparked an interest in communities which has resulted in 118 communities to date and over 600 community business partners.

Question. How many localities have received Project Impact grants?

Answer. As of March 31, 1999, eighty-seven (87) localities have received Project Impact grant funding. Fifty-seven (57) fiscal year 1997 and fiscal year 1998 localities/communities received Project Impact grants totaling approximately $24,500,000 and thirty (30) fiscal year 1999 localities/communities received approximately $8,400,000.

The communities will be able to draw down on these obligated dollars as their projects come to fruition. In addition, all of the Project Impact communities are utilizing "in-kind" and cash contributions of non-Federal partners before and after drawing on Federal funds.

Question. How much of the funding has actually been disbursed to the localities?

Answer. As localities/communities gear up for Project Impact (pre-disaster mitigation), they are initially using the leveraging of funds from businesses and other federal partners to accomplish many of their current projects.

Approximately $32,900,000 was available for spending by the localities/communities on or before March 31, 1999, it is up to the locality/community to request the dollars needed for continuing operations. The funding mechanism is set-up so that communities can draw-down funds as needed (similar to writing a check on a bank account).

Our theory of providing seed money seems to be working. Thus far, communities are using leveraged dollars to accomplish their goals and projects.

Question. How much in non-Federal resources have been leveraged?

Answer. The 7 pilot communities have leveraged $5,757,000 in FEMA invested grants into estimated partner contributions of $26,000,000. This works out to a 452 percent return of the original investment. Of the 26 fiscal year 1998 communities which have signed Memorandums of Agreement (MOAs), 18 communities have reported leveraging $9,000,000 in FEMA invested grants into estimated partner contributions of $24,340,000. This works out to a 270 percent return of the original investment.

Question. How has FEMA measured the leveraging?

Answer. FEMA solicited leveraging information from each of the communities with signed MOAs, to determine what non-FEMA funds were leveraged against the initial FEMA investment. This information included total contributions received by each community, to include "in-kind" contributions, and benefits received from the leveraged contributions.

Question. What does FEMA do to ensure that local governments and businesses are involved and fulfill their commitments? Does FEMA have an outreach effort it conducts to get non-Project Impact local governments and businesses involved with pre-disaster mitigation efforts?

Answer. Community partnerships are vital to developing and implementing the initiative. Project Impact emphasizes community partnerships that include leaders from businesses, volunteer organizations, educational entities, and government. The local government is asked by FEMA to take the lead in convening and presiding

over planning meetings. FEMA encourages the local government to include the Chamber of Commerce as well as specific business representatives. FEMA also provides the names of other businesses that have participated elsewhere in the State or Region.

One of the criteria suggested to the States for their selection of a Project Impact community is to look toward those with good public-private partnership activities in place. This is necessary because Project Impact is self-directed by the community. It takes broad participation of community stakeholders to create consensus on actions that they need to take to make the community more disaster resistant. To date, Project Impact communities have partnered with over 600 public and private organizations.

Question. What is FEMA doing to streamline and speed up the environmental and historic preservation impact reviews done by FEMA at the regional level?

Answer. A variety of steps have been taken to improve and speed National Environmental Policy Act (NEPA) compliance reviews. Over the past several years FEMA has:

—hired Environmental Officers for each Region to speed determinations;

—offered a newly developed NEPA course in all 10 FEMA regions, and included State staff to better familiarize them with requirements of relevant statutes and improve their skills in conducting such reviews. This has greatly increased capability to process projects at the Federal and State levels;

—published an expanded list of NEPA categorical exclusions. Use of these new exclusions has significantly reduced the time required for environmental review for approximately 50 percent of the projects submitted by States for HMGP funding; and

—introduced the new "Managing State" concept for the management of Hazard Mitigation Grant Program funds, which includes additional education activities for State staff so that they can identify and assemble most of the environmental and historic review documentation necessary to fund a project.

Question. What is FEMA doing to study the cost-effectiveness of Project Impact? Is an analysis being done to study the reduced disaster cost incurred in Project Impact communities after they have completed mitigation projects?

Answer. FEMA will be studying the cost-effectiveness of Project Impact by: (1) applying cost-benefit analysis to structural projects; (2) annual data collection and evaluation of effectiveness of training, education, planning and administrative activities which do not lend themselves to traditional cost-benefit analyses; and (3) before and after comparisons of conditions and expenditures in the pre- and post-disaster environments in Project Impact communities.

In the past the greatest incentive for a community to implement mitigation has typically been after a disaster. In order to change this trend and increase mitigation activity as a proactive rather than reactive solution, the Project Impact initiative was designed not only to help communities address current mitigation project needs but to encourage the community to incorporate natural hazard loss reduction as a continuing part of the community culture and activity. Therefore, the Project Impact grant is intended not only as a means to address immediate community mitigation needs but also as a way of leveraging funding and resources from other partners, and an incentive for becoming proactive about emergency management. As a result, community Project Impact leaders have been given some discretion on how the funds will be used. Specifically, this discretion allows the grant to be used for training, education, and initiative-related administration activities that do not readily lend themselves to a traditional cost-benefit analysis. However, when successfully implemented these activities can increase capability and the general public's knowledge of mitigation. A well-informed community can lead to important zoning and/or bond issues that provide tremendous loss reduction benefits.

To assess the effectiveness of this strategy, FEMA is also implementing an evaluation process that will establish a baseline on the number of structures and infrastructure at risk as well as the current level of mitigation activity in the community at the time it begins the Project Impact process. Then each year for the next five years the community's progress will be evaluated to determine the reduction in the number of structures and the extent to which infrastructure is at risk, increases in mitigation education and training activities in communities, and activities to foster proactive business and/or government actions. The data collected will be used to make necessary policy changes as well as to demonstrate the success of strategy implementation.

EMERGENCY FOOD AND SHELTER PROGRAM

Question. What is your assessment of the EFSP program's effectiveness of meeting compelling human needs? What criteria are used to determine the effectiveness of the program?

Answer. FEMA's assessment of the effectiveness of the program is based on the number of meals and nights of shelter provided each year. These numbers equate to millions of people who were hungry or having to sleep on the streets, being fed and sheltered indoors. It has also helped hundreds of thousands of the working poor with rent, mortgage and utility payments to prevent evictions, which could lead to homelessness. Providing individuals and families, young and old, with these basic necessities of life substantiates the effectiveness of the program.

Periodically, surveys of EFS Local Boards and funded agencies are conducted to get their insights on the program's effectiveness. Data from the most recent survey is being compiled. Preliminary information indicates that while the EFS Program has been effective in helping to meet the food and shelter needs of many, the need is still there. Agencies report an increase in the number of working families seeking mass shelter, food and other emergency assistance.

Question. What standards/criteria are used to determine local needs?

Answer. The standards/criteria used to determine what the local needs are is made at the local level by a Local Board. Each jurisdiction, (city/county) that is eligible to receive EFSP funding must constitute a Local Board. The Local Board, whose members consist of a homeless or previously homeless person and representatives from charitable, voluntary and local government organizations from within the community. The Local Board decides how the EFSP funds will be divided to meet the unmet needs and what community organizations can best provide the services to meet those needs.

Question. How involved are local governments in determining which local agencies will receive local EFSP funding?

Answer. Each Local Board is required to have a representative from the local government. The local government representatives, in partnership with the other board members, determine which agencies to fund. The purpose of the Local Board is to ensure coordination of government and community resources that already exist. The EFSP funds are used to supplement and expand all ongoing services.

Question. Has FEMA done an assessment of unmet local needs in terms of providing the types of services eligible for EFSP funding?

Answer. Yes. The EFSP program does periodic assessments/surveys of Local Boards and funded agencies to determine what the local needs are, the effectiveness of the EFS Program funds in meeting those needs, and what the unmet needs are. Information is being compiled on the most recent survey that was conducted during November 1998. Preliminary results indicate that the most significant unmet need is in the area of rent, mortgage and/or utility assistance due to an increase in the number of working families seeking assistance.

This has resulted in an increase in the number of families seeking overnight accommodations in mass shelters.

Question. Do EFSP funds leverage any local or private funds?

Answer. Yes. Numerous resources are leveraged at the local level in the EFS Program. Indeed, there are many in-kind resources leveraged in addition to facilities, utilities, staffing provided by the agencies, such as administrative costs, private donations from foundations, philanthropic organizations and other private donations. Some communities also leverage other funding to provide additional resources for expenditures not funded through this program. They include medical assistance, security deposits, and more than one month's rent, mortgage or utility payments. Many local grocers and restaurants also donate food and supplies, while hotels and motels donate overnight accommodations free or at a greatly reduced cost.

Question. Does FEMA work with other agencies that provide funding for similar services to coordinate delivery efforts at the local level?

Answer. Yes, it is imperative that the EFSP coordinate with other agencies since the program is supplemental in nature. The EFSP program supplements the ongoing efforts of agencies to provide shelter, food and supportive services. The coordination with other federal, state and local agencies are a must in order to ensure the efficiency and effectiveness of the assistance to be provided. For instance, the US Department of Agriculture provides canned goods and other staples of food to food banks and pantries, while funds from the EFSP are used to purchase fresh vegetables. The EFSP program provides one month's rental payment and local funds are used to pay the security deposit.

Y2K ISSUES

Question. Have you given any thought to the potential for problems associated with Y2K (such as civil unrest or utilities malfunctioning)?

Answer. Based on the President's Council for Year 2000 Conversion First Quarterly Summary of Assessment Information, it is anticipated that there will be no major catastrophic impacts on public safety or health, or on key economic and infrastructure functions in the U.S. during the transition from 1999 to the year 2000. However, there may be numerous localized impacts of limited duration occurring simultaneously across the country. The Y2K conversion presents the emergency management community with a unique challenge. It is primarily a technological problem with well-known solutions. Based on current assessments, Y2K need not result in major disruptions. The all-hazards practices and techniques emergency managers routinely use for other disasters and emergencies should well serve our nation in planning for the potential consequences of Y2K conversion.

The Federal Response Plan (FRP) will serve as the foundation for coordinating any Federal response to the consequences of Y2K disruptions. The FRP describes the structure by which the Federal Government mobilizes emergency resources and delivers disaster assistance. It is a proven framework for responding to hurricanes, floods, earthquakes, and other disasters and emergencies that overwhelm State and local governments.

With respect to civil unrest, each State has primary responsibility for law enforcement, using State and local resources, including the National Guard. As such, the FRP makes no provision for direct Federal support of law enforcement functions in a disaster or emergency. In the event that State and local police forces are unable to adequately respond to a civil disturbance or other serious law enforcement emergency, a Governor may request Federal military assistance through the Attorney General. Procedures for coordinating such law enforcement responses are set forth in the Department of Defense Civil Disturbance Plan (Garden Plot).

With respect to utilities malfunctioning, the Department of Energy believes that the electric grid is robust and stable and that any electric service problems that may occur will be localized and quickly addressed. In addition, it is expected that interruptions of the telecommunications infrastructure (major interchange carriers and primary local exchange carriers) will be minimal to nominal. In other utility areas, large and medium systems are expected to be compliant; smaller systems may be more problematic.

Question. Does FEMA have a readiness, response and recovery plan to deal with any of the potential chaos that may occur in relation to Y2K? Is FEMA working with other Federal agencies, state and local governments to develop these types of plans?

Answer. *Readiness.*—FEMA has published, as part of its State and local outreach activities, guidance entitled "Contingency and Consequence Management Planning for Year 2000 Conversion: A Guide for State and Local Emergency Managers." This Guide is meant to assist States and local emergency management organizations in preparing Y2K contingency and consequence management plans. It provides information for identifying potential problems, conducting risk assessments, keeping the emergency management organization operations, informing and assisting the public, and developing and implementing Y2K consequence management plans. It is being as widely disseminated as possible to the emergency management community in hard copy and electronic format and has been posted on FEMA's website. Emergency Operations Plans, supplemented by the material suggested in this Guide, should form an effective basis for Y2K contingency planning and consequence management for States and local governments. Training to supplement the Guide will be available for State and local emergency managers.

Response and Recovery.—FEMA is developing a special Y2K Operational Supplement to the Federal Response Plan as a prudent planning measure. The supplement will augment the current planning approach in the Federal Response Plan and address any unique circumstances associated with the unprecedented nature of the Y2K phenomenon. It will assess the Y2K risk and possible impacts; set forth planning assumptions; describe Federal monitoring operations and early warning systems; establish an expanded information and reporting function to ensure expeditious collection, analysis, and dissemination of situation assessments; and identify any additional resource requirements.

MODERNIZING FEMA'S FLOOD HAZARD MAPPING PROGRAM

Question. How long will it take FEMA to update its maps without any additional resources provided for the effort?

Answer. Without additional resources, the existing backlog of outdated maps will never be eliminated. It is estimated that 19 percent of the current inventory already has outdated flood data, and approximately 4 percent of the 100,000-map panel inventory deteriorates each year. Because of finite funding, FEMA is able to update only 2 to 3 percent of the inventory a year.

Additionally, the majority of the inventory is in a manual format. The modernization plan calls for a 5-year catch-up period during which 6 percent of the panels will be updated to reflect current flood data each year. Approximately 16 percent of the panels with adequate flood data but needing map maintenance and conversion to a digital format will be updated each year for 5 years. After the backlog of outdated maps is eliminated and the inventory is converted to digital format, adequate funding (about twice present levels) must be provided to avoid accumulating another backlog.

Question. How much does it cost the government to go with outdated maps?

Answer. It is estimated that the potential flood damages avoided over a 50-year period as a result of FEMA's map modernization plan will be approximately $26 billion more than would result at the current rate of mapping. If new floodplain mapping was stopped altogether, we project there would be an estimated $45 billion more in damage than would occur under the modernization plan. A significant portion of reduced losses will result in decreased Disaster Relief Funding.

Question. Who pays for the maps now and who benefits from the maps?

Answer. The NFIP mapping program is presently funded from two sources:

Federal Policy Fee.—A Federal Policy Fee of $30 is charged to each of the approximately 4 million flood insurance policies sold. This funding source accounts for 90 percent of the funding for the mapping program. The Federal Policy Fee also pays for other activities, including floodplain management and flood mitigation assistance, as well as administrative expenses for the program; and,

Fee Charge System.—Fees are charged for reviewing and processing map revision requests, and for printing and distributing the maps and engineering back-up data. The Fee Charge System accounts for approximately 10 percent of the funding for the mapping program.

Although only a minority of taxpayers currently pay for the flood mapping program, all taxpayers benefit. The general public benefits through reduced disaster relief costs and reduced loss of life and property when floods occur. With the accurate identification of existing flood hazards, new construction can be designed to avoid the floodplain altogether or, at the least, minimize the potential flood loss by implementing the minimum Federal floodplain management requirements. This benefits all homeowners, business owners, the insurance industry, and other groups. Additionally, existing residences and businesses situated in the floodplain can be retrofitted or their contents relocated to minimize flood losses.

Question. What is the status of FEMA's discussions with the housing industry and advocacy groups regarding the proposed mortgage transaction fee?

Answer. The Coalition on Permitting Efficiency attended the recent (March 1–2, 1999) meeting of the Technical Mapping Advisory Council-a congressionally mandated advisory group representing various map user constituencies. This meeting provided FEMA with the opportunity to consult the Coalition, which represents 24 different associations and industries, including the National Association of Realtors, the National Association of Homebuilders, and the National League of Cities. In addition, FEMA has recently had conversations with the National Flood Determination Association.

Question. What is the status of FEMA's Request for Proposals for new companies to update maps (TEC Contracts)?

Answer. Solicitation EMW–1999–RP–0022, "Engineering Review and Revision of Flood Insurance Maps" was printed in the February 23, 1999 issue of the Commerce Business Daily (CBD) and was posted in CBDnet on February 19, 1999. All information required by this solicitation was due to the Contracting Officer no later than 4:00 p.m. local time in Room 350, FEMA, 500 C Street, SW, Washington, D.C. 20472, on March 31, 1999. FEMA is currently reviewing the qualifications of the offerers and anticipates announcing a selection by September 1, 1999.

Question. What criteria will be used to evaluate companies applying for the TEC contracts?

Answer. Selection will be in conformance with the provisions of Public Law 92–582 and based on the following criteria and evaluation points, in descending order of importance (Total points = 180):

(1) Specialized, nationwide experience of firm and key personnel in hydrology, hydraulics, flood risk assessment and floodplain mapping for riverine environs (Max. pts. 25).

(2) Demonstrated experience using Geographic Information Systems, with emphasis on spatial data production, analysis, and creation of soft and hard copy flood hazard and related products that are in accordance with relevant (i.e. FGDC, FEMA) standards: (a) Experience and/or innovation in the area of automated hydrology, hydraulics and floodplain delineation (0–5pts.). (b) Experience in and/or capability to produce digital and print-on-demand map products complete with metadata (0–5pts.). (c) Experience in effectively communicating and supporting local governments and private citizens in issues related to spatial data information and technologies used in hazard identification and risk assessment (0–5pts.). (d) Experience in successfully evaluating spatial data (base cartography, imagery, etc.) from a variety of sources for quality, completeness and accuracy and integrating them into a systematic process (system) to accomplish tasks related to this rating factor (0–5 pts.). (Max. pts. 20).

(3) Demonstrated capacity to accomplish the work in the required time and ability to direct, manage, and control the entire project. (Max. pts. 20).

(4) Past performance on contracts of comparable size with government agencies and private industry in terms of: (a) cost control (0–5pts.), (b) quality of work (0–5 pts.), (c) compliance with performance schedules (0–5 pts.). Submittals must include references' names, affiliations, and phone numbers (Max. pts. 15).

(5) Experience of firm and key personnel in the coordination of, public relations/outreach involving, and facilitation of, technical issues with local officials, private citizens, Federal and State entities, and private industry (Max. pts. 15).

(6) Experience of firm and key personnel demonstrating the capability to maintain adequate product quality control of contracts of comparable size (Max. pts. 10).

(7) Specialized experience of firm and key personnel in flood risk assessment and floodplain mapping of coastal environs, including analysis and mapping of coastal and Great Lakes erosion zones (Max. pts. 10).

(8) Demonstrated ability to deliver timely and effective guidance and technical assistance to both public and private sectors involved in various stages of maintenance and production of flood hazard mapping (Max. pts. 10).

(9) Demonstrated ability to provide state-of-the-art technical guidance and advice to transform existing methodologies and processes, and to keep pace with future technological advancements (Max. pts. 10).

(10) Experience and knowledge in the development and maintenance of Internet sites, including the distribution of spatial and text data via File Transfer Protocol (FTP) and the World Wide Web (Max. pts. 10).

(11) Demonstrated experience in developing and applying new hydrologic, hydraulic, and general engineering approaches to unique or specialized flood risk situations (Max. pts. 10).

(12) Experience and/or capability in current remote sensing technologies (i.e. LIDAR, IFSAR, GPS) used to develop high-resolution digital elevation models (Max. pts. 5).

(13) Experience of firm and key personnel in manual cartographic production (Max. pts. 5).

(14) Demonstrated capability in the identification and assessment of hazards and risks associated with erosion, hurricanes, alluvial fans, earthquakes, tsunamis, wind, and unsafe dams (Max. pts. 5).

(15) Experience of firm as a technical review contractor for Local, State, and Federal or other Architect-Engineering firms (Max. pts. 5).

(16) Experience and capability to design, build, maintain, and operate library reporting and storage systems for both manually and digitally produced spatial text data, and the experience and capability to retrieve the data from these systems in both hard copy and electronic format (Max. pts. 5).

Question. Does the Director believe that new and innovative approaches and technologies are needed in the current map modernization process?

Answer. The Director supports the new and innovative approaches and technologies that are a part of the modernization plan. We have already begun implementing a number of these new approaches. For instance, we have re-engineered the flood study process to include more up-front coordination with the community, state, and other Federal agencies. This up-front coordination will involve working with the community to identify all flood hazard data it has available, to learn of any flood-related concerns and flooding problems, and to identify areas of anticipated development. In addition, FEMA will adopt a more aggressive public outreach strategy to better inform the public of the risks of flood hazards and explain why the maps change and why they are important.

Another example of an innovative approach that we are currently implementing is the Cooperating Technical Communities (CTCs) program, which increases community involvement. Specifically, the mapping modernization plan will proactively pur-

sue strong Federal-state-regional-local partnerships through a variety of cooperative programs. In recent years, many states, communities, and other local entities, at their own expense, have invested considerable resources in identifying and updating flood hazard information. The intent of the CTC program is to facilitate and capitalize on these state and local efforts and coordinate them with FEMA's flood mapping efforts rather than having them simply occur on an ad-hoc basis. This will result in strengthened mapping and floodplain management programs and, thus, should reduce flood losses and disaster assistance.

Another new approach supported by the Director involves partnerships between FEMA and other Federal agencies. For instance, FEMA is establishing a partnership with USGS for assistance in developing and maintaining base maps. FEMA is also working with other Federal agencies that develop mapping, elevation data, and flood studies. For instance, FEMA is establishing a partnership with NGS for assistance in establishing and disseminating geodetic data. FEMA is also establishing a partnership with the U.S. Fish and Wildlife Service for improved mapping of Coastal Barrier Resources System areas. In addition, FEMA's new digital map products will be compatible with Federal Geographic Data Committee standards and will support implementation of the National Clearinghouse for Spatial Data and the National Spatial Data Infrastructure. Finally, FEMA will work with NASA, the USACE, and the NRCS to use state-of-the-art data collection and hazard identification methodologies.

Finally, the Director believes technological advances will make a significant contribution to the flood mapping program. Currently, we are evaluating LIDAR (Light Detection and Ranging) and IFSAR (Interferometric Synthetic Aperture Radar) to determine the costs and accuracy of these remote-sensing technologies. They hold the potential for cost effectively performing flood modeling and mapping.

We are also exploring the use of automated GIS-based hydrologic and hydraulic models integrated with digital watershed models and digital elevation models, which may or may not be built from LIDAR/IFSAR and Global Positioning System elevation data. GIS-based hydrologic and hydraulic analyses create "living" models that are easy to revise as conditions change. They are also a powerful tool for communities to quickly evaluate the impacts of various watershed and floodplain developments.

Digital maps will allow us to distribute the maps via CD–ROM and on the Internet. They will also enable print-on-demand technologies.

QUESTIONS SUBMITTED BY SENATOR LAUTENBERG

Question. I understand from churches, charities, and local governments that, because their resources are limited, they are having to turn people away who are hungry and homeless. As you know, much of the funding for these programs comes directly from the federal Emergency Food and Shelter Program (EFSP). How do you respond to this?

Answer. Many churches, charities and local governments (including the groups mentioned above) which have had to turn people away are recipients of this supplemental program. The Emergency Food and Shelter (EFS) National Board Program provides supplemental funding to over 10,000 nonprofit and local government agencies who provide emergency financial and food assistance to people in need. The preliminary results of a recent survey of EFS funded agencies indicates an increase in the number of working families, elderly and unaccompanied children that are requesting food, rent and/or utility assistance. This increase has resulted in the depletion of EFS program funds much earlier than in past years. As a result, individuals and families are receiving reduced assistance and in some cases, turned away due to lack of resources. Agencies are encouraged to coordinate their resources and refer clients to other organizations that have resources. It is also hoped that the request for additional funding for the EFS Program will help to decrease the number of people turned away for food or shelter.

Question. The Administration has included an additional $25 million for EFSP in its fiscal year 2000 budget. Do you have a sense of what this money could purchase at the local level? Is this in your opinion, a good investment?

Answer. The increase of $25 million in the EFS Program budget will enable agencies to provide approximately 6,653,968 additional meals, 964,309 additional nights of shelter, and pay 89,427 additional rents and utility bills to assist with keeping people sheltered in their homes.

Whenever we can help the most vulnerable citizens in our country, in my opinion, it is a good investment. The saving of lives and helping people to gain a sense of well-being by providing the basic necessities in life is a good and sound investment.

While the EFS program has been successful in its goal of providing supplemental emergency funding expeditiously and efficiently to local agencies, the need for emergency food and shelter is still evident.

Question. Approximately what percentage of the administering agencies under EFSP are religiously affiliated?

Answer. During the past two fiscal years, approximately 30 percent of the funded agencies classified themselves as religiously affiliated. These organizations included, but are not limited to Catholic Charities, Churches and Ministerial organizations, Jewish Federations, The Salvation Army, and St. Vincent de Paul Societies.

Question. I understand that of all the programs that you administer, the EFSP is one of the best. Is this correct?

Answer. While I am proud of the hard and caring work that all FEMA employees provide to people during some of the most difficult times in their lives, the EFS program does stand out as one of FEMA's exemplary programs. This can be attributed to the partnerships that have been forged at both the national and local levels with charitable and voluntary organizations, homeless and hunger advocates and local governments in the administration of the program.

Question. Can you describe who you are helping with the EFSP program?

Answer. The EFS program helps families and individuals, both working and unemployed, who are hungry, homeless or who may be facing homelessness. This includes the elderly, children, veterans, Native Americans, the disabled, and persons with mental illness.

Question. What are the administrative costs of the EFSP program? I understand it is less than 4 percent. Is this correct?

Answer. While the authorization for the EFS program allows for a 5 percent administrative allowance, only 3.5 percent has been appropriated since the McKinney act authorization in 1985. This amount is divided among the organizations responsible for the implementation of the program at the national, state, local, and agency levels. Each recipient of these administrative allowances are judicious in their use of the funds, with many choosing to put their allowance back into the program to be used for direct services. Over the past several years, less than 3 percent has been used for administrative costs.

QUESTION SUBMITTED BY SENATOR BYRD

Question. West Virginia University has indicated an interest in the Disaster Resistant Universities initiative in the fiscal year 2000 budget request for the Federal Emergency Management Agency. West Virginia University facilities, both directly and indirectly, through its extension programs throughout the state, have been impacted in the past by natural disasters. How do you believe that the Disaster Resistant Universities program can help West Virginia University and the people of West Virginia. Please elaborate for the record.

Answer. As you know, West Virginia University (WVU) contributes greatly to the lives of West Virginians. Because of the vital role its' regional campuses, extension offices, agricultural, aquacultural, and health science facilities play in all 55 counties of West Virginia, WVU represents the best in American land grant universities. A fully functioning WVU is critical to the economy, education, and quality of life for the entire State.

Unfortunately, WVU has not always been fully functioning at the times West Virginia has needed it most—after a disaster—because the university is vulnerable to the same natural events, including floods, snow and wind, that afflict the rest of the state. In the past five years alone, WVU county extension offices were forced to close for a total of ten weeks due to natural disasters. While these closures occur at times of greatest need, they can also adversely affect WVU's research activities that contribute to West Virginia industries, such as coal mining, agriculture, and chemical production, among others.

The Disaster Resistant Universities initiative proposed in FEMA's fiscal year 2000 budget request could help WVU protect itself, and the dozens of communities surrounding its facilities and dependent upon it, against natural disasters. This program will make available to WVU the expertise of universities around the country that have experienced disasters or have exhaustively planned for them. The DRU program will also enable WVU and other research universities to work with Federal research agencies to protect the taxpayer's substantial investment in research in these institutions.

Additionally, by encouraging universities to work with FEMA, state governments, local communities and the private sector (using the Project Impact model), this program will give universities like WVU the tools to better serve the people of their

state immediately following a disaster. WVU will better plan its emergency response, and be better able to provide healthcare, engineering advice, and other services to West Virginians.

The actual mitigation work at West Virginia's campuses and extension facilities could be funded through a national matching fund that has been proposed by universities. It has been demonstrated that the appropriation of such funds will achieve long-term savings, particularly at universities, where the human and economic costs of disaster recovery are very high as compared to the costs of pre-disaster mitigation. While this program would use Federal money due to the national interest in protecting research and education, it is important to note that Federal resources alone cannot solve the problem, but should be used to leverage the support of other university stakeholders.

The Disaster Resistant Universities initiative requested in FEMA's budget will enable university leaders to form public-private partnerships to assess and reduce the vulnerability of WVU and the state as a whole. Should a fund be established, it would provide resources to universities on a matching basis to mitigate their potential disaster losses. By protecting one of West Virginia's most vital resources, its primary public university, this program will prevent the next major flood, snow storm, or tornado from becoming a disaster.

SUBCOMMITTEE RECESS

Senator BOND. The hearing is recessed. Thank you.

[Whereupon, at 11:04 a.m., Tuesday, March 4, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT AND INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2000

THURSDAY, MARCH 11, 1999

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:35 a.m., in room SD–138, Dirksen Senate Office Building, Hon. Christopher S. Bond (chairman) presiding.

Present: Senators Bond, Kyl, and Mikulski.

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

STATEMENT OF HON. HARRIS WOFFORD, CHIEF EXECUTIVE OFFICER

ACCOMPANIED BY:

WENDY ZENKER, CHIEF OPERATING OFFICER
HON. LUISE S. JORDAN, INSPECTOR GENERAL
KAREN MOLNAR, KPMG AUDITOR

STATEMENT OF SENATOR CHRISTOPHER S. BOND

Senator BOND. Good morning. The Subcommittee on VA, HUD and Independent Agencies will come to order. This is the subcommittee's second hearing on the fiscal year 2000 budget. This morning our subcommittee will hear testimony on the President's fiscal year 2000 budget request for the Corporation for National and Community Service and the Department of Treasury's Community Development Financial Institutions or CDFI Fund.

We will first hear from the Corporation's chief executive officer, Senator Harris Wofford, who will be followed by the Honorable Luise Jordan, the Corporation's Inspector General. The subcommittee will then hear from Ms. Ellen Lazar, director of the CDFI Fund.

The Appropriations Committee and the VA Subcommittee will face another year of very difficult budget decisions as I have indicated previously. Under the budget caps imposed under the 1997 Balanced Budget Act, the Federal Government will have $29 billion less to spend for discretionary activities in fiscal year 2000 than what was available last fiscal year.

Unfortunately the President's budget busted these caps by about $18 billion by assuming offsets from tobacco revenues, Superfund taxes and other gimmicks which simply will not fly. This makes

our job quite a bit harder because it raises expectations that we simply will not be able to accommodate reasonably within the VA/HUD subcommittee because of shortfalls in the President's request.

The largest such shortfall is within the VA medical care appropriation request, which would be frozen at current levels. For example, the administration request for VA does not account for the new costs of treating patients with Hepatitis C. The VA estimates this problem alone will cost at least $500 million next year.

Further, the subcommittee will be faced with the annual need to fund Section 8 housing assistance contract renewals which aid low-income families including the elderly and disabled. Once again we will be forced to make some difficult trade-offs in order to accommodate such dire needs.

Moreover, despite the overall decrease in the VA/HUD account under the President's budget, the President has requested a significant spending increase for the Corporation. Specifically, $545.5 million has been requested, an increase of $110 million over the fiscal year 99 appropriation.

Within the President's budget request the Corporation would expand the AmeriCorps Service of 53,000 to 69,000 by the year 2000, reaching a goal of 100,000 in fiscal year 2002. In addition, the President is proposing to expand AmeriCorps to high school students, expand service-learning programs for school-age youth and increase opportunities for seniors to serve.

The Corporation certainly has a number of admirable, important goals such as improving child literacy. That is an area where I am a strong advocate. Nevertheless, there are many significant issues concerning the implementation of the program.

First, it will be extremely difficult to fund an increase in spending for this agency when this subcommittee will be faced with funding demands for priorities such as veterans' medical care and the renewal of HUD Section 8 housing assistance contracts.

Second, providing an increase in funds to an agency that has been fraught with significant management problems is very troubling. I have repeatedly expressed concerns about the Corporation's management. Yet it continues to be a problem every year.

I had hoped to hear the OIG's audit of the Corporation's financial statements at this hearing. KPMG, under contract to the OIG, has been conducting an extensive, costly and time-consuming audit of the Corporation's fiscal year 1998 financial statement. Unfortunately, the completion of the audit has been delayed, primarily due to the flaws in the Corporation's balances related to grants. I am very disappointed that the Corporation's books cannot yet be audited. This has been a priority concern of the subcommittee since the inception of the Corporation.

We added a significant amount of money—I believe it was $3 million—last year to gain a handle on these problems. It remains a priority. We do know, however, that KPMG's work will reveal material weaknesses in at least eight areas of the Corporation's financial operations. Actually that is two more than the number of material weaknesses that was reported last year. Many of these problems are the same as those that have been reported on since the first audits of the Corporation were conducted.

I also am concerned about a recent audit finding of surplus funds in the National Service Trust account. Based on an extensive analysis of actual usage of education awards, the Corporation had $357 million in trust investment to fund the education award liabilities, which is estimated to be $161 million, which means that there may be $196 million in projected surplus funds in the trust account.

Frankly, this raises questions about the Corporation's bookkeeping and ability to forecast accurately its true funding needs. I would like to hear more about this surplus from the auditors of the Corporation and I would like the Corporation and the auditors to explain why such a large surplus exists and whether these surplus funds represent excess amounts of what is actually needed to meet all the Corporation's education award liability.

In addition to ensuring auditable or clean books, the Corporation must also correct its management problems. Having auditable financial statements is just one of the first steps of management reform. I believe that the problems I have just cited prove that point.

Last year we agreed to provide additional funds to help the Corporation achieve better financial management. We had hoped and continue to hope that these funds will, indeed, be put to the best use in addressing the Corporation's management problems. Unfortunately, the Corporation has already fallen behind the time frame directed under last year's appropriations.

Because of these shortfalls, I must say I am disappointed with the Corporation's progress to the commitment to that mandate. Nevertheless, I expect the Corporation to comply with all the legislative mandates and to do so in a timely manner.

The Corporation's slogan is getting things done. I credit the Corporation for assembling a positive action plan to address its management and administrative problems. However, it is just a plan and many of its corrective actions have not been implemented.

In fact, some of its planned time frames have already slipped and it will likely be another 6 to 9 months before any real results will be achieved in the plan. Therefore, it will be a while until the Corporation is able to demonstrate if it has adequately addressed its problems. I am still waiting to see if the Corporation can, quote, get things done, close quotes.

I cannot emphasize enough that we have to be able to tell our colleagues in the Senate and the American taxpayers that we know how the money is being spent and it is being spent in compliance with the applicable laws and regulations.

Until the Corporation has demonstrated the ability effectively and efficiently to manage its existing resources and programs, it will be very difficult for me to support any expansion of funding for the Corporation.

Now it is my pleasure to turn to my ranking member, Senator Mikulski for her statements and comments.

STATEMENT OF SENATOR BARBARA MIKULSKI

Senator MIKULSKI. Thank you very much, Mr. Chairman. And I want to welcome the National Service CEO, Senator Harris Wofford, and the IG, Luise Jordan, for our first panel, as well as the chief operating officer.

As you know, I was one of the prime movers of this program because I think volunteer programs highlight what is best about America. Volunteerism is the backbone of your communities, from preserving the safety net for seniors to helping get behind our kids and our teachers. The whole idea behind national service was to link our values with our public policy. And when the legislation was passed, we knew it was going to be in many ways breaking new ground, using at the same time existing values.

Now the legislation is up for reauthorization, and not only for our annual appropriation, but the legislation is up for reauthorization. And I believe just like we have to show fiscal accountability, Mr. Chairman, we have to say what did this program do and was it worth it?

So what I want to focus on in my questions was to go back to the original intent of national service and then ask about very specific questions now on the impact of the program. The whole idea of National Service was to link our values with public policy. It was also to say "Yes" to the young people who were saying "No" to drugs and alcohol and other evils in our society.

And we also wanted to provide an opportunity structure, by providing a way for many of them to reduce their biggest debt or their first mortgage, their student loan or to accrue money to be able to go on to higher education. But this program was founded on the concept that for every right, there is a responsibility. For every opportunity, there is an obligation and, therefore, to be involved in the community.

The other was to make sure that both the volunteers became—be rekindled with the concept of habits of the heart, but also to spark other volunteer efforts in the community. The point is that National Service was not designed to be a social welfare program, nor a giveaway program, but to really recruit people to serve in their communities and be able to have a voucher—this is the National Service part—to go onto their communities.

Now, I never really liked the way this program was launched. I knew that it was rocky in terms of its administrative structures because it was new, because it had to take on some of the old ACTION programs, and essentially it was launched in many ways like a rock concert. It was a lot of show biz, a lot of fanfare, a lot of volunteers were just parachuted into communities. And I am not so sure that the core concept of good, solid training before they go to the community, real projects focused on five areas like public safety and education and so on for them to do or closely adhere to. This is not about the volunteers. It was about this.

Often when this program has been in trouble what we heard were anecdotes, and we would have pep rallies and wonderful young people showing up with baseball caps who wanted to give me T-shirts. We are not in a post-T-shirt environment.

And what we need to know is really what has gone on, because I think it has been difficult to separate out the fiscal accounting problems and then the show biz. Somewhere in the middle is hard, solid information about how many volunteers have we recruited, how many have stayed in the program, what have they done once they left the program, did they use the program to further their higher education? Have they formed alumni associations like what

the Peace Corps has done, where they continue—the Peace Corps is a state of mind as well as a service that had been given, where they go on and continue to serve in their community for a lifetime. That is what I want to know about, is the volunteers.

The next thing I want to know about is what happened in communities. Sure, you can run in and tutor. But did it have the same adhesive quality as me reading Dr. Suess to a 4-year-old? That is a nice photo op for me, but I do not know if it is a learning opportunity for a child. And it is great if we tutor, but the question is at the end of the day, backing up hard working teachers or have we advanced education, have we advanced public safety, have we recruited and been able to deliver immunization and have our volunteers, because of what they do, generated more volunteers in local communities?

So those are the kinds of results. Because if I do not have fiscal accountability and real results, it is going to be very hard to both get the program funded at the level the President wants and also to be able to do the reauthorization.

With the end of this century and looking forward to the millennium, I hope this could be one of the programs that really take the values of the old century into the next century, but at the same time use the excellent knowledge that we have about maximizing volunteer resources, sound fiscal accountability, so that—so that we really do have an opportunity structure.

I look forward to hearing this testimony and want to thank the administration of the National Service for their cooperation with this committee. But I think this is kind of a crucial year for National Service. We are either going to go on or we are going to sputter out. The two significant issues that will determine about whether we go on and have a momentum that I hope the program has, is sound fiscal accountability and a clear direction of where we have been. And a direction of where we are going with the idealistic young people who sign up, that we do not let them down, we do not let communities down and we do not let taxpayers down.

In many instances I look forward to the quantitative and other data that will help me continue to be the strong advocate that I am for this program. Thank you.

[The statement follows:]

PREPARED STATEMENT OF SENATOR BARBARA A. MIKULSKI

Good morning Mr. Chairman and thank you. I want to welcome National Service CEO Harris Wofford and Inspector General Luise Jordan for our first panel. I am proud to be called the godmother of National Service. I think volunteer programs highlight what is best about America. Volunteerism is the backbone of our communities, from preserving the safety net for seniors to keeping our communities clean and getting our kids ready to learn.

And I also want to welcome CDFI Director and Maryland native Ellen Lazar for our second panel.

NATIONAL SERVICE/OVERVIEW

The whole idea behind the National Service program was to link our values with our public policy. We wanted to say yes to the young people who say no to drugs and alcohol and many of the other ills in society.

We wanted to provide them with an opportunity structure by providing a way to reduce what for many people is a first mortgage—their student debt. The specter of high student debt prevents many young people from pursuing a college education.

Second, we wanted to link responsibility to the opportunity, essentially to reinforce the old civic virtues that needed to be rekindled. The program is designed to give members an experience that is meaningful for them and the communities where they work.

The point is that National Service was not designed to be a means tested program. It was meant to provide a broad base of young people from a variety of social classes and backgrounds an opportunity to serve their country through sweat equity work in their communities.

FINANCIAL MANAGEMENT

Since its inception the organization has been plagued with issues that have caused me concern, and I know a great deal of concern for other Members. The issues have centered around sound financial management, and ensuring accountability that directed everyone to focus on accomplishing the mission which I stated earlier.

Mr. Chairman, this is a serious concern of mine. Management issues revolving around the financial accountability and the audibility of records have persisted even through changes in personnel. I understand that progress has been made, and I commend the work of Chief Operating Officer Wendy Zinker, but there is still some serious work to be done.

This morning, I know you will direct many questions to the corporation regarding financial management and accountability. I will be interested to hear the responses.

MISSION FOCUS

This morning I want to focus on mission. I want to know what exactly we have gotten for our money. I want to know if we have gotten the "equity" part of the sweat equity that was intended.

Stories about the changed lives of members and their new perspectives on life are important. But this morning, I want to talk specific, quantifiable facts.

I want to discuss how effective the Corporation has been at:

—recruiting members—how many have completed their service, how many have used their education awards; generating additional volunteers in communities

—how many have been generated and what have they done in their communities;

—producing tangible benefits in local communities—how is the Corporation measuring for results and impact what members have done.

Again, Mr. Chairman, I am proud to be considered the godmother of National Service. For years I have championed the importance of helping promote the habits of the heart.

Many of us were energized by the Presidents Summit on Service two years ago in Philadelphia that focused on promoting volunteerism. And I believe that the Corporation has a critical role to play in this effort. But we can't be content with feel good stories about kids in tee shirts.

We must stand sentry to ensure that Corporation members are reading to young children and helping increase literacy, planting trees and cleaning gullies—helping the environment, organizing local volunteer groups and spreading the habits of the heart.

This will be my focus this morning. The Corporation's ability to generate bi-partisan support will depend largely on the extent to which it can demonstrate meaningful tangible results in local communities.

CDFI

CDFI has a as its mission providing an opportunity structure that helps those who practice self help.

In a perfect world, we may not need a CDFI. But we don't live in a perfect world. We live in a world with distressed communities that are under served by the mainline private financial institutions.

In many of these communities there are willing people who want to improve their lot in life, but they lack the capital or expertise needed.

This is where CDFI helps to fill the void. I look forward to hearing from Ms. Lazar this morning on the progress CDFI has made in addressing management concerns raised over the last several years.

But as with the Corporation, I want to stay mission focused. I want to ensure that CDFI doesn't just move money out of the door, but helps move people up and out of poverty and despair. There needs to be a system in place to evaluate grant recipients' progress in meeting their goals.

There also needs to be a system to measure how effective CDFI is in helping grant recipients improve their communities and empower local residents.

Mr. Chairman, I look forward to the dialogue with you and this morning's witnesses.

Senator BOND. Thank you very much, Senator Mikulski, for that very strong statement, and I certainly endorse the comments you made.

Senator Wofford, it is always a pleasure to welcome you. You have submitted a 29-page statement. I assure you we will make it a part of the record and I assure you that we are better off reading it than having it read to us.

So we would like to give you up to 10 minutes to make a summary of your report and comment perhaps, if you wish, on any of the points that Senator Mikulski and I have written.

Thank you, Senator.

STATEMENT OF HARRIS WOFFORD

Mr. WOFFORD. I will certainly not go beyond 10 minutes, Mr. Chairman.

Thank you for letting Wendy Zenker, our chief operating officer, accompany me here. And thank you, Mr. Chairman and Senator Mikulski, for giving that quite appropriate double-barrel challenge to us, and we want to meet that challenge to the best of our ability today in response to your questions.

Many of the points are in that 28-page testimony. First, it responds to a number of your concerns, Mr. Chairman, and second, it contains some hard data that will be of interest to Senator Mikulski.

Now, Mr. Chairman, this morning I am presenting the administration's budget request and, to the extent we have time this morning, I want to discuss the success of National Service and report to you on our efforts to improve financial management. But I am going to focus my oral testimony on the financial management issues.

My written statement contains extensive information about the accomplishments of National Service and I welcome questions. And I particularly intend, Senator Mikulski, to take your precise questions, and present a report to you that is in the very categories that you have just put to us.

And I think you will be pleased with some of the evaluations we are reporting on this morning.

FINANCIAL STATEMENTS

Mr. Chairman, our top priority continues to be—has to be—achieving a clean opinion on the audit of a full set of financial statements and going on to remove the material weaknesses. We have made real progress.

As the chart indicates, we have gone from financial statements not auditable in 1994 to 1996, to a qualified opinion on our fiscal year 1997 balance-sheet-only audit, to the current full-scope audit of our fiscal year 1998 financial statements. Those three steps represent a lot of work, dedication and progress.

AUDITABILITY

Fiscal Year 1994–96

—Financial statements not auditable

Fiscal Year 1997

—Qualified opinion on Statement of Financial Position
—No audit of Statement of Operations or cash flow
—Two qualifications, six material weaknesses identified

Fiscal Year 1998

—Audit of full set of statements for fiscal year 1998 near completion
—Results not yet available
—Implementing Action Plan to correct weaknesses

We, too, Mr. Chairman, had hoped that along with our Inspector General Luise Jordan we could report on the results of the fiscal year 1998 audit today. However, the Inspector General and her auditors from KPMG are holding open that audit while we provide additional documentation they need.

That audit is ongoing. And the Inspector General and I will report to you the results of the audit in the very near future. But even if we obtain a clean opinion, which, of course, is our aim, we know that we will still have financial management material weaknesses.

Last fall Congress provided additional resources to speed our progress in correcting those weaknesses. We submitted a detailed action plan to do so that builds on the previous plans and steps that we had taken and accomplished much in.

The plan calls for action in nine areas. It includes 177 specific tasks with deadlines. To date we have completed 69 of them. Let me be clear: though progress has been made, it is not enough to satisfy you, Senator Mikulski, or me. Much remains to be done.

Let me tell you what we are doing in three key areas shown on this chart, areas that affect many of the material weaknesses, and are key to the solutions.

Management Progress

	March 1998	March 1999	2000
Y2K Compliance	Systems not assessed Hardware not compliant	Mission-critical systems compliant except for financial management Most hardware compliant	All systems compliant All hardware compliant
Financial Management System	Not Y2K compliant Not compliant with Federal standards	New system selected that is Y2K compliant and compliant with federal standards Implementation underway	New system fully operational
National Service Trust	Paper-based	Installing imaging technology Testing web-based reporting	Imaging technology operational Web-based reporting Operational

PROGRESS ON FINANCIAL MANAGEMENT

Since last fall all of our mission critical systems, except for financial management, have been made year 2000 compliant. And most of our hardware is now compliant. We are confident we will be prepared for the year 2000. Many of the problems stem from the weaknesses in our core accounting system that we took over.

We have selected a new financial management system known as Momentum, and implementation is under way. The system will be fully operational this year.

To ensure the accuracy of the data in the National Service Trust we are, right now, installing imaging technology, and we are pilot-testing a Web-based reporting system, a breakthrough system in this field. By next year, they will both be fully operational.

In our next report, due the middle of April, you will continue to see progress on these and on other items in the Action Plan. And we will be able to report to you the results of the audit.

INDEPENDENT EVALUATIONS

As we grapple with these critical questions of financial management, Mr. Chairman, let us not lose sight of the success and impact of National Service. Today we are releasing an independent study, reflected on the chart, that demonstrates how AmeriCorps is strengthening local organizations and communities and having a positive impact on the lives of AmeriCorps members—now totalling in 4 years, more than 100,000.

SUMMARY OF RECENT NATIONAL EVALUATION OF AMERICORPS

Eighty-two percent of community representatives report AmeriCorps' impact as "good" or "outstanding."

AmeriCorps improves the quality and quantity of local organizations' community services.

More than 75 percent of members have gained significant life skills.

AmeriCorps instills ethic of service in members.

Source: Aguirre International, 1999.

I hope members of this committee will read the summary of this report which we are providing for the committee and we'll be happy to sit down with your staff, and with you, to talk further in depth on what those results mean. It was conducted by Aguirre International. Mr. Aguirre was President Ford's Commissioner of Education and we consider this a very landmark and important study.

As this other chart shows, recent studies have also documented that service learning programs benefit communities while instilling a sense of civic responsibility and raising the academic performance of participating students.

RECENT NATIONAL EVALUATIONS OF LEARN AND SERVE AMERICA

Students participating in service-learning programs report gains in following areas: Civic attitudes; Volunteering; School engagement; Academic performance.

Projects rate students' service as outstanding.

Source: Brandeis University and Abt Associates, 1998.

Mr. Chairman, you can see that our work around the country is going well. And we will look forward to showing you in more detail how well it is going. In many cases we have a state-by-state analysis including the extraordinarily successful—many programs in the State of Maryland and programs in Missouri. There are many places where the state commissions, appointed by governors, have had their own evaluations. And we have materials from governors estimating the impacts, such as Governor Voinovich's last letter to me outlining the impact of National Service programs that he thought was tremendous in Ohio. And the outline of the impact that Governor Locke and Governor Racicot of Washington and Montana sent to all new governors telling them of the tremendous contribution of the three programs of National Service and the commissions in their states.

I think it is this success that people around the country see on the ground that is the reason for the growing bipartisan support—not only in Congress but especially in the states, cities, schools and neighborhoods where ordinary Americans are making an extraordinary difference every day.

PREPARED STATEMENT

So I look forward to working with you to extend the reach of National Service and to complete the task of making the Corporation the kind of high-performing organization we all want it to be. Thank you.

[The statement follows:]

PREPARED STATEMENT OF HARRIS WOFFORD

Mr. Chairman, Senator Mikulski, and members of the Subcommittee, I appreciate this opportunity to review the achievements of national service over the last year, report on the status of our efforts to issue financial statements and improve financial management, discuss our fiscal year 2000 budget request, and respond to your questions. I very much appreciate the Committee's past support, including the $10 million in additional fiscal year 1999 appropriations for AmeriCorps grants, as well as the additional funds to speed our progress on essential improvements in our financial management systems.

The Corporation has made good progress on many fronts. Last October, the 100,000th AmeriCorps member was sworn in. The service of AmeriCorps members in more than a thousand local, state and national non-profit programs is helping solve community problems all across the country. Service-learning activities of more than a million college, high school and elementary school students, assisted by our Learn and Serve program, is demonstrating how well-organized community service can help the community while instilling the ethic of service and pride of citizenship in participating students. In short, through AmeriCorps and Learn and Serve America, the Corporation is carrying out the three prime purposes set by Congress in the National and Community Service Trust Act of 1993 (42 U.S.C. § 12501):

(1) meet the unmet human, educational, environmental, and public safety needs of the United States, without displacing existing workers;

(2) renew the ethic of civic responsibility and the spirit of community throughout the United States; and

(3) expand educational opportunity by rewarding individuals who participate in national service with an increased ability to pursue higher education or job training.

Before providing more details of the accomplishments of these programs, let me start with a brief summary of our budget request and a discussion of our work to improve financial management.

I. BUDGET REQUEST SUMMARY

The total fiscal year 2000 budget request for national service programs authorized under the National and Community Service Trust Act is $545.5 million, an increase of $110 million over the fiscal year 1999 appropriated level of $435.5 million. This is a large increase for a relatively small agency, but the needs that AmeriCorps members are helping communities meet—particularly the needs of children and youth—are very large. The added value of this service by AmeriCorps members (generally full-time) in leveraging large numbers of unpaid part-time community volunteers and in strengthening the work of non-profit, educational and faith-based organizations is a powerful new resource for the renewal of America's civic sector.

The new funds will provide for approximately 60,000 AmeriCorps members through grant programs and the education award program, as well as approximately 1,100 AmeriCorps members through the National Civilian Community Corps (NCCC) program. As part of the AmeriCorps budget, our budget request also includes a new program to engage 5,000 high school students in intensive, full-time service during the summer. Participants in the AmeriCorps*VISTA program, funded through the Subcommittee on Labor, HHS, Education and Related Agencies, will bring the total to approximately 69,000 AmeriCorps members, with a goal of 100,000 members per year starting in 2002.

The new funds for the Learn and Serve America program will help schools, colleges and universities, and community organizations strengthen and expand service-learning activities. If the 60 million students in America are seen as—and see themselves as—resources and potential leaders, they can be a powerful source of service for communities. Tapping this potential is a double investment—in the education of the next generation as citizens of character and competence, and in meeting the country's unmet needs.

I also want to emphasize the important contributions of the Points of Light Foundation and how much the Corporation values its partnership with the Foundation and with its network of hundreds of Volunteer Centers. An increasing number of AmeriCorps members and AmeriCorps*VISTA members—already more than a hundred—are working directly with, and under the leadership of, these centers for volunteer service. We are requesting $5.5 million for the Points of Light Foundation in fiscal year 2000.

Jointly, the Corporation and the Points of Light Foundation were the original sponsors and organizers of the Presidents' Summit for America's Future in Philadelphia convened in 1997 by President Clinton and President Bush. We work together

as key partners in the post-Summit campaign led by General Colin Powell's America's Promise—the Alliance for Youth. This close and continuing collaboration between the Foundation created by President Bush as a center for volunteering and the Corporation proposed by President Clinton as the vehicle for national service is a demonstration of how what George Romney called "the twin engines" of full-time stipended national service and part-time unpaid community volunteering can and should pull together to help communities solve serious social problems.

We are seeking $33 million for program administration, including funds for State Commissions—an increase of $4.5 million over the fiscal year 1999 level. This increase will provide the administrative support necessary to keep up with the growing work-load of the Corporation and is discussed in greater detail later in the testimony. In addition, we are requesting $5.5 million for program evaluation, and a separate appropriation of $3 million from this Subcommittee for the Office of the Inspector General.

THE AUDIT AND THE ACTION PLAN

The Corporation shares the view of the Subcommittee that prompt action on auditability and other financial and management weaknesses is urgently needed. These issues are our top internal priority. With the help of the Committee and the Inspector General, we have focused substantial resources and activity on achieving solid and lasting solutions.

The Corporation has made steady progress over the past year toward its goal of improving fiscal oversight and of obtaining an unqualified opinion on its financial statements. As the Subcommittee knows, until last year, the Corporation was unable to produce financial statements that the Inspector General could audit. But, in July 1998, the Inspector General issued an Auditability Assessment that indicated that the Corporation had made progress and that, although late, we could proceed with an audit effort for fiscal year 1997. In October 1998, the Inspector General issued a qualified opinion on the Corporation's fiscal year 1997 Statement of Financial Position. There were two qualifications—grant accrual and net position—and six material weaknesses.

Now, for fiscal year 1998, the Corporation is preparing a full set of statements, and these statements are being subjected to independent audit by the Inspector General. The Corporation, the Inspector General and the auditors are still at work on the audit. We are collecting and providing information to the auditors, and the auditors are reviewing and assessing that data. At this time, we are uncertain of the auditor's opinion, but we are working closely with the Inspector General and her audit staff to complete the financial statement audit.

We know that there are material weaknesses—weaknesses identified in the fiscal year 1997 balance sheet audit and two new weaknesses that will be identified in this audit resulting from the broader scope of the fiscal year 1998 audit. Based on the fiscal year 1997 audit, and with funds made available by this Committee, we are implementing a comprehensive Action Plan to correct these weaknesses and improve Corporation management. We are working to correct a number of these weaknesses this year; others will take longer. But you can and will see progress every month as we work to achieve the goals set forth in this Plan.

We submitted the Action Plan to your Subcommittee on December 21, 1998. It included 168 tasks. In a February 17, 1999, letter from Chairman Bond and Chairman Walsh of the House VA/HUD Subcommittee, you asked that we revise the plan to include procurement management and to provide more information on the expenditure of funds associated with the plan. In our first progress report on February 19, 1999, (which I would like to submit for the record) we did those two things. The Plan now includes 177 tasks, of which 69 have been completed. You also asked for more information on specific performance measures. We have included such information in our Government Performance and Results Act Performance Plan and will be happy to discuss additional measures with your offices.

Your letter of February 17 indicates that, with these changes, you have no substantive disagreements with the contents of the Action Plan. In fact, we believe the Plan offers us a clear path toward resolving outstanding financial management issues once and for all. Although these changes cannot happen overnight, there is a firm commitment on the part of the Corporation to advancing solutions as quickly as we possibly can.

The Action Plan includes 9 goals and a number of objectives within each goal: (1) General Control Environment; (2) National Service Trust; (3) Financial Operations; (4) Grants Management; (5) Financial Systems; (6) Financial Reporting; (7) Information Technology—Year 2000; (8) Information Technology; and (9) Procurement Management. Summary information on these goals and objectives follows:

General Control Environment.—We are working to establish a strong and effective control environment, including a commitment to excellence, organizational structure, and assignment of authority and responsibility. Included in this goal is the financial statement audit process. On other important fronts we have done good work towards issuing a comprehensive set of policies and procedures; we are working on an assessment of management controls by selected Corporation managers as part of a pilot program for fiscal year 1998; we are filling key positions; we are developing a comprehensive training plan; and we are including financial performance measures in the Corporation's Government Performance and Results Act Performance Plan.

National Service Trust.—We are determined to ensure the integrity of the National Service Trust, accurately recording member information and education award liability, and efficiently processing transactions related to enrollment and award processing.

In the past year, we and our prime grantees, the State Commissions, have undertaken two major technological initiatives specifically designed to strengthen the Trust. First, as I reported last year, we have introduced imaging technology designed to improve the quality and dependability of information in the Trust.

We are using imaging technology to electronically capture our records and ensure that we have complete and readily accessible information for every member enrolled in the National Service Trust. By the middle of April, a contractor will complete the process of scanning all of the paper documentation from our files on every current member of the National Service Trust, and we will then begin the process of checking the input data with our program records to capture any missing pieces of data. Additionally, in April, the National Service Trust will begin using imaging technology to scan forms into the system as the forms are received.

Second, we are in the midst of testing a breakthrough innovation—a world wide web-based reporting system (WBRS), that will enable the National Service Trust to receive member data— enrollment forms, change of status forms, and end-of-term forms—electronically. WBRS currently is being used to input enrollment data on a trial basis in Maine and California. If the tests are successful, State Commissions will be using this technology for enrollment forms by the end of this year. In partnership with the Corporation, the State Commissions developed WBRS. The Corporation contracted with Ernst and Young in October 1998 to do a security review of the data transfer. When appropriate development, testing and training are completed, we will phase in the use of the technology for change of status and end-of-term forms and extend the system to our national direct grantees.

There are three related goals: Financial Operations, Financial Systems and Financial Reporting.

Financial Operations.—We are making progress in the area of financial operations. We promulgated our debt collection regulations and are working to finalize our agreement to have the Department of the Treasury service our delinquent financial transactions. Other efforts are underway to clean up financial data in preparation for the conversion to the Momentum accounting system.

Financial Systems.—We are in the midst of implementing a new financial management system—Momentum—that will modernize our record-keeping and allow us to input and recover data in an easier and more timely fashion than our previous system. The Corporation selected the Momentum package last November and entered into a cross-servicing agreement with the Department of the Interior's National Business Center to support the implementation process. Momentum is a commercial off-the-shelf software system compliant with the Federal Government's Joint Financial Management Improvement Program system requirements, and it is Year 2000 compliant. Momentum implementation includes data conversion, setting up system interfaces, testing and staff training. We have an aggressive schedule to complete this process and make the Momentum system fully operational this year.

Financial Reporting.—Our goal is to produce accurate and timely financial information, issue timely reports and financial statements, obtain an unqualified opinion on our financial statements and reduce—and as soon as possible eliminate—the number of reported material weaknesses. I have already described our progress in this area.

Grants Management.—We have undertaken important efforts to improve grants administration and the procedures for AmeriCorps service hour reporting. In January we held a conference for all State Commission and National Direct Executive Directors to reinforce the importance of the procedures and reporting requirements associated with their grants. Executive Directors have been contacting us with detailed follow-up questions, and we have already sent out a formal response to questions elicited at the conference and intend to continue to follow-up with the grantees. Also, as a further step in devolution to the governor-appointed state commis-

sions, we have eliminated any Washington office programmatic review of the formula program proposals submitted by well-functioning State Commissions. With OMB approval this past year, we are testing simplified grant approaches, including fixed amount grants.

Information Technology—Year 2000 and beyond.—Making sure that all systems are Year 2000 compliant is a goal that cuts across all aspects of the Corporation. Through the additional funding included in the fiscal year 1999 Treasury, Postal Service Appropriations bill, the Corporation received $800,000 to assist in our compliance and verification work.

Our mission-critical systems, except for the financial management system and its related interfaces, are Year 2000 compliant today. We will be performing independent verification and validation in the coming months. Our headquarters and service center network and personal computer workstations are compliant; we are still working on our field office and NCCC workstations, but anticipate no difficulty. The new Chief Information Officer whom we will designate soon will do much of our long-range planning in the information technology area. Some aspects of our long-range plan will include improving our technology for communication with state offices, designing a single, integrated grants system, selecting a procurement module to add to the Momentum system, and providing better data for decision-making.

Procurement Management.—We added this goal to our Action Plan in February in response to work conducted by the Inspector General. We are revising procurement policies and are working to resolve specific contract issues. We are also developing training sessions for our procurement office and Corporation staff.

The Corporation is committed to improving its management and has made substantial progress in this direction. More remains to be done, and the Subcommittee will continue to see progress in carrying out our Action Plan. We will continue to report regularly to you and the other appropriate committees in Congress.

GOVERNMENT PERFORMANCE AND RESULTS ACT

The Corporation continues its full compliance with the requirements of the Government Performance and Results Act. Building on the experience of the first year under GPRA, we have prepared an expanded annual Performance Plan for fiscal year 2000. This plan provides in a more accessible format our revised performance goals for fiscal year 1999 and the goals for fiscal year 2000. We have organized our performance goals into two broad categories: annual performance indicators, and focused (usually one-time-only) program evaluation studies.

Annual Performance Indicators are measures based on information collected regularly (usually yearly) from grantees and subgrantees of the Corporation and from program participants. Primarily these indicators measure aspects of program performance that are in the direct control of the Corporation. These data are useful for oversight and management of the programs. Many of these measures focus on what programs do with federal funds—such as implementing projects; selecting, training and enrolling Members; and awarding subgrants. In addition, annual indicators can include customer satisfaction, community impacts, and program accomplishments.

Focused (Usually One-time-only) Program Evaluation Studies represent a significant area of investment by the Corporation. Unlike annual performance indicators, many outcome evaluation studies are not likely to occur every year because they are more expensive and time consuming to carry out. Program outcome studies, however less frequent than indicator data, will provide useful information on what national service programs achieve for the American people.

Our 2000 Performance Plan contains information on programs and administrative activities that will interest anyone wanting to learn more about the Corporation and national service. For each program, the fiscal year 2000 Performance Plan presents:

—A concise description of the program with information on program design, numbers of participants, types of service, and levels of funding.
—Special initiatives underway and planned for the coming years.
—Performance indicators and goals for fiscal year 1999 and fiscal year 2000.
—Key findings from completed program evaluations.
—Pending and planned program evaluation topics.

This year we have added a section that highlights the three budget activities supporting the Corporation's programs: Innovation, Evaluation, and Program Administration. "Innovation" describes our plans to expand and strengthen training and technical assistance for all streams of service. Under "Evaluation" is found the Corporation's evaluation plan for 1999 and beyond. And "Program Administration" summarizes the efforts underway to improve financial management. This new section includes five new performance indicators that focus on our most critical administra-

tive issues: auditability, data accuracy in the Trust, grants management, financial management systems, and the Year 2000 status of computer systems.

Finally, the new format of the fiscal year 2000 Performance Plan represents the first step in linking the budget proposal with the Performance Plan. Next year, we plan to submit one, fully-integrated, budget and performance plan.

PROGRAM ADMINISTRATION

The Corporation is requesting $33 million for Program Administration in fiscal year 2000—an increase of $4.5 million over the fiscal year 1999 appropriation. Program administration supports the Federal share of the costs of activities of the State Commissions, which implement and monitor national service programs at the local level, as well as the activities of the program, policy, and management staff in the Corporation's headquarters.

Last year, the Congress provided an increase of $1.5 million in Program Administration funding to address urgent program administration requirements related to financial management, grants management and systems implementation. Congress also called on the Corporation to shift $1.5 million out of lower priority efforts to address urgent program administration needs. These additional funds have improved the quality and the timeliness of the Corporation's responses to these outstanding problems. Now, in order for the Corporation to move forward on financial and management issues in the most expeditious manner possible, more funds are needed.

The workload of the Corporation has grown enormously since 1994. The annual number of AmeriCorps members has increased from 25,000 in fiscal year 1995 to approximately 50,000 in fiscal year 1999 to a proposed 69,000 in fiscal year 2000. The cumulative number of enrollments in the National Service Trust has grown from those initial 25,000 to over 100,000 and will grow to over 140,000 with funds already appropriated. The Corporation needs additional resources to respond to this greatly increased workload.

The requested increase in funding will support the following urgently needed activities, many of which are described in further detail in the section of the testimony dealing with the audit and Action Plan: achieving an unqualified opinion on our financial statements and reducing the number of material weaknesses; significantly increasing funds devoted to systems development; strengthening the National Service Trust; increasing the support for State Commissions; and replacing aging computer hardware.

AMERICORPS AND SERVICE-LEARNING EVALUATIONS AND ACCOMPLISHMENTS—THE IMPACT OF SERVICE

In the last year, we have received the results of three major evaluations of Corporation programs. The following is a brief summary of each evaluation. The results show that national service has a dramatic impact both on the communities and individuals served and the service participants themselves.

Impact Evaluation of AmeriCorps State/National Direct

Today we are releasing one of those studies—an independent evaluation of the impact of AmeriCorps State/National programs performed by Aguirre International. This study collected survey data from all ongoing programs and specifically examined 60 randomly-selected programs over a three year period. The study looked at what AmeriCorps members accomplished, the impact of those accomplishments on service recipients, the impact on the life skills and civic attitudes of members, and the impact of AmeriCorps on grantee institutions and the communities in which the programs were located.

Among the key findings of the study

AmeriCorps programs strengthened local organizations and communities served:

—The majority of institutions that received AmeriCorps grants reported that association with AmeriCorps improved their organization's quality and/or quantity of services and increased their overall professionalism.

—82 percent of community representatives interviewed reported that AmeriCorps' impact upon their community had been "very good" or "outstanding."

AmeriCorps provided significant member benefits:

—More than 75 percent of AmeriCorps members reported substantial gains in life skills during their program year. These changes occurred in members of all ethnic, racial, economic and educational backgrounds.

—AmeriCorps members' life skills gains were significantly greater than the gains reported by a matched comparison group of nonmembers. Members whose skills were the lowest upon entering the program gained the most.

—AmeriCorps members' levels of civic engagement were positively affected by AmeriCorps service.

We are pleased that this major new study demonstrates that AmeriCorps is accomplishing precisely what it was designed to do—it is getting things done in our communities and producing significant benefits for those who serve.

LEARN AND SERVE AMERICA K–12

Between 1995 and 1998 Brandeis University and Abt Associates conducted an evaluation of 17 high quality service-learning programs at middle schools and high schools across the country. The evaluation followed a group of participating and comparison group students over two years. The evaluation found:

Service-Learning programs provide significant benefits to their communities:

The service provided by the students was highly rated by the community agencies where students provided assistance; 99 percent of the agencies rated their experience as "good" or "excellent."

On average, participants in the programs in the study produced service valued at nearly four times the program cost during the 1995–1996 program year.

The service-learning programs in the study were strongly supported by administrators and teachers, and a large majority of programs appear likely to continue to operate after the end of their grants.

Service-learning programs had a positive impact on students:

Students rated their program experience highly with more than 95 percent of the students reporting that they were satisfied with their community service experience.

At the end of one program year, student participants compared to non-participants showed significant positive impacts. The students: were more appreciative of cultural diversity, service leadership and civic involvement; were more likely to be involved in some form of volunteer service; provided more than twice as many hours of service; were more likely to show small, positive impacts on school engagement and on math and science grades and core grade point averages.

The Superintendent of Schools in Gresham, South Carolina states that Corporation grants have funded "service-learning programs that reinforce academic skills taught in the classroom and meet community needs" and have had "a significant impact on our school system and the community. It has "reconnected our youth to the community and has actively engaged our young people in the learning process." An example of such results in the Gresham High School is in the appendix.

LEARN AND SERVE AMERICA HIGHER EDUCATION

Between 1995 and 1998 the Rand Corporation conducted an intensive evaluation of the Learn and Serve Higher Education Program's implementation, achievements and impacts on sponsor institutions, community agencies and participating students. The study found:

Participating students made valuable contributions to the organizations—nonprofit agencies, schools, and others—in which they served.

Community organizations' staff assigned high marks to the student volunteers. Respondents assigned the highest ratings to students' enthusiasm, ability to work with staff and clients, and interpersonal skills. Staff reported that they were able to improve the quality of services and provide more services as a result of the student volunteers.

Students in service-learning courses, compared to students in similar courses without a service component, reported larger gains in civic participation (involvement in community service) and life skills (interpersonal skills and understanding of diversity).

LITERACY AND EDUCATION ACTIVITIES

Since fiscal year 1994, education programs, including especially literacy activities for elementary students, have been a high priority for national service. Governor-appointed state commissions on national and community service have focused national service resources on needs in education. In addition, AmeriCorps*National and Education Award programs, as well as service-learning programs at the K–12 and higher education levels, have focused service on the education needs of young people.

For fiscal year 1998, this Subcommittee appropriated an additional $25 million to the Corporation to conduct activities designed to ensure that every school child can read well and independently by the end of the third grade. These additional funds were granted to 30 separate organizations selected by states, including statewide literacy initiatives in Florida, Louisiana, Maryland, Maine, Massachusetts, Mississippi, New Jersey, Ohio, Oklahoma, Washington, and West Virginia. In total, an

additional 1,700 full-time equivalent AmeriCorps members are engaged this year as organizers, leaders, and participants in these local literacy programs, including summer and after-school programs.

Research results show that national service can produce strong positive outcomes in early childhood literacy. Literacy programs supported by the Corporation under the AmeriCorps*State and National category reported the following results for the 1996–97 program year:

In all programs, 5,700 members at 305 sites supported the tutoring of youth in grades 1–12. Sixty-seven percent of youth tutored in grades 1–12 (of 128,000 measured) showed improvement during the program year.

In all programs, 4,700 members supported academic mentoring at 258 sites. Seventy-six percent (of 53,000 mentored students measured) showed improvement during the program year.

In all programs, over 2,000 members taught in grades 1–12. Sixty-nine percent (of 70,000 students measured) showed improvement during the program year.

In addition to the very positive, self-reported achievements by projects, independent evaluations of specific literacy programs are documenting positive outcomes. Professor George Farkas of the University of Texas documented gains for a Reading One-to-One program of 0.4 to 0.7 grade equivalents above what students would have attained without tutoring, a significant improvement. The program uses college students, AmeriCorps members, and community residents to tutor more than 6,000 students in more than 70 schools across ten school districts in Texas.

Other recent reports contain an equally positive message. In the District of Columbia, low-achieving children who were tutored by Federal Work-Study students and other volunteers in a program managed by AmeriCorps*VISTA members had reading scores at the national average at the end of the first year of the program. In New Haven, Connecticut, the Leadership, Education, Athletics in Partnership program helped produce independently documented increases in children's reading test scores. In this program children read an average of 24 books during the summer.

In addition to AmeriCorps, the Corporation's service-learning programs, also under the jurisdiction of this Subcommittee, have contributed to the America Reads Challenge. The Corporation works in coordination with the Department of Education. Over 1,000 colleges and universities have pledged to use a portion of their Federal Work-Study funds to enable college students to tutor children and work in family literacy programs. In addition, the Corporation's grants to state education agencies support service-learning programs in schools and communities across the country. The dominant service activity reported by service-learning grantees at the middle and high school level is education, including mentoring, tutoring, and classroom assistance. These programs have double benefits; since teaching is often the best way to learn, middle and high school students who tutor younger students often increase their own skills, not only in English but in math, science, and the use of computers.

AMERICORPS

*AmeriCorps*State and National Program Update*

Last October, the 100,000th AmeriCorps member was sworn in, and members are continuing to get things done in their communities all across the country. Together, AmeriCorps members, most age 18 to 25, are showing their idealism and devoting a year or more to help strengthen communities by tackling the nation's most serious problems.

Since the inception of the program, over 100,000 AmeriCorps members have:

—Served nearly 33 million people in more that 4,000 communities.
—Taught, tutored or mentored over 2.6 million children.
—Served over 560,000 at-risk youth through after-school programs.
—Built or rehabilitated over 25,000 homes.
—Given food, clothing or other necessities to homeless individuals in over 2.4 million instances.
—Planted 52.5 million trees.
—Recruited, trained or supervised over 1.6 million volunteers.

In an appendix to this statement, we are providing examples of AmeriCorps members getting things done in our communities.

Fiscal Year 1999 Budget Update

Last year Congress appropriated an additional $10 million for AmeriCorps grants. As a further example of our commitment to devolving authority, all of that funding was directed to state initiatives. Of that $10 million, $3 million was added to the

formula grants to state commissions. The other $7 million was directed towards a Governor's Service Initiative, which will fund new statewide initiatives that tie into a governor's priorities and could benefit by a service component.

Fiscal Year 2000 Budget Request for AmeriCorps

The budget request for fiscal year 2000 for AmeriCorps will provide for approximately 60,000 AmeriCorps members through grant programs and the education award program, as well as approximately 1,100 AmeriCorps members through the National Civilian Community Corps (NCCC) program. Participants in the AmeriCorps*VISTA program, funded through the Subcommittee on Labor, HHS, Education and Related Agencies, will bring the total to approximately 69,000 AmeriCorps members, with a goal of 100,000 members per year starting in 2002.

That total includes a new program to engage 5,000 high school students in intensive, full-time service during the summer. This new initiative will allow high school students already involved in community service to serve full-time in the summer and, if they wish, part-time during the school year and receive reduced stipends and education awards for their service during the summer.

*AmeriCorps*NCCC*

The National Civilian Community Corps (NCCC) is a distinctive part of the AmeriCorps network of programs; it is a residential program, and it is the only element of AmeriCorps that is administered directly by the Corporation for National Service. NCCC members are housed in dormitory-style residences primarily at closed or downsized military bases at Charleston, SC; San Diego, CA; Denver, CO; Perry Point, MD; and Washington, DC. Members serve on teams in the local community and are deployed on "spikes" in communities in every state to meet the critical needs of urban and rural communities, including disaster relief, education, environment, public safety, and other human needs.

Although now a part of AmeriCorps, the NCCC was first proposed in 1992 in separate legislation, S. 2373, sponsored by Senators Boren, Warner, and Specter. Their bill sought to create a civilian community corps modeled on the Depression-era Civilian Conservation Corps (CCC) while simultaneously responding to the need to reuse closed military bases. The CCC section of the bill was offered and unanimously approved as an amendment to the fiscal year 1993 Defense Authorization Act. Among the key sponsors of this bipartisan amendment were Senators Boren, Dole, Warner, Mikulski, McCain, Kennedy, Seymour, and Nunn. In a floor statement during debate on the amendment, Senator Dole said "As I thought about this program, it was easy to see that many of today's youth could benefit from a modernized version of the CCC * * *. Far too many of our youth—both in urban and rural areas—are at risk—to drugs, to crime, to gangs, to teen pregnancy. It is these youths who could benefit from the new CCC Program." The following year, the National and Community Service Act of 1993 placed the administration of the NCCC in the hands of the newly-created Corporation for National Service.

The NCCC is one of the most successful and effective components of AmeriCorps. For example, in fiscal year 1998, members performed about 550 service projects in local communities in all 50 states. Accomplishments included renovating 346 houses, building 91 new homes, and tutoring 18,000 children, among many others. Here are several of the distinctive features of the NCCC that account for its extraordinary success:

NCCC members are highly trained and organized. They are particularly effective at mobilizing and supervising other volunteers. Habitat for Humanity and the Boys and Girls Clubs rely heavily on NCCC members to supervise and thereby enhance the effectiveness of their part-time volunteers. NCCC members are specially trained to respond rapidly in times of natural disaster, and they work in close partnership with the Federal Emergency Management Agency (FEMA) and the Red Cross to respond to almost every major natural disaster, including fires, tornadoes, floods, and even the Oklahoma City bombing.

True to its roots, NCCC adheres in part to a military model—members wear uniforms, work in teams, participate in a physical fitness regimen, and serve in a highly structured and tightly disciplined environment.

Members work long hours doing hard work—and the results are visible in communities across the nation. This has made the NCCC one of the most popular AmeriCorps programs. In 1998, more than 3,000 applicants applied for approximately 850 positions.

Funding for the NCCC was originally set in 1994 at $30 million (including $20 million in an earmarked Department of Defense appropriation). The 1995 appropriation was reduced in a rescission from $26 million to $18 million, and funding has been held at that level ever since. As a consequence, the NCCC has reduced the

number of members, delayed filling personnel vacancies, reduced the number of "spikes," and otherwise done everything possible to make ends meet. However, it is now clear that fewer communities are being served, and program quality is at risk of slipping.

The budget request for NCCC, a $3 million increase over the fiscal year 1999 level. The requested increase will finance the continuation of activities at five campuses and the enrollment of 1,141 Corps members, a 29 percent increase from fiscal year 1999 member population. The increase will also address reductions of essential personnel, operations, and administrative/logistics that were incurred in fiscal year 1998 when the fifth campus was established.

In addition the increased participation level financed by the request would serve to decrease the per member cost of the program. The NCCC's per member costs are artificially inflated currently at almost $26,000 per member (including the education award) because NCCC has had to limit and even cut the number of members in recent years. Recently, the Corporation reached a bipartisan agreement with Senator Grassley to reduce the Corporation's average budgeted cost per AmeriCorps member by $1,000 per year to reach $15,000 per member next year. If Congress approves the NCCC's fiscal year 2000 budget request, the number of members will increase, reducing the per member cost to about $23,100 and allowing the Corporation to achieve the goal of an average AmeriCorps member cost of $15,000.

We urge Congress to adopt the President's budget request to increase funding for the NCCC to $21 million in fiscal year 2000—the first increase in four years.

AmeriCorps National Direct

The National and Community Service Act dictates that two-thirds of AmeriCorps funding flows to State Commissions and the remaining one-third supports national non-profit organizations through AmeriCorps National Direct grants. Each year since 1996, the appropriations law has imposed a cap of $40 million on these AmeriCorps National Direct grants.

When established in 1996, the cap on AmeriCorps National Direct funding sought to address Congressional concerns stemming from grant allocations to other federal agencies. As part of a bipartisan agreement with Senator Grassley, the Corporation later agreed to eliminate all grants to federal agencies.

Currently, AmeriCorps makes national direct grants to 39 national non-profits, including Habitat for Humanity, the American Red Cross, YouthBuild USA, Los Angeles Veterans Initiative, City Year, Youth Volunteer Corps of America, and the National Association of Community Health Centers. These non-profit organizations are widely supported in the Congress and in our communities. The Corporation ensures that these programs are funded in a completely non-partisan and non-ideological manner.

National non-profits have special qualifications to engage in national service activities at the local level, including:

—years of expertise in supporting service: many of these organizations were funded from 1990 to 1993 by Commission on National and Community Service appointed by President Bush;
—well-developed program concepts and service delivery models;
—experience in program management and community collaboration;
—readily accessible training for staff and members; and
—strong ability to reach under-served areas and expand programs to states with smaller populations.

The National Direct grant program minimizes the administrative burden necessary to deliver national service. For nationwide organizations like Habitat for Humanity or the American Red Cross, it is more efficient to apply one time to the Corporation and then to allocate resources to local chapters, rather than to apply multiple times through individual State Commissions.

AmeriCorps National Direct programs also cost less than other AmeriCorps programs, because national non-profit organizations:

—Provide significant matching funds. The 1998 programmatic match is 57 percent, which is significantly higher than the requirements of the statute and the match provided by AmeriCorps state projects; and
—Attract major private support. Partners include corporations such as IBM, Sony, Dow Chemical, the Timberland Corporation, Nike, United Parcel Service, and the Disney Corporation that otherwise might not engage in national service.

The cap on National Direct prevents AmeriCorps from supporting some of its most effective grantees:

—The Corporation's ability to meet increasing demands for service addressing local community needs has been curtailed, as community-based affiliates of na-

tional non-profit organizations translate reduced grant support into a reduced number of AmeriCorps members and receive no funds for program development;
—The quality of service efforts is increasingly challenged due to limited training funds; and
—Since new grants require funding reductions to existing programs, which endangers the continued viability of these efforts, it is impossible for the Corporation to fund more than a handful of prospective new National Direct grantees in any given year.

For these reasons, we strongly believe that the overall quality and effectiveness of AmeriCorps programs will increase if the appropriations cap is lifted, and we are enabled to carry out the original intent of the 1993 Act that one-third funds are awarded in the form of National Direct Grants. We ask the Subcommittee to give this request careful consideration.

IMPORTANT INITIATIVES AND SPECIAL PROGRAMS

AmeriCorps' Call to Service

Last month, AmeriCorps launched the Call to Service—a year-long effort to encourage young Americans to serve their community and country through AmeriCorps. Asking young people, "Are you up to the challenge?" the Call to Service, which is AmeriCorps' biggest recruitment drive to date, seeks to enroll more than 50,000 AmeriCorps members over the next year.

The Call to Service was kicked off on February 10th at the University of Maryland with participation from President Clinton, Maryland Gov. Glendening and Lt. Gov. Kathleen Kennedy Townsend, University of Maryland President Mote, AmeriCorps members and others. It will continue throughout the spring and summer with a number of campus-based events, community-wide service events, summer of service kick-offs, and the events marking AmeriCorps' five-year anniversary in September.

AmeriCorps Promise Fellows

As noted earlier, along with the Points of Light Foundation, the Corporation was a co-convenor of the Presidents' Summit for America's Future in Philadelphia two years ago. We continue to work closely with General Powell and America's Promise, the organization designed to follow-up on the five goals established at the Summit. As a special initiative in conjunction with General Powell and America's Promise, the Corporation created the AmeriCorps Promise Fellow initiative, which is designed to identify and support talented individuals who will assist with state and local efforts to provide all young people with the five fundamental resources identified at the Presidents' Summit:
—Caring adults in their lives, as parents, mentors, tutors, coaches;
—Safe places with structured activities in which to learn and grow;
—A healthy start and a healthy future;
—An effective education that equips them with marketable skills, and
—An opportunity to give back to communities through their own service.

Five hundred new AmeriCorps members will serve this year as AmeriCorps Promise Fellows to help communities meet the needs of young people.

AmeriCorps Promise Fellows will be community organizers and facilitators drawn from many walks of life, including academia, business, the military, and the service field. They will bring their diverse and considerable experience to the hundreds of national, state, and local nonprofit organizations that are sponsoring them. Among the projects that AmeriCorps Promise Fellows will support are:
—Recruiting and coordinating volunteers to run after-school programs;
—Implementing curricula coordinating service and education in elementary schools;
—Coordinating communities' Summit follow-up activities, and
—Building private sector support for projects supporting children and youth.

The more than 500 AmeriCorps Promise Fellows will serve in almost every state, two American Indian tribes, and one U.S. territory, as well as with 17 national organizations that deliver community services on a local basis.

In an appendix, we have also provided several examples of the manner in which States intend to deploy Promise Fellows to solve problems in local communities. I am also attaching to this testimony General Powell's statement on the AmeriCorps Promise Fellows published on America's Promise web site—www.americaspromise.org.

AMERICORPS EDUCATION AWARDS PROGRAM

The Education Awards Program is a central element in the Corporation's plans to expand the number of AmeriCorps members. Because we will add more members to the Education Award Program this year, we anticipate even further reductions in the cost per AmeriCorps member to the Corporation and more opportunities for traditional nonprofit organizations to take advantage of the opportunity to utilize AmeriCorps members.

Across the country, faith-based organizations tackle some of our greatest challenges—and AmeriCorps members are playing an increasingly significant role in helping them solve community problems. Of the 40,000 AmeriCorps positions this year, nearly 6,000 are in faith-based organizations. Since 1994, more than 13,000 AmeriCorps members have served with faith-based groups. A significant number of these positions are in the Education Awards program.

Since its inception as a bipartisan initiative agreed to with Senator Grassley, the AmeriCorps Education Awards Program has greatly expanded opportunities for young people to serve as AmeriCorps members, brought new communities and new sponsors as partners in AmeriCorps, and produced new non-federal resources to support service programs. Now beginning its third year, the Education Awards program encourages organizations to apply to State Commissions or to the Corporation and demonstrate their capacity to recruit, train, supervise and generally support AmeriCorps members with little Corporation assistance beyond the education award. The members who successfully serve in such programs are eligible to receive an AmeriCorps educational award, but they do not receive a living allowance, health care or child care from the Corporation, and the sponsoring organizations receive only minimal administrative assistance. At the Presidents' Summit on America's Future in Philadelphia, President Clinton challenged faith-based organizations, nonprofits, and colleges and universities to support this initiative.

We have approved and launched more than 140 Education Awards programs, including about 80 organizations that had not previously hosted AmeriCorps members. The rest are existing AmeriCorps grantees that were able to add new components as a result of this new opportunity. Once fully operational, the programs approved thus far will support more than 20,000 new AmeriCorps members. In general, sponsors are national, state, and local organizations and agencies, and programs range in size from 1,000 or more to fewer than 20 members, carrying out service to respond to all types of community problems. Sponsors include:

—The Boys and Girls Clubs of America, which will place 1,000 AmeriCorps members in Clubs across the country to serve younger Club members and engage those younger boys and girls themselves in service to their communities;

—Two national faith-based organizations: the National Council of Churches and the Catholic Network for Volunteer Service, which together have placed over 6,000 AmeriCorps members in non-religious community service activity;

—The L.A. Veterans' Initiative, which is placing more than 200 members across the country to assist in homeless veterans' returns to independent and productive living; and

—A number of colleges and universities that are placing college students in intensive community service settings.

THE MARTIN LUTHER KING JR. DAY OF SERVICE

In 1994, Congress passed the King Holiday and Service Act of 1994 to transform the federal holiday honoring Dr. King into a day of service that reflects his life and teaching, bringing people together around the common focus of service. At that time, Congress charged the Corporation for National Service to work in partnership with the National King Holiday Commission (now replaced by the King Center for Nonviolent Social Change, Inc.) and play a leading role in making the holiday a day "on" for service, not just a day off from work or school. Service was at the heart of Martin Luther King Jr.'s philosophy and action. Dr. King said, "Everybody can be great because anyone can serve," and urged Americans to take action to improve our communities and the lives of fellow citizens. Our other national partners include: the United Way of America; the Points of Light Foundation and its Volunteer Center network; First Book, which donated over a million books to literacy efforts; and Do Something, a youth service organization that provides a special service-learning curriculum to school aged youth.

This year on the King holiday tens of thousands of volunteers in thousands of projects across the country joined together to tutor children, build homes, clean parks, paint classrooms, deliver meals, and provide other service to improve their communities in all fifty states, the District of Columbia, Puerto Rico, and the Virgin Islands. The projects varied widely in scale and in focus. In Philadelphia, 12,000 vol-

unteers fanned out across the city to renovate schools, clean neighborhoods, and read to children. In Jackson, Mississippi over a dozen youth groups served together on cross-faith, cross-racial teams to renovate low income housing and restore after-school play spaces. In Zuni, New Mexico, volunteers from the Indian Reservation and from the Senior Corps and AmeriCorps collaborated with the local fire department to create a wood bank for low-income residents to heat their homes through the winter. In all these efforts we have called on all the Corporation's streams of service—AmeriCorps, Learn and Serve America and the Senior Corps—to play an active part in the observance.

In the fourth year of the Martin Luther King Jr. Day of Service, we are gaining momentum toward our goal—fulfilling the legislative responsibility to promote service in honor of Dr. King.

In an appendix, we have provided examples of Martin Luther King Jr. Day of Service activities.

LEARN AND SERVE AMERICA

FISCAL YEAR 2000 BUDGET REQUEST

The Learn and Serve America fiscal year 2000 appropriation request reflects an increase of $7,000,000 over the fiscal year 1999 budget. These additional funds are requested to expand the reach and impact of service-learning programs for school-age and college youth and meet the local demand for service-learning implementation and training. Learn and Serve America's funding has remained constant since fiscal year 1996. In the intervening years, service-learning has gained stature and importance in education at the elementary, secondary and post-secondary levels because of its positive impact on youth in academic achievement, school engagement, civic responsibility, understanding of racial diversity, and in the contribution service-learning makes to communities.

The goal of the Learn and Serve America programs is to make service an integral part of the education and life experiences of all young people, thereby building a lifelong ethic of responsibility and service. All Learn and Serve America programs—K–12 school- and community-based and higher education—integrate community service with academic curriculum or with out-of-school time and extracurricular learning opportunities.

In fiscal year 2000, Learn and Serve America's new and existing resources and capabilities at the local, state and national levels will be mobilized to: support the increasing demand for service-learning implementation and training; support the expansion of out-of-school time programs; better support higher education institutions' efforts to create permanent service-learning programs; and increase the ability of colleges and universities to utilize Federal Work-Study students in community service, including America Reads literacy programs.

In an appendix, we have provided examples of local service-learning programs at the K–12 and higher education levels.

SPECIAL SERVICE-LEARNING INITIATIVES AND PROGRAMS

National Service-Learning Leader Schools Program

Sponsored by the Corporation for National Service, the National Service-Learning Leader Schools Program is a new presidential initiative that will recognize high schools from across the nation for high quality service learning. In its pilot year, 1998–1999, the program will recognize up to 100 high schools for their exemplary integration of student service into the curriculum and the life of the school. The first National Service-Learning Leader Schools will be announced in June 1999, and at that time, the schools will begin a two-year award period in which they will provide support and training to other schools interested in developing or expanding service-learning programs.

The President's Student Service Scholarships

The President's Student Service Scholarships program is now in its third year and has awarded scholarships to over 4,000 young people, but many more students are eligible and deserving. Each high school in the country may select one junior or senior to receive a $1,000 scholarship for outstanding service to the community. Through the National Service Trust, the Corporation for National Service provides $500, which is matched with $500 from local scholarship sponsors. Scholarship recipients must have served at least 100 hours within a 12-month period. In addition to the scholarships, many other students will receive recognition through the President's Student Service Award program, which honors youth ages 5 to 25 who per-

form at least 100 hours of service to the community in a 12-month period; they receive a gold pin, as well as a presidential certificate, and a letter from the President.

The scholarship program is succeeding. Matching scholarships have been provided by the high schools themselves as well as by a host of community foundations, local businesses, and religious and civic organizations including Kiwanis Clubs, Lions Clubs, the Miss America Organization, Elks Lodges, Moose Lodges, and Dollars for Scholars.

In addition, states and regional partners are supporting the President's Service Scholarships. For example, in Minnesota the state legislature has made funds available to meet the match for each scholarship awarded in the state; in Houston, Texas local corporate and foundation sponsors provide the match for the scholarship in 50 schools. Local nonprofits such as hospitals, senior centers, YMCAs or YWCAs, or United Ways may benefit from or coordinate student service; they provide the match for the scholarship in many communities.

We are working to expand our partnerships to encourage the additional matching resources required to expand the program. Boys and Girls Clubs, for example, have agreed to match up to 2,000 scholarships to young people in their local sites.

Our fiscal year 2000 budget proposal includes $10 million for the President's Student Service Scholarship to support scholarships for 20,000 high school juniors and seniors.

Points of Light Foundation

Under Title III of the National and Community Service Act, the Corporation for National Service is authorized to provide funds for the Points of Light Foundation, which was created under President Bush to encourage every American and every American institution to help solve the nation's most critical problems by volunteering in community service. The Foundation also disseminates information on promising community service approaches and builds the capacity of institutions and individual leaders to support volunteer service. The Corporation enthusiastically urges the Committee to appropriate $5.5 million for the Points of Light Foundation in fiscal year 2000, the same amount appropriated last year. The Corporation and the Points of Light Foundation continue to work closely together in pursuit of our common objectives.

CONCLUSION

In conclusion, the success of AmeriCorps and Learn and Serve America warrant the additional support requested in the budget. Thank you.

APPENDIX ONE—EXAMPLES OF NATIONAL SERVICE PROGRAMS

AMERICORPS*STATE AND NATIONAL

The following is a sampling of AmeriCorps members' accomplishments around the country:

In St. Louis, Missouri, AmeriCorps members serve with the St. Louis Partners Safety Service Corps. The team has assisted the U.S. Forest Service in fire suppression on over 1,600 acres in Missouri. The Corps has also received recognition from President Clinton for their work around the country, which includes clearing fallen trees from roads and power lines in the wake of ice storms in Maine and New Hampshire, providing relief and assistance to residents of Michigan following severe storms that included gale force winds and responding to an interagency call for assistance in fighting major forest and grass fires in Florida.

In Montgomery County, Maryland, AmeriCorps members participate in Community Assisted Policing (CAP) with the Montgomery County Police, who credit AmeriCorps members with adding to their arrest rates. With AmeriCorps members tracking down the location of criminals, police were able to arrest 33 percent of those with outstanding warrants. In addition, with AmeriCorps members completing administrative duties, police were able to devote additional time in December to the Driving While Intoxicated (DWI) Holiday Task force, which resulted in 201 arrests of drunk drivers, many of whom were underage.

In Birmingham, Mobile and Montgomery, Alabama, AmeriCorps members serve in 13 schools through the Alliance for Catholic Education (ACE). During their two-year commitment, ACE AmeriCorps members participate in intensive teacher-training and service-learning courses during the summers and teach full-time. Over the past four years, ACE AmeriCorps members in schools across the South have taught nearly 5,000 underprivileged school children, and 100 percent of participating principals have rated the program highly.

ACE AmeriCorps members make an impact with their students that goes far beyond the classes they teach. At St. Jude's High School in Montgomery, ACE AmeriCorps members have started a popular drama program and directed students in several service-learning projects. In Birmingham, an ACE AmeriCorps member directs a service project that she integrates with classroom work. Students volunteer at a homeless shelter/soup kitchen and then are assigned to write and reflect about their experiences.

In Des Moines, Iowa, AmeriCorps members serve at the Iowa Coalition Against Domestic Violence. Operating since 1985, the Iowa Coalition Against Domestic Violence offers assistance to battered women and children living in 99 rural communities throughout Iowa. AmeriCorps members enable the Coalition to maintain field offices in underserved areas, offering services in crisis intervention, counseling, protective orders, shelter, and medical services. Last year, members assisted close to 3,500 women and 4,000 children through 29 domestic violence agencies/projects across the state. Additionally, members provided 260 education programs to the public, including classes on date rape and conflict resolution to hundreds of elementary, junior high and high school students. Overall, the AmeriCorps program in the last four years has made it possible for members to assist 20,000 victims of domestic violence.

Throughout West Virginia, AmeriCorps members serve with Energy Express. Initially serving two sites in 1994, Energy Express now includes 68 sites where AmeriCorps members provide summer learning experiences and nutrition to children living in low-income and rural communities across West Virginia. Of the more than 3,000 elementary age children enrolled in the 1998 summer program, 70 percent of those tested maintained or improved their reading achievement scores and benefited from a nutritious breakfast and lunch served daily over the six-week program.

In Flagstaff, Arizona, AmeriCorps members serve in the Coconino County Rural Environmental Corps. AmeriCorps members focus on three areas of the environment in Northern Arizona: fire prevention, hazardous fuel reduction, and natural resource management. Members performed home fire safety inspections for 370 residents, thinned eight acres of land near the Flagstaff Arboretum, participated in annual revegetation projects, and developed a youth service component to assist with U.S. Forest Service trail maintenance. In response to a firewood shortage in Native American communities in Northern Arizona, thinned wood was dried and delivered for use during cold winter months.

In Houston, Texas, 135 AmeriCorps members serve children in disadvantaged neighborhoods throughout Houston, reaching a school population of nearly 6,000 through SERVE HOUSTON. The wide array of services provided by AmeriCorps members include learning enrichment activities, one-on-one tutoring, student wellness education, development of parent resource centers, and ongoing service-learning opportunities. Through their comprehensive activities, and in close collaboration with individual school staff, SERVE HOUSTON members expand these schools' overall capacity to provide academic and extra-curricular activities, and get things done for these kids. AmeriCorps members work with a wide variety of community partners including the YMCA of Greater Houston, Volunteer Houston, Interfaith Ministries, Junior Achievement, the Scouts of America, and the Children's Museum of Houston.

In New Jersey, AmeriCorps Members serve through the New Jersey Department of Education in ten New Jersey schools. Members provide safe havens for children by extending the school day where they tutor children and run after school programs. Members also provide in-class academic support and mentoring activities aimed at improving math, science, and literacy skills. The program aims to improve the school success of 80 percent of 600 students served in 5 districts—Camden, Paterson, Pleasantville, Roselle, and Trenton.

In Montana, 40 full-time and 80 part-time AmeriCorps members serve through the Montana Conservation Corps. The AmeriCorps members serve throughout the state on crews of 6 under the leadership of a crew supervisor, and they work to address critical needs in maintaining Montana's natural resources. AmeriCorps members are constructing and maintaining 250 miles of trail and 36 parks, restoring and enhancing degraded watersheds, helping improve water quality, correcting site erosion, and preventing further degradation and restoring habitat. AmeriCorps members are constructing homes for ten low-income families, and rehabilitating housing for 80 low-income senior citizens and ten community agency facilities. Through its CorpsLink program, the AmeriCorps members are mentoring 450 adjudicated youth that they have engaged in 210 service projects.

In Idaho, 17 full-time and 19 part-time Idaho Trio AmeriCorps members are improving the academic performance of 2,309 Head Start, K–12 and college students

in various sites throughout the state. The majority of these students face challenges including physical disabilities, disruptive home life, and poor English skills. Teachers benefit from AmeriCorps members providing in-class support by giving one-on-one and small group assistance to many students.

AMERICORPS PROMISE FELLOWS

The following are some examples of how states intend to utilize the new Promise Fellows:

In Arizona, ten AmeriCorps Promise Fellows will be serving in urban and rural communities across the state to build upon and enhance the existing network of service organizations. Three AmeriCorps Promise Fellows will be based at the Arizona Governor's Community Policy Office where they will concentrate on identifying existing service organizations that are already providing the five fundamental resources for children and youth in Arizona. Those programs will serve as models that can be replicated and teamed with other service organizations. Seven AmeriCorps Promise fellows will be placed in rural and under-served communities. For example, an AmeriCorps Promise Fellow serving in Graham and Greeley counties will, among other things, develop a youth council, bringing high school students in the area together to share ideas, give voice to community concerns, and themselves serve the community.

In Florida, eleven AmeriCorps Promise Fellows will be engaged in a variety of diverse activities to help fulfill the goals set for children and youth at the Presidents' Summit in Philadelphia and the Florida Promise Summit, including:

—Identifying safe places for children in Pinellas County through the Youthmapping for Safe Places;
—Starting a literacy project that will distribute books to programs across the state;
—Organizing a mentor recruitment drive to involve more people in becoming positive role models; and
—Creating and managing a Youth Opportunities Directory to provide valuable resources to every child.

In Oklahoma, thirteen AmeriCorps Promise Fellows will serve to develop, expand and coordinate initiatives aimed at answering the America's Promise Challenge, including:

—Designing a database of volunteers for the American Red Cross;
—Expanding the volunteer base for the Oklahoma City Boys and Girls Clubs;
—Developing an afterschool program at the Texas County YMCA in Guymon, OK to provide safe places and more mentors to youth in the area; and
—Creating a volunteer center for the United Way of Ponca City, OK.

MARTIN LUTHER KING JR. DAY OF SERVICE

The following are examples of Martin Luther King Jr. Day service projects: In Athens, Alabama, the city of Athens provided a day of continuous service and education for adults, teens, and children about how to resolve racial conflicts. Community leaders provided educational training on nonviolent solutions and then the attendees participated in serving lunch to area senior citizens and the needy.

In Baltimore, Maryland, students, faculty, staff and alumnae of the College of Notre Dame of Maryland along with community volunteers staffed the Caroline Center, a job training/education program for women living in poverty. Their efforts allowed the Center to open on the holiday and to provide a safe, supervised environment when the schools were closed. Volunteers worked with children at the center to create picture books about racial harmony and cultural diversity. The women of the Center participated in seminars about self and community development and were also given a presentation on the role of women in the Civil Rights Movement.

In Helena, Montana, staff and volunteers from the United Way read books to over 150 youth for the holiday. The books focused on the accomplishments of Martin Luther King and the contributions of African-American and Native American cultures. Following the reading, children and adults served in local community service projects in the Helena area.

In Passaic, New Jersey, staff of the Anderson Lee Vocational and Technical School and NAACP youth volunteers helped to renovate three classrooms in need of repair. The volunteers added plumbing fixtures, installed new flooring, and repainted faded walls.

In Austin, Texas, on the Saturday before the holiday, residents of Austin fanned out over the city to over 40 sites to participate in community service projects. Over 1,500 people helped to build houses with Habitat for Humanity; planted trees;

cleaned-up trash in neighborhoods; visited nursing homes; and participated in clothes drives.

In Morgantown, West Virginia, volunteers renovated a playground to ensure compliance with state regulations. They refinished existing playground equipment, replaced rusted fencing, and enlarged the play area by 15 feet to install a new playground set.

LEARN AND SERVE AMERICA—SCHOOL- AND COMMUNITY-BASED

The following are examples of the success of School- and Community-based Learn and Serve America programs:

In Gresham, South Carolina, high school students, after completing a needs assessment, built a rural fire department on property donated by a community member. Having a fire department in the community has resulted in a re-classification which has saved every homeowner substantial money on their homeowner's insurance. This experience has greatly impacted the safety curriculum throughout the K–12 system.

In Sedalia, Missouri at Smith-Cotton High School, industrial technology students with help from the art students converted waste materials from a local pre-fabricated building company into 400 bluebird nesting boxes. Students installed the nesting boxes on the vast Missouri State Fair Grounds, the adjacent State Fair Community College campus, the City of Sedalia's soccer fields, and other public grounds. A late summer inspection revealed dramatic nesting success, and the students learned basic wood shop, equipment safety and operation, problem-solving, mass manufacturing techniques, quality control, and natural history.

In Iowa City, Iowa the Iowa Service-Learning Partnership incorporates service-learning into teacher education programs at Iowa State University, the University of Iowa, and Northern Iowa University. Along with training current K–12 teachers and administrators, the Partnership trains future teachers who pair up with supervising teachers during their student teaching assignments to implement a service-learning project for the K–12 students.

More than 3,500 Iowa school children have been involved in service-learning projects, thanks to the work of the 400 current teachers, and 450 prospective teachers who have received training in service-learning concepts and practice over the past three years. A follow-up study found 50 percent of the classroom teachers continued service-learning a year after the original Partnership experience.

At Jane Addams Elementary School, in Chicago, Illinois fifth through eighth grade students tutor younger students in several academic areas. Students this year achieved the highest level ever in the history of the school on national basic skills tests for mathematics and reading. The school is located in an inner-city neighborhood that is populated by first generation immigrants. Because English is a second language for most students, peer tutors received special pre-service training in tutoring techniques.

The Hamilton YMCA, a branch of the YMCA of Metropolitan Chattanooga, Tennessee, has expanded their Before and After School Child Care Tutorial program in partnership with East Brainerd Elementary School. The after-school program involves children ages 5 to 11 in service-leaning projects such as peer tutoring and creating a vegetable garden at school. Twenty-five students tutor 70 "at-risk" elementary school pupils in their areas of academic weakness. In collaboration with local environmental agencies, the students are developing a Field Guide to be used on the East Brainerd Elementary Nature Trail by 500 students at the school. The program has a proven track record of student gains in academic achievement and self-esteem.

LEARN AND SERVE AMERICA—HIGHER EDUCATION

The following are examples of the success of Higher Education Learn and Serve America programs:

In Mobile, AL, first year engineering students at the University of South Alabama partner with math and science middle school teachers to design course software and hardware that meet the classroom needs and specifications of the teachers. This affords the college students an opportunity to practice engineering design within a "real world" environment, while meeting the community-identified need of more active, hands-on learning of science and math at the middle school level.

In Crow Agency, MT, Business Administration students at Little Big Horn College work with the Tribal Business Information Center to provide technical assistance and office services to the Center. They also serve as information systems technicians for community agencies, work with local, state, and national parks to serve as cul-

tural and historical interpreters, and serve as advocates for clients with health or educational needs.

Based in Mesa, Arizona, the Campus Compact National Center for Community Colleges has a national project which teams seven community colleges with a neighboring four-year college or university to collaborate on community service-learning projects, and faculty and student service-learning training and research projects. Nationally, the program's goal is to provide exemplary models and effective practices for developing and sustaining partnerships between two- and four-year institutions of higher education to serve community needs. Each collaborative project is locally determined and managed. Examples of these innovative programs include:

—an Ohio program in which service-learning courses are focused on the restoration of a polluted Appalachian watershed and on the history and heritage of the impoverished community living in the watershed area; and

—an America Reads program in Florida in which college students tutor elementary school children both in school and in community-based afterschool centers while developing their teaching skills through service-learning courses in education, psychology, and communication.

NATIONAL SERVICE PROGRAMS ENGAGED IN LITERACY ACTIVITIES

The following are some examples of national service programs engaged in literacy activities: In Connecticut, AmeriCorps members tutor seven- and eight-year-olds in reading during the school year and during the summer in nine public housing communities in Hartford, New Haven, and New London, CT. Members also coach parents in supporting their child's efforts to read, volunteer in classrooms, and work with teachers to reinforce school curriculum with supplementary services.

In Florida, AmeriCorps members tutor under-achieving K–3 students so that all will read at or above their respective grade level. Members also train middle and high school students to become elementary school student tutors, and teach parent education workshops to parents to increase the number of parents reading to their young children. Members serve throughout Florida in local elementary schools with critically low student performance.

In Houston, Texas, Literacy*AmeriCorps Members provide literacy instruction for children and adults and target the specific need of increasing children's reading skills. AmeriCorps Members increase literacy for families by providing English as a Second Language courses, basic skills, pre-GED and GED classes, homework assistance to school-age children, and family and parent literacy programs. America Reads activities include recruiting and training volunteers as tutors for young children.

In San Francisco, California, there is a higher education service-learning program where Corporation funds help train and place college work-study students in schools to provide one-on-one tutoring to third grade students who are underachieving in reading. The program includes an intensive 45 hours of training in reading instruction, reflection sessions and mentoring opportunities with teacher collaborators. The project expects to develop materials for dissemination, including the revised course syllabus, a tutoring resource manual and readings, placement procedures and supervision guidelines, recruitment materials, and evaluation instruments assessing the performance of tutors and tutees alike.

In Washington state, the Governor has launched a statewide effort to improve literacy among young children. All parts of national service, including AmeriCorps and service-learning, are contributing to this effort.

[From the Dispatch, Feb. 1999]

A SALUTE TO THE FIRST PROMISE FELLOWS

(By General Colin Powell)

For some of our young people, preserving our democratic way of life means shouldering a rifle, or climbing into a cockpit, or weighing anchor and setting out to sea. For others it means helping a child to read, or helping that child to secure needed vaccinations or health care. Or it means building a park, or helping to bring peace to troubled neighborhoods, or helping communities recover from natural disasters, or reclaiming the environment.

For a select group of young people called Promise Fellows, it means a special mission: It means providing young people with access to the five America's Promise Fundamental Resources they need to lead successful lives.

The Promise Fellows are new dimension in the ongoing partnership between America's Promise and the Corporation for National Service—AmeriCorps. From the very beginning, the Corporation for National Service has been one of our staunchest allies. Former Senator Harris Wofford, the Corporation's CEO, helped make the Presidents' Summit in Philadelphia the seminal event it was, and he has been a valued supporter of America's Promise ever since.

The creation of the AmeriCorps Promise Fellowships was announced by President Clinton last June. This month, the first Promise Fellows—some 500 of them—will undertake their training and then fan out all across the country to assist in local efforts to provide the five America's Promise Fundamental Resources.

Promise Fellows will be starting a literacy project in Florida that will distribute books to programs across the state. In Illinois, they will organize a summit for youth and community members. In Oklahoma, they will be developing an after-school program at a local YMCA and establishing a database of volunteers for the local Red Cross. In North Carolina, they will assist a program that matches elementary school children with senior volunteer mentors. In Mississippi, they will work with 100 Black Men of America to recruit 10,000 new mentors in the city of Jackson. In New Jersey, Promise Fellows will serve as coordinators of Communities of Promise projects in all 21 New Jersey counties. Nationally, Promise Fellows will work with another ally of America's Promise, Communities in Schools, to identify and create up to 500 Schools of Promise across the country.

These are just a few of the many ways in which Promise Fellows will be making America a better place by giving young people a better chance at life. Their motto is, "Delivering on America's Promise to Youth"—and that is exactly what they are going to do.

The 500 Promise Fellows are the first of the hundreds more we expect in the years ahead. Because these young people are going to be serving in positions of leadership, they are going to exert an influence far in excess of their numbers. They are going to be catalysts and coordinators for a whole range of projects designed to advance the five America's Promise Fundamental Resources. They are going to be examples and role models for other young people. Finally, when they finish their year of service as Promise Fellows, they are going to carry that experience with them for the rest of their lives. Whenever they are confronted with a problem or need in their communities—particularly one involving young people—they will be able to draw on their experience as Promise Fellows in devising solutions, and their neighbors will be able to look to them for leadership and advice. I look forward to giving you further reports on the success of this new adventure in public service.

Senator BOND. Thank you very much, Senator. We will have a number of questions for you submitted for the record. But let me go back to the management reform. You made the commitment last year to correct a number of the weaknesses. The IG has found that the same material weaknesses exist. In fact, the number of material weaknesses has expanded to two new areas in the Corporation's financial operations.

You have developed an action plan. What sort of strategy or plan did you have in place last year to address the material weaknesses? Have you determined that implementing this action plan will eliminate or will remedy the weaknesses, and when do you expect to have them remedied?

ADDRESSING MATERIAL WEAKNESSES

Mr. WOFFORD. In just a minute, if I may, I would like our chief operating officer, who has been a driving leader in this, to add her comments.

As to the sequence of plans, I would like to make sure you see this is not just one plan after other plan. The top management of OMB, before our last hearing, had put a lot of power and leadership—working with us very directly—into the plan we reported to you at this committee. We made great progress in that plan.

As the other studies by the Inspector General, our own studies, and then the balance sheet qualified opinion and its recommenda-

tions and findings came, we necessarily had to go into greater depth, greater detail and specificity with our plan submitted to you. I was glad to see that except for the two additional points you wanted us rightly to include in that plan—which we have now added—that will show you every 60 days whether we have made our targets, you have no objection to the plan that is before you.

Let me add one other thing about that sequence and the sequence of leadership. Out of the collaboration with OMB's management leadership, we were very fortunate to bring on board our new chief operating officer—they let us have Wendy Zenker, one of their top people, who by the way had run grants management at the Department of Education some time before.

But she came in, fortunately overlapping at the same time that our chief operating officer was taken to be Secretary of the Army, and a little while thereafter, you probably know, our chief financial officer was taken to be the chief financial officer of Internal Revenue.

Wendy Zenker has given extraordinary leadership. She has been brought in as a strong extra accounting support and I would like her to comment, if she may, on your question.

Senator BOND. Thank you.

STATEMENT OF WENDY ZENKER

Ms. ZENKER. Thank you very much, Mr. Chairman. As you noted, we do have an Action Plan that addressed, at the time, all of the six material weaknesses that the Inspector General had noted in her fiscal year 1997 balance sheet audit that was issued in October of last year. We specifically organized the plan around those material weaknesses so we would have an assurance that we would be able to show to you progress, and also results, in correcting those weaknesses. The plan is dynamic. As the year goes on, as we learn more, if it is necessary to modify the plan or add a particular goal or objective, we do that. As a matter of fact, in our February progress report to you we added procurement management. We recognized, based on the information that we had been receiving, that there was, in all likelihood, a material weakness in that area and have added that to our action plan. So, as I say, we can show you results every 60 days and we can show you real improvement within this year and the next.

You asked how long it will take to fix the material weaknesses. We believe that we can fix them within the next 2 years. That is, 1999 and 2000. The reason I say that to you is because many of the weaknesses are tied to our very poor current financial management system. The efforts that we are taking to install a new financial management system will address several of the material weaknesses that the Inspector General has identified.

Senator BOND. Thank you very much, Mrs. Zenker. Senator Wofford, we are delighted you brought in a chief operating officer, but we are still very much concerned about the attention and time being dedicated to the Corporation's management weaknesses.

What are the reasons that you do not have a CFO? You have a deputy. What are you going to do about that?

CHIEF FINANCIAL OFFICER

Mr. WOFFORD. I am glad to be able to report to you that, after a frustrating and hard search, we have identified someone who we think will perform with outstanding ability and experience. That person is being vetted at this moment by the White House.

Senator BOND. When do you hope to have them on board?

Mr. WOFFORD. I hope any day; we hope very soon. We will have the vetting process for the initial announcement and, of course, thereafter——

Senator BOND. Obviously we wish you luck.

Mr. WOFFORD [continuing]. There are the various studies that go on, as you well know, before that person can take full charge. That is why it is very fortunate that during this interim, which was longer than we wanted, that we have had the kind of leadership that Wendy Zenker is giving right now, every day. So we have had nothing dropped. In fact, she came directly out of the shaping of our plan last year, and came over here to help us implement it.

NATIONAL SERVICE TRUST

Senator BOND. Senator, the Corporation is requesting $93 million more for the National Service Trust account. The IG states in her testimony that as of September 30 last year, the trust liability totaled $161 billion, but the Corporation had reserved $357 million in the trust. And thus, she calculated, there is a projected surplus of about $196 million, according to the auditors.

Do you agree with the auditors' assessment? Was this existence of the surplus factored in? And the thing that really concerns us, both from both a financial management as well as programmatic standpoint, does this indicate that the actual education award usage was less than what the Corporation has been estimating?

Mr. WOFFORD. No. Let me separate the two parts of this problem, which it is crucial to separate.

One, the most prudent and appropriate way to report the liability on the financial statements is in the audit that is just underway now. The Corporation in the beginning, it seems to me rightly, reflected the Act, which says that every member of the trust—of AmeriCorps—who completes service is entitled to an education award. And we have an obligation—in fact, the Act makes it very clear—that the money for those educational awards must be held in the trust.

Therefore, in the beginning, with no evidence as to how many would use those awards, knowing, of course, that some would not—some may not want to go to college, a significant proportion are over 30, and even though an increasing number of people over 30 and over 70 are interested in college—we have always known that not all members are going to use it. Some go directly to jobs out of programs that have taught them how to build houses for the homeless. But we accept the auditor's recommendation that, at this point, it would be wise to discount the amount needed—the amount that is listed as a liability, because now we have some experience.

Experience indicates that about 78 percent—and it could go higher—use the award. So we accept the recommendation of the audi-

tors and we are changing the financial statement to reflect that liability.

But that is a different question from what funds are needed now to be in the trust fund.

We have been discounting our request to Congress at that 78 percent rate for 2 years now. And if we had not discounted it by that factor, we would be asking for some 70 million more for the trust.

Maybe Wendy Zenker would want to see if I adequately conveyed that.

Ms. ZENKER. One way to think about this is—there is one way to think about the liability as we record it on the financial statement, and a different way that we prepare our budget estimates that we share with you and the Congress.

In terms of our liability on the statement, we felt that it was prudent to take a very conservative approach and assume that every member who enrolled in the trust was going to use their education award until we had actual facts and proof that that was not the case.

Senator BOND. In essence, now you agree that there is that——

Ms. ZENKER. We still believe it is a judgment call. We have not gone through a full 7-year cycle yet. So for the first class that were enrolled, we have some usage figures and very high usage figures for that class. But since they have not had the full 7 years, we do not know, for sure, exactly how many people will use their education award.

Mr. WOFFORD. Some are predicting a peak coming at the end of the 7 years when people say, I will no longer have my voucher—my education award—if I do not use it. So we have to take into account the uncertainty.

Senator BOND. That is possible.

I think I have benefited from a hometown-like system. Back in the heartland, if you have a referee that comes from the same town as one of the teams, you can always count on getting better calls.

I think I have gotten a better call on the light system. So I will terminate my question and turn to my ranking member for her questions. Maybe we can give you a small hometown advantage.

Senator MIKULSKI. That is fine with me. As you know, we have two basketball teams in the tournament, one a big school like Maryland and then we are very proud of Mount St. Mary's College, a small college that has a lot of grit and determination. Keep your eye on them. It is the small sizes that sometimes triumphant over the giants. [Laughter.]

USE OF AMERICORPS EDUCATION AWARDS

Having said that, I would like to follow up really on Senator Bond's question about use. I really had a hard time following that answer. And here is my question: Of the number of volunteers, full-time and then the number of AmeriCorps volunteers part-time—remember the part-time model which was to be so crucial, was one of the things I advocated, because it did not require relocation, enabled people of disabilities to be recruited because their supports would be available.

My question is as far as you know now, how many people have either used AmeriCorps to pay down their debt, which is one category, or to use their voucher for additional education?

Mr. WOFFORD. Over 76,000 have earned the educational awards and, of those, already 35,000 have used them or are using them now.

Senator MIKULSKI. To do what?

Mr. WOFFORD. To pay either the loans that they had taken out from college or to pay directly to colleges.

Senator MIKULSKI. Of the 35,000 then, how many have used their service in AmeriCorps to pay down their debt, which was one of the original purposes of the program?

Mr. WOFFORD. About 34 percent have used it to pay down their debt, 56 percent use it to pay for continuing college education, and 10 percent use it for both purposes.

Senator MIKULSKI. I do not know what continuing college education means.

Mr. WOFFORD. About 25 percent of all members are precollege and they use their award to pay for entering college.

Senator MIKULSKI. Yes?

Mr. WOFFORD. A continuing might also be that more than——

Senator MIKULSKI. I am going to be very hard here. Forty-five percent used it to pay down their debt. And was that the full-time or the part-time people?

Mr. WOFFORD. Both: we can give you the breakdown, in general, there is no significant difference in the use of awards between full-time and part-time members.

Senator MIKULSKI. That will be important. If we are looking ahead at where we need to put our money, and even where you are going to do your recruitment, which is who are the most people who make the advantage, this is like the epidemiology of the program. It tells you what is healthy and what needs immunization and what has got real big problems.

So if 45 percent did that, but when we say continuing—are you saying that 30 percent of the 55 percent are people who used AmeriCorps to essentially get a voucher to begin their higher education?

Mr. WOFFORD. The—exactly 30 percent, I will not say.

Senator MIKULSKI. I do not care if it is 29 or 30.

Mr. WOFFORD. Senator, yes. Of those who have not gone to college, a high proportion——

Senator MIKULSKI. That is not continuing. They never began.

Mr. WOFFORD. I meant beginning their education; it is post-secondary education. Some go to job training; most go to college. Second, there is a significant number who serve in the middle of their college. They take a year out—the full-time members. And an even larger number of the part-time members are in college as they serve, and they use it for future college expenses.

Senator MIKULSKI. Is that the part-time group?

Mr. WOFFORD. Yes. A significant proportion of part-time AmeriCorps members are at the same time studying at college. It is part-time service in AmeriCorps, and they earn a part-time educational award. Part-time service is an area you have been inter-

ested in growing, and last year we had over 14,000 part-time and reduced part-time members, compared to 7,500 the year before.

Senator MIKULSKI. Yes. And I would like then to have worthy information on this.

Now the 25 percent who then use their voucher to begin some type of post-secondary education, whether it is job training that is very specific—it could be computer something or other or it could be—how many of those went to a full 4-year program and how many went to a 2-year program?

Mr. WOFFORD. We may be able to get that information for you. And, if not, we can get it in due course.

[The information follows:]

Program year	Full-time members	Full-time percent	Part-time members	Part-time percent	All members
1994	16,054	64	9,163	36	25,217
1995	17,844	71	7,338	29	25,182
1996	17,608	70	7,520	30	25,128
1997	22,963	61	14,586	39	37,549
Total	74,469	66	38,607	34	113,076

Senator MIKULSKI. That is not a judgment about whether you go to 2 year or 4 year. Again, it talks about who are we recruiting and who sticks with the program.

I think it would be fantastic if somebody who never had a chance comes into AmeriCorps and then they go and get their voucher to get their 2-year program in nursing, or maybe a 2-year program in emergency management, something they have got a flavor for when they worked in AmeriCorps, and they keep on going with the experience they earned in it.

Maybe they go into construction technology because they did Habitat for Humanity, but those 2 years—AmeriCorps goes 2 years day school and then maybe they go on to night school or the wonderful ways higher education recruits people. But you see how we have to——

Mr. WOFFORD. Exactly.

ATTRITION

Senator MIKULSKI. Now of the number of the people that have come into AmeriCorps, what is the dropout rate?

Mr. WOFFORD. I think the 78 percent figure is one way of throwing light on that. The report that is——

Senator MIKULSKI. What is the dropout rate?

Mr. WOFFORD. About 16 percent—who come in, do not complete the service, or have a shorter term of service. They do not have urgent personal or family reasons to leave, and they have not left for positive reasons, such as to take a job in a welfare-to-work program.

Ms. ZENKER. There is, Senator, a range of dropout rates. I do not mean to not answer your question. But when we look at each of our program years, we have statistics that range from 16 to 20 percent in terms of a dropout rate.

Senator MIKULSKI. What is the dropout rate in each year of the last 3 years?

Ms. ZENKER. For the last 3 years—if I may, if I can start from the first year? We only have 4 to report to you.

Senator MIKULSKI. Sure.

Ms. ZENKER. The dropout rate in year one, which was the 1994 to 1995 year was 20 percent. The dropout rate in year two, 1995 to 1996, was 18 percent. The dropout rate in year three, 1996 to 1997, was 14 percent. And the dropout rate in the year four, 1997 to 1998, is currently 16 percent but we still have people serving in that year. I would suggest that that is not a final figure.

Senator MIKULSKI. You would say in terms of the dropout rate that you have really improved your screening procedure. You see, for everybody, for whatever reason they drop out, we have made a tremendous investment. And they have taken a slot. So the better the screening—that is a pretty good rate.

Mr. WOFFORD. Senator, could I just add two figures that may be very important to you in comparing this. Forty-seven percent of first year students at 2-year public colleges drop out. Thirty-one percent of first year students at 2-year private schools drop out. Thirty-three percent——

Senator MIKULSKI. We are not talking about going to school. There are a lot of reasons why people drop out of school. And this is not a hearing in the Ed Labor Committee. I am very familiar with why they drop out of school. What I am interested here is—that is not a comparison that is relevant.

Mr. WOFFORD. Peace Corps and Job Corps and the military are the other three figures I will give you just to compare.

Senator MIKULSKI. I am interested in AmeriCorps. I am interested in the viability of AmeriCorps. That is what this hearing is about.

Mr. WOFFORD. No one is more interested than you——

Senator MIKULSKI. So then having asked that question, I see that my time is up in terms of recruitment. I was just going to ask another question.

Senator BOND. Take one more. I will give you the hometown advantage.

SUSTAINABILITY OF AMERICORPS PROGRAM IMPACT

Senator MIKULSKI. Thank you. Could you then tell me the issue in terms of the in-programmatic impacts? We have a variety of statements here. You in your own reports talk about how, for example, reading improves when the volunteers are there. What I am interested in is what are the studies to show when the volunteers leave.

In other words, is there a sustainability to the impact of AmeriCorps as compared to AmeriCorps being there?

Mr. WOFFORD. In the report that Aguirre prepared—that we are releasing on AmeriCorps, we have figures that are not on this chart of the estimate of the percentage who continue to serve as volunteers in their communities. There is a very strong report from this—I think you will find a very substantial report on just exactly how AmeriCorps has instilled—the evidence that shows that it has instilled an ethic of continuing service in the members.

There is already an AmeriCorps alums organization that the AmeriCorps members have started that is very actively——

Senator MIKULSKI. That is an alumni association? Because that was going to be one of the key components of the program.

Mr. WOFFORD. There is definitely one, very active and full of plans and growing and committed to furthering service. The alums have committed themselves to the five goals of the President's summit and have made specific commitments as to what they want to do.

Senator MIKULSKI. Let me just ask my last question here and then I will come back for a second round. It says here: in all programs 5,700 members at 305 sites supported the tutoring of youths in grades 1 to 12. Sixty-seven percent of those tutored showed improvement during the program year, which is great.

Then what happened in the second year? Do we know that? In other words, what is next? If you build a Habitat for Humanity house, there is the house. I know it is hard to do education. I know it is hard to do public health. I know it is hard to do these to do these things.

Mr. WOFFORD. In tutoring and reading?

Senator MIKULSKI. Yes.

Mr. WOFFORD. The report I want to do for you is going to show the accumulating evidence from around the country from literacy programs, in which AmeriCorps members serve, that involve measurable test scores year by year.

Remember, that the AmeriCorps member—we do not run literacy programs. AmeriCorps members get assigned to local literacy——

Senator MIKULSKI. I understand all that. Is that report done, Senator Wofford?

Mr. WOFFORD. We have a lot of that—yes, because we are a major partner in the——

Senator MIKULSKI. Is the report done?

Mr. WOFFORD. We have reports that are done.

Senator MIKULSKI. It says the summary of recent national evaluation. Is that a single report?

Mr. WOFFORD. No. In addition to this summary report, which we are releasing today, we have a number of reports that we and the Education Department have on what AmeriCorps participating literacy programs are accomplishing. We will send you the report and that study in a summary.

Senator MIKULSKI. We will come back to it.

Senator BOND. Thank you, Senator Mikulski. We are delighted to have Senator Kyl today.

Senator KYL. Thank you, Mr. Chairman. I will take so little time that it will make up for all of that hometowning that you were doing with each other. I just wanted to stop by and say hello to Senator Wofford and commend you for your efforts in trying to accomplish all that I know you wish to accomplish with the program.

Mr. Chairman, since I am (A) a late arrival and (B) new to the committee with not enough information to really contribute, I will defer to you and your expertise to continue the line of questioning. Thank you.

Senator BOND. Senator Kyl, you are always welcomed and we are delighted to have any questions.

I am going to turn back to Senator Mikulski. I have just one or two quick questions. We are going to have the IG and KPMG. If you could stay around, Senator Wofford, I welcome to give you an opportunity to respond orally to any of the points that they raise. And obviously on this hearing as in any others we not only will keep the record open for questions that members may have, but if information developed at the hearing triggers your additional thoughts, if you want to have specific responses to that, we would be happy to have it.

NATIONAL SERVICE TRUST

To follow up on the National Service Trust, 16 percent do not use the education award. How is this accounted for in the trust fund account? Do you now believe that that $196 million is excess funds?

Ms. ZENKER. No, Senator, I do not. As we stated, there is a distinction between the way we provided the liability estimate and the draft financial statement and the way we provided a budget estimate for the Congress. In providing a budget estimate, we have taken into account what is simply called "the discount"—the people who have earned an award but who we do not believe will use those awards. So we have applied that discount factor in our budget estimating practices that we have shared with you. There is still a modest surplus in the trust account and it is there for the unexpected use of these awards by students who may, indeed, come back and use them.

If some of those people show up and say, we are in our last two program years, we want to make use of that education award, we feel we need to have the money available for them to make use of that award.

So there is a modest amount of money that is in the trust. But there is no large surplus to the extent that has been described.

WASTE, FRAUD, AND ABUSE

Senator BOND. Let me turn for the last general question to an area that reflects the concern we have about the Corporation's management capacity, and that is the vulnerability to waste, fraud or abuse.

The Inspector General has repeatedly found problems related to grant oversight and monitoring. In one case an OIG investigation revealed evidence that at one grantee site the executive director had misapplied funds and as a result the IRS seized and sold the site's assets to satisfy delinquent taxes. The OIG also questioned more than 12 percent of the grantee's claimed costs, and yet despite these problems I understand that the Corporation continues to fund this grantee.

Could you tell us why you continue to fund the grantee? What procedures and controls do you have in place currently to prevent these sorts of problems, and have there been other cases where you have taken action against noncompliant grantees?

Mr. WOFFORD. Indeed, is the answer to the latter. The Congressional Hunger Center is the sponsor of the program that is referred to. One of their sites did have the problems that we found—certainly the Inspector General found and that site has been terminated by the Congressional——

Senator BOND. It was a site-specific problem of a larger grantee?

Mr. WOFFORD. It was a site-specific problem. And we have confidence in the Congressional Hunger Center's impact as a program; it is one of the outstanding programs in the Corporation. That site was a disaster.

Senator BOND. Did you find that or was it the IG that found it?

Ms. ZENKER. Initially, there was a participant at the site who brought the issue to our attention. When we heard of it, we directed that individual immediately to go to the IG's office so that the IG could conduct the appropriate investigation into what was going on.

Senator BOND. Are the problems that were found there the kinds of problems that you would normally identify in your oversight of grantees?

Ms. ZENKER. If I may, Mr. Chairman. We have a situation in the Corporation where we have grants that we give to state commissions and other national directs, and they in turn give subgrants to sites around the country. We have a direct responsibility to monitor our grants and we do that. We are not able to monitor our subgrantees.

Senator BOND. Was this a subgrantee?

Ms. ZENKER. It was a subgrant of the Congressional Hunger Center, a smaller site. I would have to honestly tell you, I do not think we have the resources to appropriately monitor all of the subgrantees and program sites around the country. What we do try to do is to make sure that our grantees understand what their responsibilities are to monitor those sites and those subgrantees.

Senator BOND. So in this instance the grantee blew it?

Ms. ZENKER. To a certain extent the grantee blew it. They hired and had a program director at a site who turned out to be a crook. I am looking for another word but I cannot find one.

Senator BOND. That is the problem. How do we make sure that somebody is getting the crooks out of there?

Ms. ZENKER. In this instance it happened, and I would suggest the response happened in the appropriate way. This is one project director in terms of thousands that we have around the country. It was a bad apple and through the hotline, and other mechanisms to encourage people to bring these things to our attention, the Inspector General was able to go out and do the type of review that needed to be done to shut down the site.

Mr. WOFFORD. Mr. Chairman, could I just add, we have convened all the national nonprofit grantees and all the main grantors from the state commissions appointed by governors to a training conference that focused on just this issue.

The Inspector General gave a very detailed and challenging report of the hardest of her findings. The impact of that training conference—I have seen it in a number of states that I have visited. The state commission executive directors have themselves called conferences of their grantees to make sure that they are monitoring more effectively, if they had been inadequate in the past.

There are a number of additional steps we are going to take to ensure the responsibility of the state commissions—to which two-thirds of the grants are made—and the national nonprofits.

MONITORING GRANTEES

Senator BOND. The final question is, do you now have in place the resources to do an effective job of monitoring, whether it is through your direct grantees or through the state commissions? And, if not, have you requested the funds to provide those resources to make sure there is an effective grants monitoring regimen in place?

Ms. ZENKER. Mr. Chairman, yes. We have requested additional funds to improve our grants management activities. But even as we await the results of the 2000 budget request, we are still this year putting more resources into grants management and into grant monitoring.

One of the activities that our program offices have done is to look at the criteria that we provide to determine where they should perform site visits this year—so that we make sure we go to the more vulnerable sites versus the stronger sites in our oversight activities. So we are doing things this year, but in terms of our 2000 request, a portion of that will also go to improve grants management.

Senator BOND. Thank you very much. Senator Mikulski.

Senator MIKULSKI. Thank you, Mr. Chairman. I know we will have other questions submitted to the record.

CHARACTERISTICS OF FULL- AND PART-TIME PARTICIPANTS

Just now that as we look at the results of AmeriCorps Learn and Serve, particularly AmeriCorps, I am interested in the distinction between the full-time participant as well as the part-time participant and who really made use of either/or. Did they come predominantly from—what social backgrounds, et cetera?

And, also, the part-time model which was to be focused on the fact that many people cannot go away because of family obligations or do not want to go away, but want to participate in a program like this. So that is why the part-time model was there, to meet that need.

And it was often designed particularly for women and perhaps a little bit older women volunteers who wanted to be in AmeriCorps because they either had a family obligation—they might have been a caregiver to an older parent—as well as people even, for example, with certain disabilities. If you have your whole network lined up in your hometown, like in Baltimore, and you have your physician, you have your support services and so on, you can still be a volunteer. In fact, it is important to show that in AmeriCorps everybody is welcomed who wants to do a job. That was one of the other aspects.

So anyway, I am interested in the part-time model. As we go ahead with reauthorization, we need to know this as well as the funding.

What I have here is the Brandeis report which I have read, which says that everybody likes AmeriCorps and everybody likes AmeriCorps when they are there, but it is questionable about the sustainable effort. That is complicated in education. But if we go to this report—that says Aguirre International? Is this report going to be released today?

Mr. WOFFORD. Yes.

Senator MIKULSKI. I sure wish we would have had it for the hearing.

Mr. WOFFORD. My testimony goes into some detail, the 28-page testimony.

Senator MIKULSKI. I appreciate that. But I would have liked to have seen the report. What time are you going to release it?

Mr. WOFFORD. It is available, as far as I know, right now. We have it here. We will give it to you——

[The information follows:]

AMERICORPS STATE/NATIONAL FULL-TIME/PART-TIME STATUS 1997–1998

[In percentages]

	Full-time	Part-time
Service commitment:		
Full-time	77	.....
Part-time	23	.....
Total	100	.....
Race/ethnicity:		
African American	27	25
American Indian	2	1
Asian/Pacific Islander	1	5
Hispanic	16	20
White	52	46
Other	2	3
Total	100	100
Gender:		
Female	70	68
Male	30	32
Total	100	100
Age:		
21 or younger	20	36
22–29	51	28
30–37	13	14
38–45	9	13
Over 45	7	9
Total	100	100
Education completed:		
Less than H.S.	5	8
High School	17	19
Some College	36	46
College Grad.	36	20
Grade. Degree	6	7
Total	100	100
Income status (family):		
$5,000 or less	7	11
$5,001 to $10,000	14	12

AMERICORPS STATE/NATIONAL FULL-TIME/PART-TIME STATUS 1997–1998—Continued

[In percentages]

	Full-time	Part-time
$10,001 to $20,000	18	20
$20,001 to $30,000	9	15
$30,001 to $40,000	14	10
$40,001 to $50,000	8	9
$50,001 to $60,000	8	6
$60,001 to $70,000	5	6
Over $70,000	17	11
Total	100	100
Members' household employment status:		
Unskilled laborer	14	17
Semi-skilled laborer	11	4
Skilled laborer	25	28
Clerical/sales	20	26
Professional/managerial/technical	30	25
Other	.....	.....
Total	100	100

Senator MIKULSKI. I would have liked to have had it last night or something. This is the hearing. This is the shot. This is the opportunity. I am glad you are releasing it and everybody who has a newspaper will read it. But I would like to know when do I get to read it. I do not mean to be brusque here.

Mr. WOFFORD. The detailed summary of this was provided to the staff.

Senator MIKULSKI. I do not want a summary, Senator Wofford. I really want this report because I am digging into this program. I really do not want a summary. I really wanted the report. So let us see what we can do here. But this is kind of where we are: I am going to be helpful, but this was my window of opportunity to really then focus on this for the hearing. So let us have the report. Do you understand?

Mr. WOFFORD. Yes.

Senator MIKULSKI. I am glad you gave the testimony. If I had the report, I could have had, I think, better questions.

Mr. WOFFORD. We will give you an analysis of the part-time, which is an increasing proportion of AmeriCorps.

May I add one other thing, Mr. Chairman, on this point? Namely——

Senator MIKULSKI. I did not give up my time yet.

Mr. WOFFORD. I give up mine, which does not exist.

HEALTH SERVICES AND SENIOR SERVICES

Senator MIKULSKI. In terms of all of the people that we are talking about here, it says that AmeriCorps members serve in clinics, VA hospitals and other health-related facilities. It says close to 500,000 people were immunized. I would like to know what other things they did in the area of health services.

It says that over a million volunteers were generated, recruited, trained or supervised. I hope the report goes into how that happened and, also, this whole thing with the effort to the seniors, helping them maintain independent living would be very important, because that was one of the other missions and I would like to know where that is spelled out. Is that all in that report or not?

Mr. WOFFORD. It will be in the report that will come to you. I cannot say that it is all in the Aguirre report. No.

[CLERK'S NOTE.—The following report "Making a Difference: Impact of AmeriCorps* State/National Direct on Members and Communities 1994–95 and 1995–96" can be found in the subcommittee files.]

Senator MIKULSKI. I have other questions for the record. I know we want to move on to the IG and anything else that Senator Wofford wants to tell you.

Senator BOND. I will give Senator Wofford an opportunity to take one last crack.

Mr. WOFFORD. Just one minute to make clear that with the exception of a few programs—Teach for America, a large program which sends teachers all around the country; Alliance for Catholic Education which sends teachers to southern Catholic schools—a few programs, the overwhelming majority of our programs are programs locally based where people serve locally. We do not come in from outside.

I want to make those facts clear to Senator Mikulski because it is not a program—with the exception of the American Red Cross project and the Disaster Relief teams of NCCC—that parachutes anyone into a community. The Red Cross sends people into disaster areas, the AmeriCorps teams. Otherwise it is a locally based program in which the local programs select the members, recruit them, administer them.

Senator BOND. Thank you very much, Senator Wofford. I appreciate your testimony and Ms. Zenker's. And I do ask you to stick around if you would care to respond. And now I invite the Corporation's Inspector General Luise Jordan and Karen Molnar from KPMG to come forward. If you would, take your places up here. We would appreciate that.

We have just heard from the Corporation regarding a variety of issues about their efforts to correct management deficiencies. If you have any thoughts you have in response to the Corporation's testimony, we would welcome those.

I also would like to hear the auditors' assessment to date on the financial statements audit. Especially on the auditability of the Corporation's statement. I will be especially interested in hearing the auditors' view on the Corporation's progress, addressing its management deficiencies and what recommendations you may have that can assist the Corporation.

Last, I am concerned about the discussion of the audit finding of the $196 million in surplus funds. We are going to invite you to provide details on that. I understand you have written testimony which we will make a part of the record. And I would like to ask you to take about 5 minutes to make any oral statement you wish to make. Thank you.

STATEMENT OF LUISE S. JORDAN

Ms. JORDAN. Mr. Chairman, Senator Mikulski, I appreciate the opportunity to be here today to provide information related to the Corporation's financial management.

To answer your question, although the Corporation has taken steps to achieve financial accountability, progress to correct its financial management deficiencies has been slow. Last year for the first time we were able to audit the Corporation's balance sheet. Presently we are in the final phases of a full-scope audit of the Corporation's 1998 financial statements.

The audit, as you indicated, is being performed by KPMG under contract to my office. Karen Molnar, the auditor partner responsible for the work, has accompanied me here today. Senator Bond, your referee hails from Missouri.

We planned and conducted the audit in accordance with generally accepted government auditing standards with an intended reporting deadline of March 31, 1999. Because of known internal control weaknesses, the audit required, as you indicated, extensive, costly and time-consuming procedures that took into account in their design the pervasive deficiencies in the Corporation's operations and systems.

Today, however, I am reporting that completion of the audit is delayed due primarily to my decision to allow the Corporation to revise its estimates of grant advances and payables. The balances related to grants are among the most significant items on the financial statements. Audit work to date has revealed that the Corporation's procedures to estimate the advances and payables are flawed. Because the estimates are flawed, the Corporation has requested additional time to correct the information by using actual information from grantee-submitted financial reports.

The Corporation's work is made more time-consuming and more extensive because not all the financial reports have been entered into the financial systems. To date, however, as has been discussed, the financial statement audit has revealed material weaknesses in eight areas including two new areas. Those will be item 7 and 8 in this list.

First, the general control environment. The Corporation's general control environment is weak and not conducive to ensuring an effective system of internal control. Control environment factors include commitment to competence, management philosophy and operating style, organizational structure and assignment of authority and responsibility. The control environment sets the tone of an organization, influences the level of control consciousness and provides the discipline and structure of an organization. The Corporation's lack of effective management control is evidenced by the volume of material weaknesses and other reportable conditions identified in this audit and the number that have remained uncorrected over the years. Without a strong control environment, control weaknesses will continue, increasing the risks and inefficiencies and reducing the reliability of the Corporation's financial information.

Second, Financial management and reporting. The Corporation does not currently have a chief financial officer or other strong fi-

nancial management personnel in place to provide leadership and oversight necessary for effective quality control of accounting and financial reporting activity. It lacks an effective quality control structure to ensure that significant errors and omissions are identified and corrected in its financial information.

Third, Grants management. Adequate procedures for monitoring grantees' financial activities and their compliance with laws and regulations are not in place. Expired grants are not closed out on a timely basis. And, as I stated earlier, a reliable method for estimating expenses incurred by grantees has not been established.

We have repeatedly reported deficiencies related to grants oversight and monitoring in individual audit reports and in our semiannual reports. Over the past 4 years our audits of 73 of the Corporation's grantees reported that over one-third experienced problems with their financial reports. The audits disclosed that more than half of these grantees had accounting systems and management controls inadequate to report the expenditures or to safeguard Federal funds and that about a half had inadequate timekeeping systems. We also reported that one-third of these grantees failed to adequately monitor their subrecipients.

As a result of these and other conditions, we questioned more than six million, or six percent, of the funds awarded to the grantees.

The Corporation remains responsible for the proper spending of its funds, the proper oversight of its programs, regardless of the location or regardless of whether a grantee is a subgrantee or immediate grantee.

Financial systems. The Corporation's general——

Senator BOND. Unfortunately—we will make your full statement part of the record. And, if you would, just hit on the high points. We have other witnesses we need to get on to.

Ms. JORDAN. All right. As a result of these conditions, the Corporation cannot provide reasonable assurance that its management controls properly safeguard its assets, that its information is accurate and it complies with laws and regulations. As I stated when I began, most of these conditions have been reported as material weaknesses since we began auditing.

In response, the Corporation has initiated several action plans. However, much remains to be accomplished. The Corporation's most recent action plan incorporates many of the recommendations. It is the Corporation's most ambitious plan to date. However, because it has only been in effect for 2 months, it is too early to know when or whether the Corporation will correct these deficiencies. However, based on the Corporation's history, it is probable that without a strong and consistent commitment from senior management to effective management, without a serious and continuous commitment of resources and without competent financial management oversight and monitoring, the deficiencies will not be corrected in a timely fashion.

PREPARED STATEMENT

Last but equally important, the audit revealed that as of September 30 the National Service Trust had a projected surplus of $196 million. Under the National Community Service Act as

amended this surplus can be used to provide additional education benefits. Ms. Molnar is here to provide any additional information on that matter, if we can, at this time.

And at this time I will be glad to answer any questions that you or Senator Mikulski has of me.

[The statement follows:]

PREPARED STATEMENT OF LUISE S. JORDAN

Mr. Chairman and members of the subcommittee, I appreciate the opportunity to be here today to provide information related to the Corporation's financial management.

OIG first reported financial management issues in an Auditability Assessment of the Corporation issued in March 1996. The assessment resulted from our attempts to audit the Corporation's financial statements as required by the Government Corporation Control Act. During an initial survey of the Corporation's internal controls, we found many material weaknesses in the Corporation's records and accounting systems. As a result, we concluded that the Corporation's financial statements were unauditable. Although the Corporation has taken steps to achieve financial accountability, progress to correct the deficiencies has been slow. Last year, for the first time, we were able to audit the Corporation's balance sheet.

Presently, we are in the final phases of a full-scope audit of the Corporation's fiscal year 1998 financial statements. The audit is being performed by KPMG under contract to OIG. Karyn Molnar, the audit partner responsible for the work, is accompanying me today.

We planned and conducted the audit in accordance with generally accepted government auditing standards, with an intended reporting deadline of March 31, 1999. Because of the known financial management weaknesses that we have previously reported, our audit required extensive, costly, and time-consuming audit procedures that considered the material weaknesses and other pervasive deficiencies in the Corporation's operations and systems.

Today, however, I am reporting that completion of the audit is delayed. The delay is due primarily to my decision to allow the Corporation to revise its estimates of grant advances and payables. The balances related to grants are among the most significant items on the Corporation's financial statements. Audit work to date has revealed that the Corporation's procedures to estimate grant advances and payables are flawed. Because the estimates are flawed, the Corporation has requested additional time to correct the information by using "actual" information from grantee financial status reports (FSRs). The Corporation's work is made even more extensive because not all of the FSRs have not been entered into the Corporation's financial systems on a timely basis.

The financial statement audit has revealed material weaknesses in eight areas of the Corporation's financial operations, including material weaknesses in two new areas, specifically—

General Control Environment.—The Corporation's general control environment is weak and is not conducive to ensuring that an effective system of internal control is maintained to safeguard assets, produce reliable financial reports, and comply with applicable laws and regulations. The control environment sets the tone of an organization and, thereby, influences the level of control consciousness and provides the discipline and structure of an organization. Control environment factors include commitment to competence, management philosophy and operating style, organizational structure, and assignment of authority and responsibility.

That the Corporation lacks an effective management control environment is evidenced by the volume of material weaknesses and other reportable conditions identified in the audit and the number that have remained uncorrected over the years. Without a strong control environment, control weaknesses will continue to permeate the organization, thus increasing risks and inefficiencies and reducing the reliability of financial information.

Financial Management and Reporting.—The Corporation does not have a Chief Financial Officer or other strong financial management personnel in place to provide the leadership and oversight necessary for effective quality control of accounting and financial reporting activities. The Corporation lacks an effective quality control process to ensure that significant errors and omissions are identified and corrected in its financial information. Throughout the audit, the auditors found numerous errors in the Corporation's draft statements and supporting documentation, many of which would have been caught and corrected if an effective process was in place, and competent financial managers had adequately reviewed the information.

Grants Management.—Adequate procedures for monitoring grantees' financial activity and compliance with laws and regulations are not in place; expired grants are not closed out on a timely basis; and a reliable method for estimating expenses incurred by grantees, and related amounts advanced or payable to grantees, has not been established.

OIG has repeatedly reported deficiencies related to grants oversight and monitoring in individual audit reports and in our Semiannual reports. For example, over the past four years, our audits of 73 of the Corporation's grantees reported that over one-third have experienced problems with their FSRs, which provide critical information on grant expenditures. The audits also disclosed that more than half of these grantees had accounting systems and management controls that were inadequate to report grant expenditures and to safeguard Federal funds, and that about half (47 percent) had inadequate time-keeping systems. We also reported that about one-third of these grantees failed to provide adequate oversight of their subrecipients. OIG investigations have also dealt with allegations of irregularities at grantees, some of which may have been prevented by better grantee oversight. As a result of these and other conditions we have questioned more than $6 million (6 percent of the funds awarded to these grantees).

In one recent audit, we reported on a grantee that had experienced severe financial problems at one of its operating sites. Although an OIG investigation had revealed evidence that the site's Executive Director had misapplied funds, the cognizant United States Attorney declined to prosecute. The Internal Revenue Service, however, seized and sold the site's assets to satisfy delinquent taxes, and the operating site closed. When this occurred, high-level Corporation management came to my office to express their consternation as to how this could have happened just months after awarding the grant. I responded that my Office had reported to the Corporation in March 1996 that it did not perform or require effective reviews of grantee financial systems or controls prior to grant awards.

Later, during fiscal year 1998, at the request of the then Chief Operating Officer, we audited both the grantee and the Corporation's oversight of the grant. The grant audit revealed numerous compliance and internal control weaknesses still existed at the grantee. We questioned more than 12 percent of the grantee's claimed costs.

The review of the Corporation's oversight found that the Corporation had failed to adequately monitor the grant—even though it was aware of the grantee's history. Site visits performed by the Corporation had focused largely on programmatic, rather than financial matters. We also reported that the Corporation failed to monitor and detect that the grantee drew down funds in excess of its needs and that the grantee had not submitted required information such as evaluation reports, rosters of its AmeriCorps Members, and its required financial audit reports, to the Corporation on a timely basis. The Corporation continues to fund this grantee.

Issues related to grantee financial information have been reported in a number of OIG audit reports and Semiannual Reports to the Congress. We recently reported that the Corporation had yet to close out grants made by its predecessor, the former Commission on National Service, although grant performance periods expired several years ago. It is my understanding that, few, if any, of the Commission or AmeriCorps grants have been closed. Closing out grants is necessary to determine the actual spending so that the accounting records and related budgetary information can be properly adjusted.

In September 1998, we issued our report on the audit of the Corporation's fiscal year 1997 balance sheet. In that report we described the need for the Corporation to ensure timely processing of its FSRs and to develop an appropriate methodology to estimate grant advances and payables. We clearly stated that deficiencies in these processes were a major factor in our inability to issue a "clean" opinion on the balance sheet. We recommended that Corporation take action to correct these deficiencies. As I mentioned earlier, the Corporation's failure to take action is the major cause of the delay in completing our audit of the Corporation's fiscal year 1998 financial statements.

Financial Systems.—The Corporation's general ledger system is not adequate to support its financial information needs, including funds control, or to facilitate the preparation of annual financial statements. The Corporation plans to replace its general ledger accounting system during this fiscal year. As we have previously reported, it must do so because the current system is not Y2K compliant. We have also called your attention to the high risk related to the tight time frames in which the new system is scheduled to be implemented. To the best of our knowledge, the Corporation has not identified any contingency plan to support its financial operations should implementation fail or be delayed.

National Service Trust.—Procedures to obtain AmeriCorps membership roster information prepared by program sites and to reconcile this data to corresponding in-

formation on file at the Corporation are ineffective. This information is necessary to support the payment of education awards and to validate the accuracy and completeness of the data supporting the calculation of the service award liability.

Fund Balance with Treasury.—The reconciliation of Corporation records to those maintained by Treasury is not performed in an effective manner and does not adequately support the separate balances related to Appropriations, Gift, and Trust accounts. Not reconciling fund balances could result in material misstatements in the financial statements and increases the risk that data in the general ledger is inaccurate or incomplete. In addition, the absence of effective procedures increases the risk that a misappropriation of cash could remain undetected, and hinders effective cash management.

Net Position.—Adequate procedures for ensuring accurate and timely deobligation of funds for undelivered orders are not in place, and changes in the components of net position are not reviewed for propriety on a timely basis. As a result, the Corporation reports obligations that will never be expended. Controls have not been established to ensure compliance with appropriation laws.

Revenue from Reimbursable Agreements.—Procedures are not in place to ensure revenue related to offsetting collections from reimbursable agreements is fairly stated and properly recorded in the general ledger accounts.

As a result of these eight conditions, the Corporation cannot provide reasonable assurance that its assets are properly safeguarded, its financial information (including budgetary information) is accurate, and that it complies with laws and regulations.

Most of these conditions have been reported as material weaknesses since we began auditing the Corporation. In response, the Corporation has initiated various action plans over the past several years. However, as the above listing indicates, much remains to be done.

The Corporation's most recent Action Plan, issued December 21, 1998, incorporates many of the recommendations that we have made over the years to correct these conditions. Issued in response to a Conference Committee report, it is by far, the Corporation's most ambitious plan to date.

Because the latest Action Plan has only been in effect for two months, it is too early to know when or whether the Corporation will correct these serious deficiencies. However, based on the Corporation's history, it is clear that without a serious and continuous commitment of resources, and competent financial management oversight and monitoring, the deficiencies will not be corrected in a timely and effective manner.

In addition to weaknesses in the Corporation's financial operations, the audit work completed to date has revealed two issues relating to compliance with laws and regulations.

First, the Corporation is subject to the reporting requirements of the Government Corporation Control Act, as amended. This Act requires Corporation management to provide an annual statement on its internal accounting and administrative controls consistent with the requirements of the Federal Managers' Financial Integrity Act—FMFIA. The Corporation recently made its first attempt at a Corporation-wide assessment. However, the Corporation has yet to establish an effective risk-based assessment program. The Corporation's Action Plan indicates that by March 31, 1999, it will establish a formal management control plan.

Second, the Corporation has not submitted its annual management report in a timely fashion and apparently will not meet the deadline this year. The Corporation is required by law to submit an annual management report 180 days after the end of its fiscal year. Its fiscal year 1998 report is due March 31, 1999. However, the Corporation's Action Plan indicates that it will not submit the report until April 30, 1999.

Equally important, the audit provided another benefit to the Corporation. Our procedures revealed that, as of September 30, 1998, the National Service Trust has a projected surplus of about $196 million. The auditors performed extensive analytical procedures on the actual usage of education awards and determined that the Trust's liabilities totaled about $161 million, which is about $100 million less than the Corporation originally estimated. At September 30, 1998, the Corporation had $357 million in Trust investments to fund this liability, resulting in the projected $196 million surplus. Under the National and Community Service Act, as amended, this excess can only be used by the Corporation to fund education benefits, including payment of all or part of the attendance at an institution, repayment of student loans, certain student loan interest, and payment of expenses for approved school-to-work programs. The Corporation has requested that $93 million be appropriated to the Fund in fiscal year 2000.

Mr. Chairman, this concludes my prepared statement. I will be pleased to answer any questions you or members of the subcommittee might have.

Senator BOND. Ms. Molnar, would you care to—do you have any brief comments you wanted to make in addition to what was said?

Ms. MOLNAR. No, I do not, Senator Bond. I will be happy to answer any questions you have.

Senator BOND. I have had a little experience as an auditor. It did not really affect me that much and I did not learn that much but I do understand some of audit speak. But let me try to make this a little clearer.

You talk about, I guess, your major finding is a lack of control at the top. For those of us who monthly fight the battle of the checkbooks—and I would have to say that in the last column I always get the cents mixed up, and I miss agreeing with the bank by a couple of dollars at the end of the month—now, are we talking about problems that are way over in the right-hand column, in the small figures? Or are you saying that the checks—some of the checks are not entered into the book, some of the bills are being paid twice? What, in layman's terms, what is the impact of what you say is this lack of control, and how serious is it?

Ms. JORDAN. The immediate impact on the financial statements has been adjustments in the millions of dollars. For example, when we held open for adjustment on the estimates of grants, advances and payables, the adjustments in the first round exceeded $40 million.

The adjustments to the other accounts ranged from $5 million, $10 million, in that type of range. Cash is the one that you refer to when you talk about the cents being different from the bank.

There were differences from the Treasury records that exceeded about $2 million.

Ms. MOLNAR. $2.4 million.

Ms. JORDAN. That is a significant difference for the Corporation, which is a small agency. More importantly, those differences are not reconciled on the appropriation level, on the gift account level or on the trust fund level. They are not tracked on a monthly basis. That increases the risk of fraud.

Senator BOND. What is the risk of fraud? Is this a situation where somebody could be absconding with funds or mis-billing or committing fraud on the Corporation? What is the extent of the exposure? Are you talking about mis-accounting? What is the impact on the Corporation and on the taxpayers' dollars?

Ms. JORDAN. First of all, we do find fraud and most recently the court sent an executive director at one of our grantees to jail because of the fraud we found.

Controls are designed to reduce risk and prevent or detect errors or irregularities. The Corporation's controls are so weak that they do not effectively detect. My investigators refer to the Corporation as a target-rich environment.

Senator BOND. I think I understand that.

Ms. Molnar would you explain the discovery in your analysis of the surplus of $196 million in the trust fund account?

Ms. MOLNAR. Certainly. The analysis that we performed on the trust fund liability, which is what we were talking about, what you make reference to, is the fact that members do earn certain awards

based on the service that they have provided. And until recently the Corporation has not had sufficient historical experience to actually figure out how many members will use their awards over the lifetime that they are available to be used.

However, it is reasonable to expect that not everyone will use the awards that they have earned and that some of them will expire before the end of the 7-year period. But based on the information that has now been available in doing some cash flow modeling, we were able to determine that of those members who had earned awards and those members that are still earning awards, it is likely that only about 80 percent of those amounts will ultimately be used, even though we have not reached the end of a 7-year period.

So based on those analyses and using statistical models, we computed a new amount based on that information and compared it to what the Corporation had recorded using a very conservative method, as you heard, expecting everyone to use their award. And the difference was approximately $100 million and that is what you have been referring to as a surplus.

That amount cannot be used just for anything. It must be used for educational awards. And it is, therefore, available to both take care of any unexpected use and also to fund other awards.

Senator BOND. Let me be clear on this. Taking a very conservative approach, if you had a program which potentially had $500 billion that could be spent, and you know from experience that 22 percent of it is not being used and you have a broad enough spectrum to make that a sound projection, the most conservative approach would be to say that you need to keep all $500 million even though you know from past experience that 22 percent will not be used at the end of the day.

Do I understand you to say that based on experience that you believe is adequate, that $110 million would be surplus, because with only 78 percent being used, to the $500 million—if my math is correct—$110 million can reliably be predicted not to be used? Is that a fair assessment?

Ms. MOLNAR. That is a fair assessment. And also, I guess, to expand on that a little bit, the trust fund itself, the money that is in there, the investments that are funding the trust fund are also earning interest that is also put into the trust fund. And that has not been taken into consideration in determining what the ultimate outflow or the availability is going to be in the most conservative approach.

Senator BOND. Did you take into account the fact that all of a sudden people may get religion or perhaps more accurately may get education enthusiasm at the end of the 7 years and come running back in and say, whoops, before this expires, I want to get my education?

Ms. MOLNAR. We made some assumptions of a certain percentage of youths every year until the entire 7 years is over. But we did not take into account the fact that everyone who had not used it would ultimately decide in the last hour, oh, my God, I have got to use this money. That just is not a reasonable assumption.

Senator BOND. Senator Mikulski.

Senator MIKULSKI. Thank you very much, Mr. Chairman. And really I am a very strong supporter of the IG's office not only to

detect, as you said, mismanagement, but it often has provided very important managerial advice to the agency in which the IG functions, so that they could better improve their both management and fiscal accountability so we can do the mission. Accountability is really mission. And so we thank you.

In terms of the use of the educational grant, I note that—I think there is a lot of lessons yet to be learned but I am going to come back to my question. What we see in VA now with the new kind of group coming out, that often young people do not take advantage of their educational grant until they gain a little bit more civilian insights into their life, which is usually now in their late twenties, and that is one of the reasons why I wanted the VA educational benefit to be used for lifetime earning. I am not advocating this here. But I think we will have a lot of lessons learned as we move along.

Senator MIKULSKI. Ms. Molnar, I want to ask you a question because we then go to this. Obviously a great audit was done here. My question is does KPMG have a lot of experience in auditing nonprofits and community-based corporations?

Ms. MOLNAR. Yes, we do, across the country.

Senator MIKULSKI. That gives me confidence because this is not General Motors here. Nonprofits, as you know, are often big on idealism and they keep—and particularly at a very community, neighborhood-based level where I worked for so many years—essentially it is what I call the cigar box mentality. They just put everything in a box and say I will get to it because they were out either organizing or helping build the housing.

Do you feel that part of the local accounting problems are based on those kinds of community groups that do a great job in the community, but do a terrible job or mediocre job in keeping their records? Or do you think this is far more systemic? You know the kind of group I am talking about.

Ms. MOLNAR. I believe your assessment is probably correct in that there are a number of grantees and subgrantees that were referred to earlier that do concentrate more on mission, in getting the money out and not so much on administration and adhering to the guidelines that have been provided to them for doing things right. However, I do not think that that absolves them from complying with laws and regulations and for submitting their financial activity reports on time. If they do not, they need to accept the consequences, which may be that their funding will dry up.

Senator MIKULSKI. I appreciate that, Ms. Molnar. It is by way of a temporary explanation. We have also within our portfolio here something called the Neighborhood Reinvestment Corporation which really teaches community groups how to both do a job in the community and be accountable for the funds they receive, which is often the groundwork for getting more funds to do even more, better work in the community.

Do you think, as one of the mandated criteria for the awarding of a grant, is that a state commission have criteria in place that anyone who gets a grant from the National Service Corporation have sound accounting as part of their ability to get a grant?

Ms. MOLNAR. Yes, I do. And I believe that those requirements are probably already in their grant agreements.

Senator MIKULSKI. I think we should maybe take a look at that and then ensure that that really be an oversight, I mean, really a vigorous oversight because it is what I would say to community groups. You have got to get beyond the cigar box, because the more you can show wise stewardship over the funds, the more likely others will come in, like foundations, et cetera, whether it is literacy or low-income housing services or whatever.

Let us go right to the audit. This is under—this checklist that you have here for us, it does not look like progress has been made. I want to clarify the chart. The chart that you have in your testimony, Ms. Jordan, says that 1994 to 1996 it was unauditable. Then when you move on you have materially weak, those little red checks and then you have four areas of reportable conditions. But then when we go over to 1998 the four reportables drop to two and the red checks increased, which were meaning materially weak.

Are we making steady progress or are we losing ground here? If you are making progress, that is one track we are on. I am just looking at this chart.

Ms. JORDAN. As I said, progress has been slow. It has not always been steady. Some things that could have easily been fixed have not been fixed. Other things have worsened. The Corporation has become auditable because it does a better job in retaining records. We now can audit the Corporation because of that improvement. Improvements have occurred but not always evenly. I hope that this answers your question.

However, one other question that has come up. There are nine conditions on that chart. The ninth area of weakness is procurement and results not from the KPMG audit but an audit that we did recently, which revealed material weaknesses in the Corporation's procurement activities.

Senator MIKULSKI. I know our time is moving along and we have to go to the CDFI. First of all, I want to thank you for your report. And the question I asked you, Ms. Molnar, was more of a question of background and never a question of competency, and we thank you for your work.

I find this report quite troubling. And I find it troubling in the sense—because it talks about leadership, and leadership is not only management but it is about creating a state of mind. And, therefore, if the state of mind is not present about stewardship, then that goes to the state commissions as well as then to local grantees. And I think that this will have to be addressed in a different forum about this.

But you have given us excellent MRI here. I am looking at the epidemiology—you can see I am on Dr. Frisk's health committee. We are looking at the service that is rendered and what needs to be done here. So I am going to thank both of you.

Senator BOND. Thank you, Senator. Thank you very much, Mrs. Jordan and Mrs. Molnar. Senator Wofford, do you have a brief comment on the pathologist's report?

Mr. WOFFORD. Yes. Mr. Chairman, just a final brief word. We will take advantage of your offer to clarify in the record.

Senator BOND. I appreciate that.

Mr. WOFFORD. Our main response is going to be in action and we trust you are going to see it. We have a strong commitment to

an all-out effort. My team and I have never worked as hard on anything, certainly in my life. And you are going to see continued progress.

ADDITIONAL COMMITTEE QUESTIONS

Senator BOND. Thank you. I know that we do want to give you that opportunity and we will look forward to hearing your response on that.

[The following questions were not asked at the hearing, but were submitted to the Corporation for response subsequent to the hearing:]

QUESTION SUBMITTED BY SENATOR BOND

Question. For fiscal year 2000, the Corporation is requesting $93 million for the National Service Trust account. The IG stated in her testimony that as of September 30, 1998 the Trust's liabilities totaled about $161 million but that the Corporation actually had $357 million in Trust investments to fund this liability. As a result, the trust has a projected surplus of about $196 million according to the auditors. This raises questions about the need for the $93 million request. Do you agree with the auditor's assessment? When were you first aware of any surplus in the Trust's account? Has the surplus been factored into your budget requests? If so, when did you first begin factoring in this surplus? Is the interest earned on the Trust investments factored into your budgeting estimate? How many members could be served with this surplus amount? How many members are you projecting to serve with the $93 million you requested for fiscal year 2000?

Answer. The Trust liability reported in the financial statement as of September 30, 1998 is an incomplete picture of the full estimated liability. The liability reported in the financial statement does not include estimates for members who started service during the summer and for members whose service, funded with fiscal year 1998 appropriations, will start on or after October 1. These methodology used by the auditors to calculate the liability estimate for the purposes of the financial statements does not include these two factors; thus, the estimated liability is far greater than reported in the statement and the reserve maintained in the Trust is far less than described in the question. The methodology used to calculate the budget request considers the two factors referenced above as well as estimates education award utilization patterns. The Corporation does not believe there is an inappropriately large surplus in the National Service Trust. Rather, the amounts in the Trust represent a prudent reserve designed to ensure that all AmeriCorps members who have earned an educational award will actually receive them. The following fact sheet provides detailed information concerning the Trust, its funding history, and our estimates of the current liability.

NATIONAL SERVICE TRUST ALLOCATION AND USE OF EDUCATION AWARDS: BACKGROUND INFORMATION

The primary purpose of the National Service Trust is to serve as a secure financial repository in the Treasury for AmeriCorps education awards to be set aside for eligible participants in national service programs. The Trust makes education awards available to each individual who successfully completes a term of service in an approved national service position.

Funds from the Trust may be expended for the purpose of providing an education award to a national service member who has earned such an award, and must always be paid directly to the qualified institution (college, university or other approved educational institution or a lending institution holding an existing qualified student loan) designated by the participant. Disbursements from the Trust may also be used to meet certain interest expenses that may accrue when an individual has obtained forbearance in the repayment of a qualified student loan during his or her term of service, and for other purposes specifically designated in appropriations statutes (scholarships for high school students).

The amount of the education award for completing a full-time term of service is $4,725. By law, a member has up to seven years to use an education award that he or she has earned. That seven-year period expires for the first group of AmeriCorps members in 2002.

Operationally, each year the Corporation allocates a specific number of AmeriCorps members to grantees based in part on the amounts available in the Na-

tional Service Trust for education awards, funds appropriated by Congress for AmeriCorps grants, and the quality of applications received for funding. In their grant document, each grantee receives authorization for a certain number of full and part-time AmeriCorps members. These numbers represent ceilings beyond which a grantee cannot enroll members.

If a program does not actually enroll a member, then grant funds may not be spent for the direct costs of that member and the slot held for the education award is available for future use.

Under AmeriCorps*VISTA and AmeriCorps*NCCC, slots are reserved in the Trust based on the size of the program budget and the number of members serving in a given year.

Since the very beginning of the National Service Trust, the Corporation's approach to managing was to be conservative to ensure we would have funds to honor all awards earned. The Corporation's authorizing legislation required an amount to be deposited equivalent to the value of a full-time national service educational award times the total number of approved national service positions. The legislation also restricts the Corporation from approving national service positions under this subtitle for a fiscal year in excess of the number of such positions for which the Corporation has sufficient funds available in the National Service Trust for that fiscal year. (See sections 121(c) and 129(f) of the National and Community Service Act of 1990, as amended.)

In general, in fiscal years 1994 and 1995 based on budgetary requests, the Congress appropriated sufficient funds to pay members under the assumption that all members would enroll in full-time service positions, complete service, and then fully use the education award.

In fiscal year 1996, the amounts appropriated were reduced from $115 million to $56 million, based on the consideration that not all members would complete service and that a reserve had been created in the first two years. Budget justifications provided to the Congress since then identified these factors, as well as the interest earned on Trust Fund investments, as having been considered in developing the Administration's budget requests.

The Corporation has followed this approach in the development of the fiscal year 2000 budget. Our request for the Trust is $93 million. If everyone earning an award based on the fiscal year 2000 budget was to use the entire full or part-time award, the amount of budget authority needed to fund these awards (including the President's Student Service Scholarship Program) would be $167 million. This amount is not required because not all members enrolling will earn and use an award, and because of funds that remain available at the start of the year.

In developing budgetary requirements, attention must also be paid to the need for a prudent reserve and the avoidance of major fluctuations in annual budget requirements. A prudent reserve guarantees that the Trust can adjust to changes in annual program funding levels, and changes in usage patterns, without having to present the Congress with a request for immediate funding needs or annual fluctuations in budget requirements. Historically, Congress has been critical of agencies that present major annual budget fluctuations in requirements based on changing estimates. Quite frankly, it is extremely difficult for the Congress to consider budgetary requests that could fluctuate significantly, given the appropriations process and spending caps.

The budget estimates reflect, by necessity, insufficient experience with patterns of usage of the education award. The first class of Trust enrollees has yet to exhaust its 7 year availability period for using the award. We will not have a refined estimate until several classes of members have exhausted the availability period. Moreover, modest adjustments in assumptions over a multi-year period have a significant impact on estimated requirements.

Finally, there are several major difficulties with using the liability estimate alone, as developed by the auditors in preparing the financial statements, for considering Trust Fund requirements in the 2000 budget. Specifically, the liability estimate, being by design a snapshot as of September 30, 1998, does not reflect:

1. *Activity after September 30, 1998 for some of the members enrolled by that date*.—The liability estimate in the financial statements does not include amounts for members who had not completed 15 percent of their service by September 30, 1998. The amount required for these members is approximately $36 million.

2. *Enrollments after September 30, 1998*.—The liability estimate in the financial statements does not include amounts for any members projected to enroll after that date and who are supported with fiscal year 1998 program funds, even though the program budgets and the Trust appropriation for fiscal year 1998 specifically support such members in this forward funded program. The amount is approximately $45 million.

3. *The fiscal year 1999 appropriation and projected program activity*.—The Corporation's appropriation is less than the amount required to support the Trust activity in that year. In fact, under the assumption that all members earning an award would fully use it, the budget is $64 million less than Trust requirements for that year. Assuming that members use 78 percent of the amounts earned, our current estimate of Trust usage, the budget is $37 million less than Trust requirements for that year.

4. *The fiscal year 2000 budget and projected program activity*.—As mentioned above, if everyone earning an award based on the fiscal year 2000 budget was to use the entire award, the amount of budget authority needed to fund these awards (including the President's Student Service Scholarship Program) would be $167 million, or $74 million more than the request. Assuming that members use 78 percent of the amounts earned, the budget is $41 million less than Trust requirements for that year.

Further Background Information on Members' Use of the Education Award:

Those who served in program year 1994–95 had used 58 percent of the amount they earned by the end of fiscal year 1998 and have used about 61 percent as of March of this year. A major unknown is whether there will be a significant increase in the use of the award by the first year class prior to the end of the seven-year period. Some argue that many members will use the award before it expires; others argue that former members are not likely to go to school several years after leaving AmeriCorps. Only the experience of the next several years will fully resolve this issue.

Before this year, the Corporation did not have enough data to predict a percentage of awards earned that would not be used in full by the end of the seven-year period of availability. We predict that about 78 percent of these funds will be used at the end of the seven-year period; however, for the reasons stated above this could increase. In formulating the fiscal year 2000 budget, we specifically estimated that 22 percent of the awards earned would not be used.

Question. I understand that the Corporation's current financial management system is not Y2K compliant. Under the Corporation's Action Plan, you plan to install a new financial management system, called "Momentum," by the end of June 1999. However, some of the interim deadlines in the revised Action Plan have slipped. Are you confident that the new financial management system will be implemented on time? Does the Corporation have a contingency plan in case the new system does not operate correctly or its implementation is delayed?

Answer. The Corporation continues to make good progress toward upgrading to the new core financial management system, "Momentum." The Department of Interior and AMS have been working closely with the Corporation's new financial management system team. There have been some adjustments to the original schedule and these are reported in the Corporation's bimonthly Action Plan, however, we remain confident that the new system will be implemented on time. The Corporation plans to go on-line with the new core system in July 1999.

We do have a contingency plan. Should there be any unforeseen delays in Momentum implementation, the Corporation's contingency plan is to continue to operate the current accounting system, Federal Success, through September 30, 1999, and start the new fiscal year, October 1, by manually entering summary data into Momentum. Momentum, itself, is a certified Federal system. The basic workings of the software have been tested and meet Federal standards. The uncertainty is not Momentum software, but rather the Corporation's ability to convert the data from the old system into the new system. Our contingency plan is based on using the Momentum software.

Question. I appreciate the work the Corporation has done on its performance plans in response to the Results Act. In your written statement, you indicated that the annual performance indicators measure aspects of program performance that are in the direct control of the Corporation and that they would be useful oversight and management of programs. Please explain in more detail how these indicators are being used for oversight and management.

Answer. The Corporation's 1999 and 2000 performance measures are used in several ways and at many levels of activity by managers of national service programs. AmeriCorps*State and National enrollment data, as an important example, is used regularly by the Office of Recruitment to measure the results of targeted recruitment efforts and to identify areas for more emphasis. The Trust Office uses the enrollment data as part of its management of the rapidly growing Trust obligations. As our grantees come on-line this year with web-based reporting of enrollments and terminations, we will be able to use these data to respond more quickly to grantees' needs for training and technical assistance in areas like recruitment and member retention.

In Learn and Serve America, customer satisfaction surveys are being designed now and data will be collected in the 4th quarter. Among Learn and Serve's primary customers are major educational institutions and organizations that are grantees and subgrantees, such as state education agencies, colleges and universities, and State Commissions on National Service. Our surveys will be asking representatives of these institutions how well their needs for promoting service-learning are enhanced by our grant awards and what we can do in the future to make our partnership a more productive one. We will be using the feedback from these surveys to improve the quality of our support for the national service-learning community.

The National Senior Service Corps is using performance measurement to track implementation of its important Programming for Impact initiative. Senior Corps program officers and Corporation State Office staff, for example, are tracking the rate at which local programs shift to outcome-based assignments. Each state has target levels that have been set for this year, and State Offices are monitoring this closely, making regular reports to the national office.

Question. I am a great believer in devolving program responsibilities to the local level. Under some of your programs, the States have a significant role in administering programs. Last year, Mr. Wofford, you stated that devolving responsibility to the State level has been a major emphasis of the Corporation and may be so even more in the future. Could you tell us in what specific areas the Corporation has increased roles and responsibilities of the States over the past year and what your plans are in the upcoming year?

Answer. The Corporation continues to work with states on increasing their roles and responsibilities. Examples and major changes are described below.

Grant Application Review and Recommendation Process.—The Corporation used to conduct a peer review consisting of panels of outside experts for all new applications followed by a full staff review. Staff then recommended which programs to fund. Since 1997 the Corporation no longer provides a peer review or full staff review of new applications that states plan to fund with their formula grants. States perform the peer and staff review, and the Corporation accepts the states' funding recommendations. Corporation staff checks applications for financial and programmatic compliance issues and until 1999 provided states with documentation on both compliance and continuous improvement suggestions. In 1999 staff will simply review states' formula applications to check for compliance issues which will be noted and handled during negotiations with states. Corporation staff will no longer provide states with continuous improvement suggestions. Additionally, on a trial basis in 1999 the Corporation did not provide a peer review of new applications that states submitted for national competitive funds and instead relied on the states' peer review process.

For fiscal year 2000 the Corporation is discussing the possibility of further devolution in which states would submit applications chosen for formula funding for the record but there would be no Corporation staff review. Instead states would certify that they have reviewed all applications for financial and programmatic compliance and will resolve all issues with programs before awarding funds.

Statewide Initiatives.—Last year the Corporation gave states the option of submitting individual America Reads proposals or a statewide America Reads initiative. The statewide initiatives provided greater flexibility. They also allowed states to submit a plan delineating statewide needs, America Reads activities and types of partners states would engage rather than requiring states to run a competition and select programs ahead of time. State commissions responded favorably to this option. In 1999 the Corporation again offered the option of America Reads statewide initiatives and added a Governor's Initiative competition. This new statewide initiative enables states to develop a plan that is tied to a governor's priority. Funds requested from the Corporation must be related to a larger plan and effort by the state that would benefit by the inclusion of national service. The Governor's Initiative plan will include a substantial financial commitment from the state beyond the statutory matching fund requirements for AmeriCorps programs. Many states are pleased with this new initiative because it enables them to become partners in large statewide efforts and provides a great deal of flexibility.

Program Development Assistance and Training Funds.—The Corporation has reduced the budget for national training and technical assistance providers and has increased the program development assistance and training funds available to states by 50 percent. In addition, by giving states greater flexibility in how these funds can be used, commissions are now able to provide training that fosters collaboration among programs in various streams of national service.

Reporting Requirements and Site Visits.—The Corporation has been in discussion with states for some time concerning ways to reduce reporting requirements. Instead of quarterly progress reports states now submit reports three times a year.

The Corporation is exploring the possibility of reducing this further and requiring semi-annual progress and financial status reports from state commissions. The purpose and number of program site visits has changed. Corporation staff visit far less program sites than before and are more focused on evaluating the performance of state commission staff's site visits.

Fixed Price Grants.—In 1999 the Corporation awarded fixed amount grants to AmeriCorps Promise Fellow grantees. Using fixed amount grants, the Corporation awards a fixed amount of funding per AmeriCorps member and the grantee secures any additional financial support necessary to carry out the program. These grants eliminate the need for a detailed line item budget and various accounting and record keeping procedures by programs as well as state commissions. Beginning in 1999 Education Awards Programs will also be issued fixed price grant awards.

Question. Literacy is a very important priority for me. This subcommittee has provided funding for child literacy activities such as the America Reads and other initiatives. Could you please give me a status [report] on America Reads and other literacy efforts of this Corporation and what sort of impact these initiatives are having on child literacy rates?

Answer. National service is actively engaged in supporting literacy programs across the country, an area that is of keen interest to this Subcommittee.

Everywhere I go and talk with teachers, principals, and other education professionals, they tell me how it is extremely important that the entire community support efforts to teach young children to read. Volunteers do not substitute for the teacher's responsibility to teach a child to read. And, as first teachers, parents have a critical role to assure success.

Most of what we do is to supplement the role of teachers by providing additional one-to-one support for children, including after-school, weekend, and summer programs. We are also heavily involved in programs providing support to parents to make them effective first teachers of children.

I'd like to stress six points about our role in this literacy initiative, a goal shared by governors, school superintendents, and employers across the country:

First, we have a long history in all of our programs—AmeriCorps, Learn and Serve America, and the National Senior Service Corps—of supporting local literacy efforts.

Second, we provide resources, mostly in the form of people, to local programs. They determine the literacy approach, and we are there to support it. In states as diverse as Rhode Island and Washington, AmeriCorps, service-learning, and senior volunteers are supporting statewide literacy efforts.

Third, we establish local relationships with programs that have expertise in literacy. Examples include school systems, state education agencies, Even Start programs, Head Start programs, volunteer literacy organizations, citywide reading programs, and universities and colleges. These entities have structured programs that make the best use of national service and volunteers.

Fourth, we insist that all local programs provide quality training for those working with children. And we encourage the training to be done by experts—reading specialists, university professors, and others.

Fifth, we have partnerships at the national level with key education organizations, including the Department of Education.

Sixth, and finally, we believe in the bottom line—our efforts need to be evaluated as to whether we are helping local literacy programs meet an objective of having children read well and independently by the end of the third grade. There is much evidence that this one-to-one support for children, when it is well done, works. The recently released study by the National Academy of Sciences, on the issue of volunteer tutors, reached this conclusion: "Volunteer tutors are effective in reading to children, for giving children supervised practice in oral reading, and for allowing opportunities for enriching conversation." They also said the role of volunteers should not be "to provide primary or remedial instruction." That is, of course, the role of teachers.

As I indicated in my testimony and in response to other questions, there is growing evidence of the effectiveness of these literacy programs. And we are supporting a nationwide evaluation to determine the effectiveness, in the aggregate, of national service efforts.

Question. In response to congressional concerns about the costs of the Corporation's programs, the Corporation agreed to a number of cost-cutting steps such as reducing average participant costs. For the record, please give us a status and a description of the specific actions the Corporation has taken to reduce per-participant costs.

Answer. Over the last several years, the Corporation has taken a series of steps to reduce the per member costs in the AmeriCorps program.

In 1996, the Corporation entered into an agreement with Senator Grassley and others to reduce its average budgeted cost per AmeriCorps member to $17,000 in fiscal year 1997, $16,000 in fiscal year 1998, and $15,000 in fiscal year 1999. We are on target to achieve these goals.

Meeting them has required a series of actions. Beginning in fiscal year 1996, AmeriCorps State and national grantees were informed that the cost per member had to be reduced by at least 10 percent in programs that averaged above $13,800 per member, excluding education awards. Subsequently, average Corporation budgeted costs per member in these grants was reduced to $11,750 in fiscal year 1997 and $11,250 in fiscal years 1998 and 1999. Further, a maximum Corporation contribution per project was set at $14,500.

Beginning in fiscal year 1996, no Corporation funds were to be spent on the relocation of members under AmeriCorps grant programs. This prohibition has remained in effect to the present time.

Grants to federal agencies were discontinued in program year 1996–97.

Also since fiscal year 1996, certain items which were originally required to be part of the budget were made optional, thereby providing projects with greater flexibility to reduce budgets.

The education award only program, introduced in the fall of 1996, has grown rapidly. Under this program, the Corporation provides the education award and a modest amount, averaging less than $500, for program support, while the project provides all other costs, including members' living allowances. When originally designed, the Corporation anticipated this program operating initially at a modest level of 2–3,000 members annually. The Corporation has actually achieved 3–4 times these levels in fiscal years 1997 and 1998, and expects continued high levels of participation in fiscal year 1999.

Matching requirements were increased to from 25 percent to 33 percent for nonmember costs.

Under the AmeriCorps*National Civilian Community Corps, specific cost reductions have included the closing of a large campus in 1995; a decrease in the member living allowance from $8,000 per annum in fiscal year 1994 to $6,000 per annum in 1995 and finally to $4,000 per annum in 1996 to date; and a reduction in staff from fiscal year 1995 to fiscal year 1998 of some 38 percent.

Under AmeriCorps*VISTA, the Corporation has expanded its "cost share program," where the majority of the costs of supporting a member is paid by non-Corporation sources.

Question. Have your cost-cutting actions had any impact on program performance?

Answer. Many of these measures are intended to increase support from state, local, and private sources, thereby decreasing the reliance on the amount per member provided by the Corporation. In general, as measured by the successes of efforts such as the education award program, this strategy has been successful. In projects where the mixture of support has changed to a reduced reliance on federal support and a greater share of non-federal support, we don't believe there is a negative effect on program performance. A recent review of the education award program did identify, however, a number of areas for improvement, and we intend to pursue such changes to assure program quality.

In some instances, we have heard from projects that they are unable to increase the amount of non-Corporation support and will need to drop its AmeriCorps program. These organizations are typically smaller, less-well financed, community-based entities. To date, these have been relatively isolated cases; however, we intend to monitor this situation carefully as the continued involvement of such organizations in AmeriCorps is important to achieving its stated mission and goals.

Other measures have reduced the total amount of support per member in a project. While some of these measures represent efficiencies following an initial start-up period, there is also some evidence that important support functions, such as training and evaluation, may suffer a disproportionate share of reduced budgets. We also continue to monitor this situation carefully, and are committed to assuring that projects not sacrifice quality in a manner that will affect AmeriCorps' ability to meet its long-term goals.

While the Corporation continues to advocate greater state, local, and private support for AmeriCorps programs, there is also the reality that there is a basic amount necessary to enable an individual to provide a year of full-time service in a local community in a high quality program that meets community needs.

Further, the National and Community Service Act sets forth a number of different programs that are to be supported in the areas of education, public safety, the environment, and health and other human needs. These different program models of national service are frequently delivered by varying types of local organizations, with

significant differences in capacity and financial resources. If national service is to continue to be provided in a decentralized manner through these wide varieties of local service agencies, reaching out to community organizations, faith-based entities, and nonprofit organizations with limited financial resources, then any funding strategy must recognize the need for continuous, flexible support from the Corporation.

Finally, we are initiating a study of this particular issue because of its importance to AmeriCorps' mission and goals, and will report its results to the Congress.

Question. The Corporation has requested about $11 million in fiscal year 2000 to fund training and technical assistance. I understand that most of the grantees have a fairly long-term relationship with the Corporation. Given this long-term relationship, how long do you expect the Corporation to continue funding for training and technical assistance? How does the Corporation determine which programs/grantees are eligible for which training and technical assistance programs? Has the Corporation performed any analysis of which programs (newer versus older) are receiving which types and amounts of training and technical assistance?

Answer. The Corporation's training and technical assistance system was designed not only to help develop high quality programs but also to help them maintain successful levels of operation. The commitment to the continuous improvement of national service programs is a fundamental concept of the Corporation's training and technical assistance approach. We believe that there is always something new to learn and room to improve; always new, higher levels of sophistication of operation and effectiveness to achieve. The Corporation provides training and technical assistance, customized to the experience and sophistication of the grantee, to address both immediate and long-term needs.

The reality of operating non-profit service organizations includes managing high staff-turnover and addressing ever changing, compelling community needs. So while the Corporation assists national service organizations to develop and institutionalize good operational systems, there are many times when we receive repeat calls from the same program but different, new staff or to help address new problems. In addition, the number of requests is directly related to the number of grantees. Recent significant increases in national service programs have therefore caused an increase in the number of requests for training and technical assistance.

Training and Technical Assistance strives to keep grantees abreast of tried and true effective practices, as well as the latest thinking, technology, practices and applications in the national service field. Corporation-provided training and technical assistance is relevant and useful in addressing grantees' needs as evidenced by a recent customer satisfaction survey where approximately 85 percent of the respondents indicated satisfaction with these services. National service program staff appreciate this resource and see the value of accessing it for their varied professional development and continuous improvement needs.

Training and technical assistance—that is, ongoing or targeted project support and member or staff training—is available to Corporation programs at the local, state, regional and national levels. All Corporation funded programs are eligible for this assistance. Programs request assistance directly or are referred by their respective administrative entities (e.g., State Commissions) or Corporation staff based on needs of program. Most training and technical assistance occurs at local or state levels.

We are committed to continuous program improvement. Programs' strengths and weaknesses are identified at local and state levels through program monitoring and formal and informal needs assessments. In addition, the Corporation regularly conducts nationwide needs assessments (in 1993, 1996, and 1999 respectively) which identify both effective practices and training needs of grantees and sub-grantees, especially those that cut across programs and states.

The Corporation requires all its training and technical assistance providers to keep records of the number and types of programs to which they provide services, as well as the type of service provided. As we have reviewed both the performance of our providers and the progress of our programs, we have found that programs' needs for technical assistance are driven less by the length of time it has been in operation than by the needs of the staff operating the program.

For example, the director of a program that has received an AmeriCorps grant for three years may leave to lead another program. The new program director may likely be hired from outside AmeriCorps, changing the needs of this "old" program to be more like those of a "new" program.

We have found that centering our needs assessment on what is required by a program director and staff for the success of their program to be more useful for deciding how to deploy our training and technical assistance resources. While evaluation of our training and technical assistance services shows that 85 percent of recipients rate the service as good or very good, we are also mindful that programs' needs

change with time, particularly as they branch out into new areas of service, such as the America Reads initiative or the increased emphasis on mentoring spurred by the Presidents' Summit and America's Promise.

We are currently conducting our third national assessment of the needs of our programs. We will likely find that much of the type of assistance we've traditionally provided for newer programs will be replaced by new needs arising from the changing needs of our program directors, their staff and members.

Question. The Corporation noted in its budget submission that it would "share with the grantees the lessons learned across program for rigorous monitoring and evaluation." What lessons have been learned thus far from the monitoring effort? Please describe the Corporation's proposed use of Evaluation funds in its budget submission? Does the Corporation have a monitoring and evaluation office or division? Is there a site visit schedule? Is there a site visit protocol? Are there written site visit reports?

Answer. Funds will be used to support the independent evaluation of National Service programs, to determine their impact on communities, recipients of services, and members/participants providing the service.

The Corporation has an evaluation office within the Department of Evaluation and Effective Practices. As the Aguirre evaluation study reflects, much has been learned about the effects of AmeriCorps programs. We are also developing a means of disseminating "effective/best" practices to Corporation funded programs via electronic means (e.g., websites, listserves), in addition to our traditional distribution methods.

Monitoring of grantees and sub-grantees is conducted by AmeriCorps program and grants staff as well as the State Commissions. The Corporation's AmeriCorps*State/National, as well as the Grants Management Office staff, have established protocols for conducting site visits. A schedule is developed at the beginning of each fiscal year based on an assessment of risk factors. The site visits focus on state commissions and direct grantees (national non-profits, tribes and territories) to review their fiscal and program management systems. These grantees are responsible for conducting site visits to the programs and operating sites. Each site visit, whether conducted by the Corporation, state commission, or national non-profit organization, has written documentation and results in a letter that is sent to the grantee/sub-grantee.

Information gathered by the program staff during the monitoring process is employed in a variety of ways to promote continued improvement of grantee programs. Regular communication among grants and program staff permits our staff to detect and react to patterns in grantees' performance and/or needs. For example, when inadequacies in certain record-keeping practices were raised regarding several grantees, the monitoring protocol was modified to ensure that those systems were scrutinized for all grantees, thereby detecting and correcting any additional problems. When monitoring officers began to report concerns about certain grantees' financial systems, a mandatory financial management conference was held to ensure that grantees had the proper information. In the first years of the Corporation, information gained during monitoring was used to fine tune the grant application process so as to encourage successful program designs. In these ways, monitoring becomes part of the information loop that permits the Corporation to serve as well as guide its grantees.

In addition, this spring and summer, we will be field testing a Commission administrative performance standards review process which will allow us to assess the overall administrative operation of State Commissions.

QUESTIONS SUBMITTED BY SENATOR SHELBY

Question. The Shelby County Commission and the Directors of the Shelby County Retired and Senior Volunteer Program (RSVP) have determined that the multi-county program that Positive Maturity now sponsors is insufficient for serving the needs of Shelby County given its population growth over the last decade. Given the surplus funds in the National Service Trust and the additional funds the President is requesting for the Corporation for National Service, how can you justify not supporting an independent program for senior citizens of Shelby County?

Answer. We appreciate Senator Shelby's continued interest in the administration of the RSVP program in Shelby County.

It is important to note that the Corporation for National Service does not believe there is a surplus in the National Service Trust. Rather, the funds in the Trust represent an appropriate reserve designed to ensure that AmeriCorps members who earn an education award receive that award. Even if a surplus existed in the Trust,

the Corporation cannot transfer these funds to any other program, including the RSVP program. Not only is the National Service Trust funded in a different appropriations measure (the VA–HUD appropriations bill) than the RSVP program (the Labor-HHS-Education appropriations bill), but specific language contained in the VA–HUD appropriations bill prevents the Corporation from transferring Trust funds to any other use, even among the other national service programs funded by that appropriations measure.

In addition, there have only been very limited funds for new RSVP programs in recent years. New funds are being used by the Corporation in accordance with the requirements of the Domestic Volunteer Service Act and the appropriations bill for fiscal year 1999. The Act requires the Corporation to direct one-third of any new funds to existing programs for programs of national significance. The appropriations bill also requires a 3 percent administrative cost increase before new programs can be funded. As a result, there is only a limited amount of funding for new programs.

The decision on the reach of a local RSVP service area has purposefully been kept at the state and local level by the Corporation, since we believe that individuals at that level are in closer touch with the needs of the community. When the Corporation awards an RSVP grant, it approves a service area proposed by the grantee in which volunteers are recruited and placed. Subsequent changes in the service area must be requested by the local sponsor and approved by the Corporation. If Positive Maturity, Inc., the grantee in a five-county area that includes Shelby County, wishes to establish a different service area, our Alabama State Office will work closely with them to assess its impact on existing project operations.

Should Positive Maturity decide to relinquish part of its grant in order to establish an independent project in the approved service area, we will conduct a competitive process for new sponsorship. Depending upon an analysis of current population and RSVP funding allocations, the Corporation designates the area(s) of competitive eligibility.

Currently, 55 percent of U.S. counties lack any access to the RSVP program at all, and many of these counties have long expressed an interest in competing for new resources as they become available. As a result, the Corporation cannot justify establishing an independent program in Shelby County, which is currently being served, except through a competition available to these unserved areas as well.

In order to facilitate the best possible outcome for all involved, the Corporation has taken the initiative of trying to encourage discussions between all interested parties at the state and local level. These parties are in the best position to make final decisions about the best service delivery structure in Shelby County and the surrounding areas in Alabama. We will continue to encourage that process and to support the decision of the community on this subject.

QUESTIONS SUBMITTED BY SENATOR KYL

Question. What is the total dollar value of all compensation and/or benefits provided to a typical AmeriCorps volunteer in exchange for a year of service—broken down by stipend, college tuition voucher or credit, health insurance, child care, or any other applicable benefit? What is the total average cost to taxpayers per volunteer?

Answer. Under the National and Community Service Act, local programs have some flexibility in setting specific benefit levels for AmeriCorps members. A full-time member typically receives:

—A stipend or living allowance set at levels minimally necessary to permit full-time service; the typical amount this year is $8,300, of which the Corporation pays no more than 85 percent of that amount.

—Health care that averages between $900–$1,100 in annual costs, although the 1998 average cost for AmeriCorps*State and National is about $500 per member, because many members maintain existing coverage at their own cost.

—Child care when necessary, which is needed by only a few members and therefore averages about $200–300 across all members.

—An education award upon successful completion of service of $4,725.

The Corporation's average budgeted cost per full-time AmeriCorps member, across all programs, is currently $15,300 for the program year 1998–99. This average includes all AmeriCorps programs, including AmeriCorps*State, AmeriCorps*National, AmeriCorps*Education Award, AmeriCorps*VISTA, AmeriCorps*NCCC, and the new AmeriCorps*Promise Fellows. By law and Corporation policy, organizations using AmeriCorps members are expected to provide a significant portion of the program's costs.

Question. In your written testimony, you discussed the literacy programs supported by the Corporation and the results achieved for the 1996–1997 program year. You mentioned on page 11 that 67 percent of youth tutored in grades 1–12 showed improvement. But these results were apparently self-reported, and you cite only a few independent evaluations of the progress that is actually being made. Has there been any attempt to incorporate regular independent review of the improvements made by students in each of the various programs in which AmeriCorps participants are involved—in terms of test scores, grades, or other measures of achievement?

Answer. Local projects define objectives and measure their progress against those objectives. Many independent assessments are conducted of local programs. In many literacy projects, this information is in fact gathered by local school officials as part of their ongoing responsibilities for providing education.

Summarizing this information across projects is extremely difficult, however, because they have different objectives and use a wide variety of techniques and measurement devices to assess progress. For example, a simple measure such as improved attendance may or may not be part of a program's objectives, and different school systems have different techniques for measuring attendance. The Corporation does not impose specific measures for all local literacy projects.

There have been many independent evaluations of effective tutoring programs, and we have identified some of those in our written testimony. We specifically promote the adoption of the effective practices identified in the research by projects using AmeriCorps members to help them achieve their objectives.

To obtain impact data across all projects, and as noted in response to an earlier question, the Corporation is engaged in a national study of literacy projects. The first phase of that study is a descriptive analysis that will permit us to characterize how these programs' practices compare to what is known about effective program models. Data from this study will be available in Fall 1999. The second phase of the study, to begin in September 1999, will collect outcome data on reading ability in a rigorous design intended to permit us to make definitive statements about the effects of Corporation-sponsored tutoring efforts. Results from that phase of the research will be available late in 2000.

Question. In your testimony, you mention other activities in which AmeriCorps participants are involved, including after-school programs for at-risk youth (page 12). What are the specific after-school programs in which AmeriCorps participants are engaged? Has there been any independent evaluation of how successful these programs have been, in terms of academic achievement, youth crime rates, etc.?

Answer. While there have been studies of various education related programs (e.g., tutoring, literacy), which may occur in-school or after-school, there have been no independent studies of AmeriCorps participants serving just in after-school programs. Please see the attached list of all after-school programs.

Grantee: Alabama State Commission on National and Community Service
Subgrantee: Birmingham Cultural and Heritage Foundation
Program Name: AmeriCorps*In Tune
Grant Type: State Program
Full-time AmeriCorps members: 25
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps members provide tutoring and homework assistance, music instruction, and preparation for musical performance to increase the academic performance, improve attitude toward learning, and increase participation in school of 300 K–8 students in Birmingham's Enterprise Community.

Grantee: Alabama State Commission on National and Community Service
Subgrantee: Family Healthcare of Alabama
Program Name: Rural AmeriCorps Student Project
Grant Type: State Program
Full-time AmeriCorps members: 25
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps members tutor and mentor 400 disadvantaged and predominantly African-American students in grades K–6 to improve their academic performance and school attendance. Seventy-five percent of students are expected to increase by at least one letter grade in math or reading. Services are provided at ten schools during regular school hours, in after-school and weekend programs, as well as during the summer in rural Greene and Sumter Counties in west Alabama.

Grantee: Alabama State Commission on National and Community Service
Subgrantee: Butler Co. Board of Education
Program Name: AmeriCorps Instructional Support Team

Grant Type: State Program
Full-time AmeriCorps members: 20
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps members tutor and mentor 250 K–3 students in three rural Alabama schools. Members tutor students individually and in small groups, provide mentoring in after-school activities and provide homework assistance and enrichment activities. Member service will result in improved academic performance, improved attitude toward school, and improvement in attendance.

Grantee: Alabama State Commission on National and Community Service
Subgrantee: Calhoun Community College
Program Name: Calhoun Community College AmeriCorps Program (CAP)
Grant Type: State Program
Full-time AmeriCorps members: 20
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps members tutor and mentor 300 K–3 children in an America Reads initiative in ten north Alabama elementary schools. Eighty percent of students increase reading skills by at least one grade level. Members also conduct after-school and summer educational programs for children and youth. The program is endorsed by Decatur's Promise.

Grantee: Alaska State Community Service Commission
Subgrantee: Nine Star Enterprises, Inc.
Program Name: AmAK Literacy Project
Grant Type: State Program
Full-time AmeriCorps members: 16
Part-time AmeriCorps members: 2
Program Descriptions: AmeriCorps Members serve in 16 community based organizations providing literacy and computer training to preschool and elementary school students and their families. Members serve in single site placements in rural communities in Alaska.

Grantee: Arkansas Commission on National and Community Service
Subgrantee: Southeast Arkansas Community Based Education Center
Program Name: POP's Latchkey Program
Grant Type: State Program
Full-time AmeriCorps members: 6
Part-time AmeriCorps members: 6
Program Descriptions: AmeriCorps Members provide a safe haven and enrichment activities for children in Kindergarten through 6th grade, assist with Spanish translation for parents and students in schools, and offer life skills trainings to families. Members are placed in four elementary schools and two child care centers.

Grantee: California Commission on Improving Life Through Service
Subgrantee: Child Abuse Prevention Council of Sacramento, Inc. +
Program Name: Child Abuse Prevention Council of Sacramento, Inc.
Grant Type: State Program
Full-time AmeriCorps members: 70
Part-time AmeriCorps members:
Program Descriptions: 70 AmeriCorps members serve a consortium of public and non profit organizations in three municipalities whose purpose is to provide a continuum of services to children at risk for neglect or abuse. Members are recruited from the communities surrounding three service centers to tutor/mentor children identified by child protective services or their teachers for participation in the program. Some members serve in the centers to assist with intake and make referrals to services for families. Members also serve as points of contact from the apartments and homes in which they live to serve members of the community in need. Many members are receiving temporary assistance to needy families. The program also provides training to 900 elementary students in a child prevention curriculum and a summer recreation program which provides free lunches.

Grantee: California Commission on Improving Life Through Service
Subgrantee: California Conservation Corps—Cadre of Corps +
Program Name: Cadre of Corps
Grant Type: State Program
Full-time AmeriCorps members: 130
Part-time AmeriCorps members: 4
Program Descriptions: Cadre of Corps is a statewide AmeriCorps program sponsored by the California Conservation Corps. 134 AmeriCorps members are assigned to one of nine sites, sponsored by a District Office of the California Conservation

Corps or by a local conservation corps office. The areas served include Klamath, Shasta-Pacific, Marin, San Francisco, Pacific Bays, San Jose, Central Coast, Los Angeles, and Long Beach. Members provide tutoring for 1216 at risk youth, environmental education for 6,217 students in 89 schools, and community service activities for 7,332 youth in 49 communities or neighborhoods.

Grantee: California Commission on Improving Life Through Service
Subgrantee: California Conservation Corps—Watershed Project
Program Name: Watershed Project
Grant Type: State Program
Full-time AmeriCorps members: 147
Part-time AmeriCorps members:
Program Descriptions: The Watershed Project engages 147 full time members to coordinate school and community partnerships that foster community responsibility for healthy watersheds. Members assist teachers in developing service-learning activities centered around watershed restoration and lead field trips for students to complete service projects. Members also complete watershed restoration projects such as protection against erosion or building trails. Members serve in 11 regions of the California Conservation Corps system: Lassan/Plumas, Mendocino, Napa, San Diego, San Francisco, Shasta, Siskiyou, Sonoma, Tahoe/Placer, Tehama and Trinity.

Grantee: California Commission on Improving Life Through Service
Subgrantee: San Diego State Unv. Foundation +
Program Name: CA YMCA/CSU PRYDE AmeriCorps Consortium
Grant Type: State Program
Full-time AmeriCorps members: 22
Part-time AmeriCorps members: 85
Program Descriptions: The YMCA PRYDE AmeriCorps program engages 22 full-time and 88 part-time members to serve in five regions of California: San Diego, Long Beach, Los Angeles, Oakland/East Bay, and San Francisco. Within each region, members are placed at school or YMCA sites to conduct after school programming. Activities include academic/homework assistance, life skills development (conflict resolution, substance abuse prevention, pregnancy prevention, communication), recreation activities, and field trips. A partnership with the local California State University campuses provides training and technical assistance for members and staff.

Grantee: California Commission on Improving Life Through Service
Subgrantee: Los Angeles Unified School District +
Program Name: AmeriLiteracy
Grant Type: State Program
Full-time AmeriCorps members: 50
Part-time AmeriCorps members:
Program Descriptions: AmeriLiteracy AmeriCorps members tutor elementary students in fifteen schools throughout the Los Angeles Unified School District. The program utilizes 5 distinct models for member involvement in the schools, ranging from involvement in intersession classes to sustained tutoring, in which the same group of children are tutored daily for 30 to 40 minutes.

Grantee: California Commission On Improving Life Through Service
Subgrantee: Los Angeles Conservation Corps +
Program Name: Building Up Los Angeles
Grant Type: State Program
Full-time AmeriCorps members: 50
Part-time AmeriCorps members: 60
Program Descriptions: In the Building Up Los Angeles AmeriCorps program, 50 full-time and 80 part-time members serve in teams at one of 7 clusters in the greater Los Angeles area: San Fernando Valley, South Central/Watts, Northeast, Hollywood, Pico Union, Central City, and East Los Angeles. Service objectives include: (1) providing in-class tutoring in specific subjects and skills for students in grades 1–12 who are at risk of academic failure; (2) conducting after school and intersession programs that provide academic assistance/enrichment and recreation activities; and (3) holding seven 2 week Summerbridge Programs to prepare and mentor entering middle and high school students for academic and personal success.

Grantee: California Commission on Improving Life Through Service
Subgrantee: Lifespan Services Network, Inc. +
Program Name: San Luis Obispo County AmeriCorps
Grant Type: State Program
Full-time AmeriCorps members: 40

Part-time AmeriCorps members: 10
Program Descriptions: The San Luis Obispo County AmeriCorps program engages 50 AmeriCorps members to serve at risk youth with goals of decreasing juvenile crime, substance abuse, and teen pregnancy and increasing school success and positive behavior. Fourteen AmeriCorps members serve as mentors to 120 juvenile offenders, helping them complete their probation contracts and resist new criminal activity. Six members assist youth who are enrolled in the county's substance abuse program. Members assist youth in developing an action plan to resist substance abuse and in learning positive decision making skills. Thirty members assist 240 youth who are at risk of academic failure.

Grantee: California Commission on Improving Life Through Service
Subgrantee: East Bay Conservation Corps
Program Name: East Bay Conservation Corps
Grant Type: State Program
Full-time AmeriCorps members: 159
Part-time AmeriCorps members:
Program Descriptions: 143 AmeriCorps members serve as literacy tutors for 1,300 Oakland students in 13 elementary schools to improve reading scores by at least one grade level. Teams of 10–12 members provide in school and after school tutoring to 10 students each. 8 AmeriCorps members serve in a school health program which involves children in the development and maintenance of the garden and introduces a healthy diet curriculum. 8 AmeriCorps members work with teachers at the elementary and middle school level to develop service learning curricula and activities.

Grantee: California Commission on Improving Life Through Service
Subgrantee: EYE Counseling and Crisis Services +
Program Name: EYE Empowerment Corps
Grant Type: State Program
Full-time AmeriCorps members: 40
Part-time AmeriCorps members: 20
Program Descriptions: In the EYE Empowerment Corps, 40 full-time and 20 part-time AmeriCorps members provide services for youth in the greater Escondido area. Half of the members serve on the Community Services team and provide mentoring to first time youth offenders. Members and youth participate in community service activities as a means to: help students develop a service ethic, provide needed assistance to the community, and create an environment where mentoring can happen. The other group of members serve on the education team as mentors to children who have been identified as being at risk for school failure. Members provide an after school program where children receive academic assistance, participate in recreation activities, and develop a relationship with another caring adult.

Grantee: California Commission on Improving Life Through Service
Subgrantee: Chancellor's Office, CA Community Colleges +
Program Name: Chancellor's Office, CA Community Colleges
Grant Type: State Program
Full-time AmeriCorps members:
Part-time AmeriCorps members: 724
Program Descriptions: 616 AmeriCorps Members recruited from the T–A–N–F and other student populations of 15 community colleges are trained in the "rolling readers" curriculum and tutor 7–9 children each in K–3 public schools and head start programs. A minimum of 2,168 low-income and/or limited English proficiency children will complete 80 percent of their individual student literacy development goals.

Grantee: California Commission on Improving Life Through Service
Subgrantee: City Year, Inc. +
Program Name: City Year San Jose/Silicon Valley
Grant Type: State Program
Full-time AmeriCorps members: 69
Part-time AmeriCorps members: 6
Program Descriptions: AmeriCorps members in the City Year San Jose/Silicon Valley program are organized in diverse teams of 8 to 10 members. The 75 members are involved in one or more of the following activities: tutoring youth to improve basic academic skills, mentoring youth in the development of an ethic of citizenship, providing assistance to low income families, seniors, and non profit organizations, and providing safe and supportive environments for youth.

Grantee: California Commission on Improving Life Through Service
Subgrantee: Bay Area Community Resources—San Jose

Program Name: San Jose AmeriCorps Program
Grant Type: State Program
Full-time AmeriCorps members: 20
Part-time AmeriCorps members:
Program Descriptions: The San Jose AmeriCorps program has 20 members who serve in four schools in the Franklin McKinley Elementary School District. The members address the needs of students who have a low rate of academic success. Members tutor students in the classroom and after school, conduct intersession academic and recreation programs, and develop and implement activities to involve parents of the student participants. In addition, members implement a sunshine club intended to reduce truancy by having members meet with students before school to help prepare them for the day and to ensure participation in a nutrition program.

Grantee: California Commission on Improving Life Through Service
Subgrantee: California Conservation Corps Ambassador's Mentoring Project
Program Name: Ambassador's Mentoring
Grant Type: State Program
Full-time AmeriCorps members: 23
Part-time AmeriCorps members: 2
Program Descriptions: The Ambassador's Mentoring Project supports 25 AmeriCorps members who are placed with agencies around the state that provide mentoring services for youth and/or support mentoring initiatives. Members recruit, train, and support individuals who serve as mentors. Members also serve as mentors for at risk youth.

Grantee: California Commission on Improving Life Through Service
Subgrantee: Amador Tuolumne Community Action Agency
Program Name: AmeriCorps Academic Mentoring
Grant Type: State Program
Full-time AmeriCorps members: 20
Part-time AmeriCorps members: 4
Program Descriptions: Members in the AmeriCorps Academic Mentoring program tutor 200 at-risk K–8 grade students at 10 schools in Amador and Tuolumne counties. The goal of the program is to increase the students' reading and math skills and comprehension in other academic topics. Tutoring occurs before, during and after school; in and out of the classroom; one on one and in small groups. Improvement will be measured against an individual academic plan created for each student and through standardized state test results (Stan 9). The 24 members also mentor 100 at-risk youth to increase positive personal growth and citizenship skills and to reduce negative risk-taking behaviors such as truancy and disruptive behavior.

Grantee: California Commission on Improving Life Through Service
Subgrantee: Bay Area Community Resources—Larkspur
Program Name: BAYAC AmeriCorps
Grant Type: State Program
Full-time AmeriCorps members: 79
Part-time AmeriCorps members: 10
Program Descriptions: AmeriCorps Members provide tutoring and mentoring to at risk youth in Bay Area communities, so that they can achieve school success and realize their potential. Members work in small teams with twenty collaborating community based organizations to provide tutoring and mentoring to 2,155 young people.

Grantee: California Commission on Improving Life Through Service
Subgrantee: California Human Development Corporation +
Program Name: Rural AmeriCorps Partnership
Grant Type: State Program
Full-time AmeriCorps members: 18
Part-time AmeriCorps members: 4
Program Descriptions: AmeriCorps members tutor and mentor middle school Limited English Speaking (LEP) students considered to be educationally at risk in order to reduce the number of drop outs during high school. Members serve in teams of two in middle schools in rural Sonoma, Yolo, and San Joaquin Counties and serve a largely Latino population.

Grantee: California Commission on Improving Life Through Service
Subgrantee: Feather River Community College +
Program Name: AC Academic Mentoring Program of Plumas County
Grant Type: State Program

Full-time AmeriCorps members:
Part-time AmeriCorps members: 40
Program Descriptions: AmeriCorps members mentor five educationally at risk high school or college students to increase academic success, encourage attendance in higher education, and prevent drop out. Each beneficiary will develop an individual development plan.

Grantee: California Commission on Improving Life Through Service
Subgrantee: Volunteer Center of San Francisco +
Program Name: San Francisco AmeriCorps Collaborative
Grant Type: State Program
Full-time AmeriCorps members: 46
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps members serve in public schools and community based organizations in the Bay area to engage youth in service learning activities, mobilize adult volunteers and build sustainable school and community partnerships. Members serve in one of the four teams. One team's activities focus on developing service learning activities, one is engaged in healthy start activities, one team focuses on volunteer generation; and one team serves in child development centers to increase literacy of pre-K to third grade.

Grantee: California Commission on Improving Life Through Service
Subgrantee: Partners in School Innovation +
Program Name: Partners/ACT
Grant Type: State Program
Full-time AmeriCorps members: 30
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps members serve in small teams at schools serving K–12 students. Members support whole-system change efforts of schools. Activities are designed to increase literacy and reading comprehension and increase parent and community involvement in the school.

Grantee: Catholic Network of Volunteer Service
Subgrantee: Catholic Network of Vol. Service
Program Name: CNVS AmeriCorps Program
Grant Type: Ed Award Only
Full-time AmeriCorps members: 750
Part-time AmeriCorps members: 286
Program Descriptions: Members will serve in areas of child care, school counseling, tutoring, literacy, elderly outreach, social services, counseling and civic responsibility.

Grantee: City Year, Inc.
Subgrantee: City Year—Columbia
Program Name:
Grant Type: National Direct Central
Full-time AmeriCorps members: 48
Part-time AmeriCorps members: 4
Program Descriptions: City Year is a national non-profit with strong public-private partnerships, devoted solely to full time national service and the development of a diverse and well-trained corps. AmeriCorps Members serve in classrooms, run after school and school break programs, teach violence and HIV/AIDS prevention, rehabilitate public housing units and build parks and playgrounds. Members increase academic success through in school tutoring, increasing parental involvement and promoting conflict resolution. They increase civic responsibility by engaging children and youth in out-of-school activities and meet needs of local organizations through short term physical and human needs projects.

Grantee: City Year, Inc.
Subgrantee: City Year—Cleveland
Program Name: City Year—Cleveland
Grant Type: National Direct Central
Full-time AmeriCorps members: 95
Part-time AmeriCorps members: 10
Program Descriptions: City Year is a national non-profit with strong public-private partnerships, devoted solely to full time national service and the development of a diverse and well-trained corps. AmeriCorps Members serve in classrooms, run after school and school break programs, teach violence and HIV/AIDS prevention, rehabilitate public housing units and build parks and playgrounds. Members increase academic success through in school tutoring, increasing parental involvement

and promoting conflict resolution. They increase civic responsibility by engaging children and youth in out-of-school activities and meet needs of local organizations through short term physical and human needs projects.

Grantee: City Year, Inc.
Subgrantee: City Year—Columbus
Program Name: City Year Columbus
Grant Type: National Direct Central
Full-time AmeriCorps members: 57
Part-time AmeriCorps members: 6
Program Descriptions: City Year is a national non-profit with strong public-private partnerships, devoted solely to full time national service and the development of a diverse and well-trained corps. AmeriCorps Members serve in classrooms, run after school and school break programs, teach violence and HIV/AIDS prevention, rehabilitate public housing units and build parks and playgrounds. Members increase academic success through in school tutoring, increasing parental involvement and promoting conflict resolution. They increase civic responsibility by engaging children and youth in out-of-school activities and meet needs of local organizations through short term physical and human needs projects.

Grantee: City Year, Inc.
Subgrantee: City Year, Inc.—Parent
Program Name:
Grant Type: National Direct Central
Full-time AmeriCorps members:
Part-time AmeriCorps members:
Program Descriptions: City Year is a national non-profit with strong public-private partnerships, devoted solely to full time national service and the development of a diverse and well-trained corps. AmeriCorps Members serve in classrooms, run after school and school break programs, teach violence and HIV/AIDS prevention, rehabilitate public housing units and build parks and playgrounds. Members increase academic success through in school tutoring, increasing parental involvement and promoting conflict resolution. They increase civic responsibility by engaging children and youth in out-of-school activities and meet needs of local organizations through short term physical and human needs projects.

Grantee: Colorado Governor's Commission on Nat'l & Community Service
Subgrantee: Adams County School District 14
Program Name: Community Action on Reading and Education
Grant Type: State Program
Full-time AmeriCorps members: 20
Part-time AmeriCorps members: 4
Program Descriptions: Members serve as literacy instructors and tutors for children in grades 1, 2, 3, 6, and 9. They also launch a family literacy program, and provide instruction and tutoring to out-of-school youth. This program provides team based services in an urban community.

Grantee: Colorado Governor's Commission on Nat'l & Community Service
Subgrantee: Sheridan School District #2
Program Name: Sheridan Family Res. Center AmeriCorps
Grant Type: State Program
Full-time AmeriCorps members: 29
Part-time AmeriCorps members: 1
Program Descriptions: AmeriCorps Members tutor and mentor at-risk youth in the Sheridan School District. Members also implement interactive educational after-school and summer camp programs for students. Additionally, Members coordinate health promotion activities in the Sheridan School-Based Clinic.

Grantee: Colorado Governor's Commission on Nat'l & Community Service
Subgrantee: St. Andrew's Episcopal Church
Program Name: The Children's Center for Arts and Learning
Grant Type: Ed Award Only
Full-time AmeriCorps members:
Part-time AmeriCorps members: 2
Program Descriptions: Members offer a free afterschool and summer program of arts instruction and tutoring for at-risk children.

Grantee: Connecticut Commission on National and Community Service
Subgrantee: Bridgeport Police Dept. Regional Youth/Adult Substance Abuse
Project Program Name: Safe Neighborhood AmeriCorps Partnership, Year I
Grant Type: State Program

Full-time AmeriCorps members: 44
Part-time AmeriCorps members: 96
Program Descriptions: Members provide tutoring, mentoring, and community service projects through after-school programs for 100 youth in the East End, East Side and South End neighborhoods of Bridgeport. Members conduct home security assessments and installations for 200 elderly residents, individuals with disabilities, and other vulnerable populations in 6 Bridgeport neighborhoods. Members also engage in community revitalization projects including planting community gardens, boarding up abandoned buildings, and installing ramps for physically challenged residents.

Grantee: Connecticut Commission on National and Community Service
Subgrantee: City of Meriden, Connecticut
Program Name: City SERVE! AmeriCorps
Grant Type: State Program
Full-time AmeriCorps members: 20
Part-time AmeriCorps members:
Program Descriptions: Members provide in-class support and after-school enrichment activities for 400 elementary school children. Members work one-on-one with the students to improve their reading and writing abilities. Members also provide enrichment activities for 8 preschool classes to prepare them to succeed in school. In addition, Members provide after-school tutoring and mentoring for K–12 youth to help improve their academic achievement and improve their behavior.

Grantee: Connecticut Commission on National and Community Service
Subgrantee: Leadership, Education and Athletics in Partnership
Program Name: LEAP
Grant Type: State Program
Full-time AmeriCorps members:
Part-time AmeriCorps members: 280
Program Descriptions: AmeriCorps Members tutor and mentor over 1,100 inner-city children ages 7 through 16 in after-school programs. During the Summer months Members live in the housing developments where the children reside and provide structured activities throughout the day. The intensive tutoring and mentoring provided by the Members result in improved reading skills, increased self-esteem and better social behavior for 80 percent of the participating school-aged children. In addition, Members organize 300 community service activities for the children, their families and neighbors to participate in during the program year.

Grantee: Connecticut Commission on National and Community Service
Subgrantee: Volunteer Center of Greater Bridgeport (BIRA)
Program Name: Bridgeport InterRegional AmeriCorps
Grant Type: State Program
Full-time AmeriCorps members: 30
Part-time AmeriCorps members: 5
Program Descriptions: AmeriCorps Members coordinate community volunteer programs at high schools and community-based organizations throughout the city of Bridgeport and its neighboring communities. Through their scattered-site placements Members provide in-school and after-school activities for K–12 children to increase math, reading and computer skills. Members also provide mentoring and after-school enrichment activities for youth ages 6–14 to improve academic and social skills, literacy skills training for adult learners and their children, and health and parenting education classes.

Grantee: Connecticut Commission on National and Community Service
Subgrantee: Community Action for Greater Middlesex County, Inc.
Program Name: CAGMC AmeriCorps
Grant Type: State Program
Full-time AmeriCorps members: 20
Part-time AmeriCorps members: 8
Program Descriptions: AmeriCorps members serve in 15 rural communities in Middlesex County where they tutor and mentor children in before, during, and after-school programs. Members also work with parents of young children providing them with assistance in accessing health care, and other services to help ensure a healthy start for their children.

Grantee: Connecticut Commission on National and Community Service
Subgrantee: Southend Community Services, Inc.
Program Name: Hartford AmeriCorps
Grant Type: State Program

Full-time AmeriCorps members: 30
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps members serve in public elementary and middle schools in Hartford. They tutor children in English language arts, and provide assistance in after-school programs like homework clubs. Members also engage youth in service learning projects and recruit community volunteers to participate.

Grantee: Delaware Community Service Commission
Subgrantee: University of Delaware
Program Name: First State Mentor Corps, CHEP
Grant Type: State Program
Full-time AmeriCorps members: 3
Part-time AmeriCorps members: 63
Program Descriptions: AmeriCorps Members participate in the state-wide initiative to enlist citizens to serve as one-on-one mentors. Members collaborate with RSVP participants to recruit and train volunteers to serve as mentors to 800 pre-kindergarten through middle school students. In addition, Members engage Delaware businesses in Adopt-A-School mentoring programs.

Grantee: Educational Service District 112/Northwest Service Academy, Inc.
Subgrantee: Northwest Service Academy/ESD112—Parent
Program Name: Northwest Service Academy/ESD 112
Grant Type: National Direct
Full-time AmeriCorps members:
Part-time AmeriCorps members:
Program Descriptions: Educational Service District 112 serves largely as financial overseer of the three sites, provides in-kind staff support, and acts as an advisor on program-related decisions. The major responsibilities for program design, accomplishing objectives, day-to-day management and strategic planning rest with the Northwest Service Academy executive director and the site directors. AmeriCorps members at one residential and two non-residential sites restore Northwest watersheds, provide environmental education and academic reinforcement to schools, and help rebuild communities.

Grantee: Florida Commission on Community Service
Subgrantee: Centro Campesino
Program Name: AmeriCorps Youth Pride
Grant Type: State Program
Full-time AmeriCorps members: 22
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps members tutor and mentor 250 low income youth ages 6 to 18 to ensure that 80 percent achieve grade level as measured by the Basic Reading Inventory. Members also provide after-school activities to 350 students to decrease school suspensions and detention among 90 percent of those served. Students' parents are encouraged to attend a Parent Club. Members serve in one of four school and two community-based sites. AmeriCorps YouthPride involves over 20 adult mentors who volunteer 2,000 hours.

Grantee: Florida Commission on Community Service
Subgrantee: Academy for Better Communities—Barry University School of Social Work
Program Name: Americorps Barry University
Grant Type: State Program
Full-time AmeriCorps members: 18
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps members provide individual and group social services to 900 elementary school children in order to decrease school absenteeism, detentions and suspensions by 24 percent, improve grades by 20 percent, and improve classroom behavior by 25 percent. Members also provide to 450 parents classes and counseling sessions to improve parenting skills by 33 percent. Members serve in small teams at six elementary schools and middle schools in Dade County.

Grantee: Florida Commission on Community Service
Subgrantee: College of Fine Arts, USF
Program Name: AmeriCorps Arts, USF
Grant Type: State Program
Full-time AmeriCorps members: 6
Part-time AmeriCorps members: 18
Program Descriptions: AmeriCorps members teach arts skills (dance, visual arts, theater, music, singing, etc.) in after-school programs to 500 low income children

ages 6 to 14. Members are assigned to one of nine Boys & Girls Club sites throughout Hillsborough County and serve in teams. Small teams of volunteers are utilized to support program activities through fund raising and assisting with service projects. There is a 10 week summer component.

Grantee: Florida Commission on Community Service
Subgrantee: Eckerd Family Youth Alternatives, Inc.
Program Name: Americorps Hi-Five
Grant Type: State Program
Full-time AmeriCorps members: 14
Part-time AmeriCorps members: 10
Program Descriptions: AmeriCorps members tutor 90 elementary school students so that 75 percent will increase one grade level in the targeted subject area. Another 90 students will be provided conflict resolution training to reduce disciplinary referrals by 30 percent. Selected Members work with parents of students with chronic behavioral problems, students who are struggling academically, and students who are chronically absent from school so that 75 percent of the families will report increased knowledge of their child's academic progress and behavior in school. Members serve in one of three elementary schools and four after-school locations. Volunteers are also recruited to serve as mentors to at-risk students.

Grantee: Florida Commission on Community Service
Subgrantee: Lake County Board of Commissioners
Program Name: Partners For Success
Grant Type: State Program
Full-time AmeriCorps members: 15
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps members tutor 200 K–2 academically at risk and under-achieving students to increase the reading ability by two grade levels of 80 percent of those participating. Members also provide out-of-school programs to 200 students to increase by 25 percent the study skills of at least 60 of those students. Members serve at one of three elementary schools. AmeriCorps Partners for Success recruits and utilizes 50 community volunteers to collect books and read to students.

Grantee: Frostburg State University
Subgrantee: Frostburg State
Program Name: Allen HallSTARS!
Grant Type: Ed Award Only
Full-time AmeriCorps members:
Part-time AmeriCorps members: 80
Program Descriptions: Members will tutor, mentor, and lead environmental activities for youth. Some member activities include taking part in the America Reads Challenge.

Grantee: Georgia Commission for National and Community Service
Subgrantee: Fannin County Family Connection (NPPSIS/Fiscal Agent)
Program Name: AmeriCorps Service to Families in Fannin County
Grant Type: State Program
Full-time AmeriCorps members: 18
Part-time AmeriCorps members: 4
Program Descriptions: AmeriCorps members tutor 250 children in pre-school through middle school during school hours and after school to improve reading and math skills by ½ grade level in 80 percent of students served. In addition, members mentor 30 middle-school students to increase school attendance and decrease behavior problems. Members also recruit community volunteers to deliver additional services to children.

Grantee: Georgia Commission for National and Community Service
Subgrantee: Southwest Georgia Easter Seal Society, Inc.
Program Name: Easter Seal-AmeriCorps After School & Summer Enrichment
Grant Type: State Program
Full-time AmeriCorps members: 8
Part-time AmeriCorps members: 20
Program Descriptions: AmeriCorps members provide in-school and after-school tutoring, homework assistance, and supervised recreation for children with disabilities, their families, and their non-disabled peers in five southwest Georgia counties. In pre-school settings members develop and provide activities that support the growth and early development of children with disabilities from low-income families, and conduct parenting classes for these families. Members also assist program par-

ticipants with daily living functions and provide them with opportunities for community service.

Grantee: Georgia Commission for National and Community Service
Subgrantee: City of Macon/Macon Police Department
Program Name: MPD/AmeriCorps Cadet Program
Grant Type: State Program
Full-time AmeriCorps members: 20
Part-time AmeriCorps members: 5
Program Descriptions: AmeriCorps members conduct bicycle patrols within five low-income/high crime neighborhoods in this community policing program. In addition, members conduct crime prevention activities and operate police athletic leagues and other enrichment services for at-risk youth. All activities are undertaken to reduce the fear of crime within targeted neighborhood and increase civic responsibility among neighborhood residents.

Grantee: I Have A Dream Foundation, Inc.
Subgrantee: I Have A Dream Foundation—New York
Program Name: "I Have a Dream" Foundation-New York/AmeriCorps
Grant Type: National Direct Sub
Full-time AmeriCorps members: 3
Part-time AmeriCorps members: 16
Program Descriptions: The I Have a Dream Foundation (IHAD) model connects individuals who want to sponsor a group of children with neighborhood in need. An entire elementary school class or an age group in a housing project become "Dreamers" and receive academic and social support designed to see them through high school and into productive lives. Those Dreamers who graduate from high school are eligible for college or vocational school tuition assistance. Members enable (IHAD) sites to intensify their outreach to Dreamers, their families and the community. In addition to tutoring and mentoring, providing academic and social enrichment, members recruit and train community volunteers, organize family involvement activities and lead Dreamers in community service projects.

Grantee: I Have A Dream Foundation, Inc.
Subgrantee: I Have a Dream/AmeriCorps—Parent
Program Name: "I Have a Dream" Foundation/AmeriCorps
Grant Type: National Direct Sub
Full-time AmeriCorps members:
Part-time AmeriCorps members:
Program Descriptions: The I Have a Dream Foundation (IHAD) model connects individuals who want to sponsor a group of children with neighborhood in need. An entire elementary school class or an age group in a housing project become "Dreamers" and receive academic and social support designed to see them through high school and into productive lives. Those Dreamers who graduate from high school are eligible for college or vocational school tuition assistance. Members enable (IHAD) sites to intensify their outreach to Dreamers, their families and the community. In addition to tutoring and mentoring, providing academic and social enrichment, members recruit and train community volunteers, organize family involvement activities and lead Dreamers in community service projects.

Grantee: Iowa Commission on Community Service
Subgrantee: Des Moines Public Schools—New Horizons Program
Program Name: AmeriCorps Enterprise Community Service Project
Grant Type: State Program
Full-time AmeriCorps members: 20
Part-time AmeriCorps members:
Program Descriptions: The AmeriCorps Enterprise Community Service Project utilizes 20 members to tutor more than 100 youth, renovate low-income houses, create community green spaces and organize neighborhood safety patrols. The program maintains a diverse member base and partnerships with government and community-based organizations.

Grantee: Kentucky Commission for Community Volunteerism and Service
Subgrantee: The City of Leitchfield
Program Name: Tri-City Link
Grant Type: State Program
Full-time AmeriCorps members: 3
Part-time AmeriCorps members: 14
Program Descriptions: AmeriCorps members tutor and mentor students in grades 1–12 and engage classes in service-learning activities focused on environmental

awareness. Individual tutoring decreases the high school drop-out rate of 125 students participating in the program hosted at Family Youth and Resource Centers in three counties. Members with Tri-City Link also provide community enrichment activities through structured quality after-school programs for youth, from recreation to cultural arts.

Grantee: Lincoln University
Subgrantee: Lincoln University
Program Name: You Can Institute on Family Values & Rites of Passage
Grant Type: Ed Award Only
Full-time AmeriCorps members:
Part-time AmeriCorps members: 20
Program Descriptions: Members will launch a program to assist at-risk youth in the transition from adolescence to adulthood through a year long program including an after-school enrichment program.

Grantee: Local Initiatives Support Corporation
Subgrantee: New York LISC
Program Name: New York City LISC AmeriCorps
Grant Type: National Direct
Full-time AmeriCorps members: 10
Part-time AmeriCorps members:
Program Descriptions: The Local Initiatives Support Corporation is a national non profit organization that provides funding and technical guidance to local Community Development Corporations (CDC's) which are rebuilding neighborhoods across the nation. Members engage in community revitalization activities including housing outreach and education, job training, youth education programs, neighborhood planning, and human services planning.

Grantee: Louisiana Serve Commission
Subgrantee: St. Mark's Community Center
Program Name: AmeriCorps of New Orleans
Grant Type: State Program
Full-time AmeriCorps members: 45
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps Members tutor and mentor at-risk children, perform home repairs on a minimum of 30 low income homes, board up a minimum of 90 abandoned houses and help revitalize neighborhood green spaces and parks. In addition, the program works with local organizations to address the needs of children. These include working with homeless youth, teen parents and youth crisis services. Most Members serve in teams, although a few are single-site placements. Potential impacts of the program include, 80 percent of participating students will advance a minimum of one grade level in mathematics and reading skills, increased sense of security by residents and reduction in illegal activities, and allowing homeowners to remain in their homes and prevent further deterioration of the housing stock. This is an urban program.

Grantee: Lower Mississippi Delta Service Corps
Subgrantee: Center for Community Development, Delta State University
Program Name: Mississippi Delta Service Corps
Grant Type: National Direct
Full-time AmeriCorps members: 70
Part-time AmeriCorps members:
Program Descriptions: The Lower Mississippi Delta Service Corps, Inc. (LMDSC) is a national non-profit, tri-state collaboration with partners in Louisiana, Arkansas, and Mississippi, whose mission is to provide effective management and governance of a regional national service corps. The Lower Mississippi Delta Service Corps, Inc., is committed to meeting the unique needs of the people of the Delta. AmeriCorps Members perform a variety of functions in the areas of education and human service. Activities include tutoring children and adults in literacy skills, serving in food banks, locating shelter and affordable housing for low income residents, and facilitating independent living for homebound. Members are placed individually or in small groups in host agencies throughout the Delta.

Grantee: Lower Mississippi Delta Service Corps
Subgrantee: Good Neighbor Center
Program Name: Delta Service Corps
Grant Type: National Direct
Full-time AmeriCorps members: 60
Part-time AmeriCorps members: 20

Program Descriptions: The Lower Mississippi Delta Service Corps, Inc. (LMDSC) is a national non-profit, tri-state collaboration with partners in Louisiana, Arkansas, and Mississippi, whose mission is to provide effective management and governance of a regional national service corps. The Lower Mississippi Delta Service Corps, Inc., is committed to meeting the unique needs of the people of the Delta. AmeriCorps Members perform a variety of functions in the areas of education and human service. Activities include tutoring children and adults in literacy skills, serving in food banks, locating shelter and affordable housing for low income residents, and facilitating independent living for homebound. Members are placed individually or in small groups in host agencies throughout the Delta.

Grantee: Lower Mississippi Delta Service Corps
Subgrantee: Louisiana Delta Service Corps Inc.
Program Name: Louisiana Delta Service Corps
Grant Type: National Direct
Full-time AmeriCorps members: 57
Part-time AmeriCorps members: 20
Program Descriptions: The Lower Mississippi Delta Service Corps, Inc. (LMDSC) is a national non-profit, tri-state collaboration with partners in Louisiana, Arkansas, and Mississippi, whose mission is to provide effective management and governance of a regional national service corps. The Lower Mississippi Delta Service Corps, Inc., is committed to meeting the unique needs of the people of the Delta. AmeriCorps Members perform a variety of functions in the areas of education and human service. Activities include tutoring children and adults in literacy skills, serving in food banks, locating shelter and affordable housing for low income residents, and facilitating independent living for homebound. Members are placed individually or in small groups in host agencies throughout the Delta.

Grantee: Lower Mississippi Delta Service Corps
Subgrantee: Lower Mississippi Delta Service Corps, Inc.—Parent
Program Name: Lower Mississippi Delta Svc Corps, Inc
Grant Type: National Direct
Full-time AmeriCorps members:
Part-time AmeriCorps members:
Program Descriptions: The Lower Mississippi Delta Service Corps, Inc. (LMDSC) is a national non-profit, tri-state collaboration with partners in Louisiana, Arkansas, and Mississippi, whose mission is to provide effective management and governance of a regional national service corps. The Lower Mississippi Delta Service Corps, Inc., is committed to meeting the unique needs of the people of the Delta. AmeriCorps Members perform a variety of functions in the areas of education and human service. Activities include tutoring children and adults in literacy skills, serving in food banks, locating shelter and affordable housing for low income residents, and facilitating independent living for homebound. Members are placed individually or in small groups in host agencies throughout the Delta.

Grantee: Maryland Governor's Office on Service & Volunteerism
Subgrantee: University of Maryland at Baltimore
Program Name: Enhancing Neighborhood Action By Local Empowerment
Grant Type: State Program
Full-time AmeriCorps members: 38
Part-time AmeriCorps members: 240
Program Descriptions: AmeriCorps Members, conduct health assessments and monitor clinical symptoms for persons with chronic illnesses, and provide the HIPPY (Home Instruction Program for Preschool Youngsters) and other pre-school readiness programs. In addition, Members provide after-school literacy tutoring for 500 2nd and 3rd grade students, and reduce environmental risks for children and families by educating residents about reducing lead hazards in their homes and establishing recycling programs. Members serve in teams organized around the 4 separate initiatives: Community Health, Early Childhood Development, Reading Edge, and Healthy Environment. Through the Reading Edge initiative, Members also provide literacy tutoring to 1000 K–3 children in summer camps.

Grantee: Maryland Governor's Office on Service & Volunteerism
Subgrantee: Frostburg State University (A STAR in Western MD)
Program Name: A STAR! in Western MD (Appalachian Service Through Action & Resource)
Grant Type: State Program
Full-time AmeriCorps members: 32
Part-time AmeriCorps members:

Program Descriptions: AmeriCorps Members provide independent living assistance, with a focus on preventive health, shelter and housing support, to families, children, and the elderly, create and implement youth literacy programs and other after-school educational programs, and conduct environmental preservation projects. Members create green spaces, implement recycling programs, partner with Habitat for Humanity to construct low-income housing, and reduce environmental risks in homes by conducting home safety assessments including tests for water contamination and radon. Through an alliance of community-based organizations in Western Maryland, Members are scattered throughout the region performing a wide-variety of services.

Grantee: Maryland Governor's Office on Service & Volunteerism
Subgrantee: Salisbury State University
Program Name: Partnership for Adolescents on the Lower Shore
Grant Type: State Program
Full-time AmeriCorps members: 23
Part-time AmeriCorps members: 9
Program Descriptions: AmeriCorps Members tutor and mentor at-risk adolescents on the Lower Eastern Shore of Maryland. In addition, Members improve the life and parenting skills of pregnant and parenting teens through health education. Members also conduct health screenings and health education events, and provide conflict resolution training for adolescents. Members will help improve the educational achievement and school success of adolescents as measured by an increase in grade point average and a reduction of school reports of violence, expulsions, and suspensions.

Grantee: Maryland Governor's Office on Service & Volunteerism
Subgrantee: Dept. of Natural Resources—Maryland Conservation Corps
Program Name: United Youth Corps of MD (UCOM)
Grant Type: State Program
Full-time AmeriCorps members: 142
Part-time AmeriCorps members: 100
Program Descriptions: AmeriCorps Members maintain and restore state forests, parks, and wildlife management areas. Members rehabilitate abandoned houses, construct community parks and gardens in low-income Baltimore neighborhoods, and tutor students with special needs. In addition, Members develop after-school programs where middle school students perform community service and participate in environmental education activities.

Grantee: Maryland Governor's Office on Service & Volunteerism
Subgrantee: Action for the Homeless, Inc.
Program Name:
Grant Type: State Program
Full-time AmeriCorps members: 35
Part-time AmeriCorps members: 26
Program Descriptions: AmeriCorps Members help 5,000 homeless and near homeless households obtain access to service providers. Members also help 1,250 homeless and near homeless families to obtain permanent housing or to prevent from being evicted. In addition, Members operate a Summer camp program for 320 at-risk homeless youth in Baltimore and coordinate after-school service-learning clubs for 10,000 students. The Adopt-A-Shelter program is one example of the partnerships forged between local schools and shelters.

Grantee: Maryland Governor's Office on Service & Volunteerism
Subgrantee: Governor's Office—Volunteer Maryland
Program Name: Volunteer Maryland
Grant Type: State Program
Full-time AmeriCorps members: 40
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps Members develop volunteer programs and management systems in community-based organizations and public agencies. They mobilize and supervise volunteers who provide direct service to communities in need. Sample projects include rehabilitating low-income housing for families, tutoring programs for school-age children, and preserving public land along Maryland's rivers.

Grantee: Maryland Governor's Office on Service & Volunteerism
Subgrantee: Anne Arundel Community College—#2
Program Name: Campus Corps
Grant Type: State Program

Full-time AmeriCorps members:
Part-time AmeriCorps members: 48
Program Descriptions: AmeriCorps Members coordinate service learning activities at 15 community colleges for 1500 community college students. Each of the students will engage in an average of 15 hours of service to benefit their communities. In addition, Members create cascading volunteer programs in which community college students train high students to tutor elementary school students.

Grantee: Massachusetts Service Alliance
Subgrantee: Cambridge Community Services
Program Name: Cambridge Community Service, Inc.
Grant Type: State Program
Full-time AmeriCorps members: 2
Part-time AmeriCorps members: 18
Program Descriptions: AmeriCorps members run academic enrichment programs, focusing on literacy and the use of technology, for 200 pre-teens (grades 3–8) and new immigrant high school youth. Members serve in teams at 8 after-school and summer enrichment programs. Members also coordinate service-learning projects for the youth at each of the 8 sites. At least 75 percent of the students involved will demonstrate improved academic skills and knowledge as measured by pre-post tests.

Grantee: Massachusetts Service Alliance
Subgrantee: Lawrence Family Development and Education Fund, Inc.
Program Name: City C.O.R.E.
Grant Type: State Program
Full-time AmeriCorps members: 35
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps Members serve as teachers' assistants and tutors for elementary school children in an effort to improve teacher capacity and increase academic performance. Members also provide in-school and after-school literacy programs for K–3 students reading below grade level, and coordinate after-school service-learning activities for school students. School and community volunteers are generated to help run the literacy programs and service-learning activities focusing on healthy living, the environment and watershed revitalization. As a result of these services more students will reach grade level in reading skills and demonstrate an increased knowledge of issues relating to the service projects they perform.

Grantee: Massachusetts Service Alliance
Subgrantee: City Year Boston
Program Name: City Year Boston
Grant Type: State Program
Full-time AmeriCorps members: 249
Part-time AmeriCorps members: 32
Program Descriptions: AmeriCorps Members tutor and mentor inner-city children in public elementary and middle schools throughout Boston. Members serve over 10,000 young people by providing in-class assistance, after-school and weekend programs, camps during school vacations and the Young Heroes program. Members coordinate 25 "legacy" service projects, including vacant lot clean-ups, community gardens and rehabilitating low-income housing. Over 1000 community volunteers participate in these projects. In addition, Members partner with local organizations such as the American Red Cross and Peace at Home to conduct health awareness, HIV/AIDS prevention, and violence prevention workshops for young people.

Grantee: Massachusetts Service Alliance
Subgrantee: Franklin County DIAL/SELF
Program Name: GAP Youth-Corps
Grant Type: State Program
Full-time AmeriCorps members: 11
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps Members provide support services to at least 60 homeless, runaway, and other at-risk youth. Members work with the participating youth to develop individual working plans and track progress made toward those plans. Members also facilitate prevention and support groups for at least 150 youth focusing on issues such as HIV/AIDS, drug use, smoking, self esteem, and parenting skills, and provide after-school programs for school-aged youth which provide tutoring academic enrichment, and recreational activities.

Grantee: Massachusetts Service Alliance
Subgrantee: Greater Holyoke Foundation, Inc.

Program Name: Greater Holyoke Youth Services
Grant Type: State Program
Full-time AmeriCorps members: 24
Part-time AmeriCorps members:
Program Descriptions: Members serve in 6 Community Policing Substations in targeted neighborhoods. They coordinate crime prevention initiatives including crime watches, open houses, gang and drug awareness training, and personal safety training. Members operate after-school service programs for 60 8–15 year olds providing them with structured activities and a safe place during out-of-school time. Members also coordinate service activities for 40 first-time juvenile offenders through the Juvenile Diversion Progam.

Grantee: Massachusetts Service Alliance
Subgrantee: University of Massachusetts Boston, (CAPAY) Institute for Asian American Studies
Program Name: CAPAY Community YouthLearn AmeriCorps Program
Grant Type: State Program
Full-time AmeriCorps members: 1
Part-time AmeriCorps members: 17
Program Descriptions: AmeriCorps Members tutor and mentor 350 Asian Pacific American youth in after-school programs. In addition, Members tutor adults in ESL and serve as reading tutors in a family literacy program. Members also recruit youth to volunteer in community and school success service projects.

Grantee: Massachusetts Service Alliance
Subgrantee: B.E.L.L. Foundation/BASICS
Program Name: BASIC's
Grant Type: State Program
Full-time AmeriCorps members:
Part-time AmeriCorps members: 50
Program Descriptions: Fifty part-time AmeriCorps Members tutor and mentor elementary school children during the school year and the summer holidays. Members use the BASICS curriculum to increase children's knowledge and mastery of reading, writing, and arithmetic skills, enhance self-esteem, and strengthen communication between parents and teachers. Members engage children in a 6-week summer camp where the skills learned during the school year are reinforced and built upon.

Grantee: Massachusetts Service Alliance
Subgrantee: YouthBuild Boston, Inc.
Program Name: YouthBuild Boston
Grant Type: State Program
Full-time AmeriCorps members:
Part-time AmeriCorps members: 50
Program Descriptions: Members rehabilitate 6 units of previously abandoned housing so that 6 low-income and/or homeless families have access to affordable housing and the opportunity to be first time homeowners. Members also operate an after school and summer enrichment program for at-risk youth. Up to 300 youth receive tutoring an mentoring so that 80 percent demonstrate an increase in academic success and self-esteem, as measured by parent and teacher feedback. Members also engage in community service projects where they work in partnership with local non-profits to rehabilitate and repair facilities where community based organizations are based.

Grantee: Massachusetts Service Alliance
Subgrantee: Worcester Community Action Council
Program Name: CITYWORKS
Grant Type: State Program
Full-time AmeriCorps members: 20
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps Members serve as school-based literacy tutors for 40 public school students in grades K through 4. Members also operate ESL programs and adult basic education sessions at low income housing developments for adults. In addition, Members increase the usage of city parks by removing safety hazards and conducting community watch programs.

Grantee: Massachusetts Service Alliance
Subgrantee: Health and Education Services, Inc.
Program Name: AmeriCorps Victim Assistance Linkages & Enhancements
Grant Type: State Program
Full-time AmeriCorps members: 6

Part-time AmeriCorps members: 8
Program Descriptions: AmeriCorps Members provide crisis intervention, information and referral services to victims of crime. Member referrals result in 400 linkages to regional health care organizations. In addition, Members provide hotline and in-person counseling to residents of the North Shore communities. Members conduct presentations to school children and community members to increase awareness about issues such as physical and sexual abuse and the wide range of services that are available. Members also work with established community partners to build a coordinated approach to victim assistance.

Grantee: Massachusetts Service Alliance
Subgrantee: Just A Start Corporation
Program Name: YouthBuild Just A Start Program
Grant Type: State Program
Full-time AmeriCorps members: 1
Part-time AmeriCorps members: 40
Program Descriptions: AmeriCorps Members serve in teams to renovate and rehabilitate 10 to 15 affordable housing units for low income families, provide major renovations to 3 to 5 units for sale to first-time home buyers, and upgrade public hallways and exterior painting to 185 units of public housing. In addition, Members tutor, mentor, and provide after-school activities to at least 100 6–14 year old low-income children.

Grantee: Massachusetts Service Alliance
Subgrantee: People Acting in Community Endeavors, Inc.
Program Name: YouthBuild New Bedford
Grant Type: State Program
Full-time AmeriCorps members: 10
Part-time AmeriCorps members: 20
Program Descriptions: AmeriCorps Members rehabilitate two community centers and renovate an abandoned home for a low-income family. In addition, Members mentor 75 elementary school students during in-school and after-school programs. The students participate in academic and recreational activities.

Grantee: Massachusetts Service Alliance
Subgrantee: The Student Conservation Association
Program Name: c/o SCA, Inc.
Grant Type: State Program
Full-time AmeriCorps members: 20
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps Members, based at a rustic residential camp in Western Massachusetts, revitalize neighborhoods by restoring green spaces, creating community gardens and other community recreational areas, and assist in revitalizing and protecting natural resource areas, state and local parks and riverways. In addition, Members assist community organizations with the elimination of environmental hazards and reduce environmental risks for youth. During the winter months, Members serve as in-school assistants, providing environmental and conservation instruction and service learning activities, and mentors to 400 to 800 school-aged youth.

Grantee: Michigan Community Service Commission
Subgrantee: Oakland University
Program Name: Oakland University
Grant Type: State Program
Full-time AmeriCorps members:
Part-time AmeriCorps members: 40
Program Descriptions: The Oakland University AmeriCorps program provides reading/literacy and life skills training for youth and families. The program provides year-round support for youth through educational programs including a Character Education curriculum that focuses on topics such as respect, trustworthiness, responsibility and citizenship. Members conduct workshops with parents to encourage parents to read with their children at home. Members serve on teams in elementary and junior high schools. This program serves an urban population.

Grantee: Michigan Community Service Commission
Subgrantee: The Regents of The University of Michigan
Program Name: The Michigan Neighborhood AmeriCorps Program
Grant Type: State Program
Full-time AmeriCorps members: 20
Part-time AmeriCorps members: 50

Program Descriptions: The Michigan Neighborhood AmeriCorps program strengthens the social development of children and families in Detroit neighborhoods through violence prevention workshops, after-school and summer programs, and increased access to health education and health promotion services. Members will serve in teams. This program serves an urban population.

Grantee: Michigan Community Service Commission
Subgrantee: United Way Community Services
Program Name: Detroit's Academic Success Project
Grant Type: State Program
Full-time AmeriCorps members: 25
Part-time AmeriCorps members:
Program Descriptions: The Detroit Academic Success Program increases the academic achievement and reading comprehension of youth in kindergarten through fifth grade in Detroit's Empowerment Zone. The program infuses service learning as an instructional method, while building lasting partnerships between schools and communities to create an educational environment supportive of academic excellence. AmeriCorps members placed in five elementary schools located in Detroit's Empowerment Zone provide tutoring to low achieving students, enrichment and academic support workshops to parents, and develop service learning curriculum in math English and science. This program plans to serve 3,000 students.

Grantee: Mid-Atlantic Network of Youth & Family Services, Inc.
Subgrantee: Mid-Atlantic Network of Youth & Family Services—Parent
Program Name: Mid-Atlantic Network of Youth & Family Services (MANYCorps)
Grant Type: National Direct Sub
Full-time AmeriCorps members:
Part-time AmeriCorps members:
Program Descriptions: The Mid-Atlantic Network of Youth and Family Services (MANY) is a regional network of 50 community-based agencies providing services to runaway, homeless and other youth in high-risk situations. MANY provides coordination, training, and technical assistance to affiliates in six states. AmeriCorps Members tutor and mentor runaway, homeless and at-risk youth. They lead after school and summer education and enrichment programs, teach independent living, engage in intergenerational projects such as renovation of facilities for use by the elderly, build recreational facilities for adventure-based programming, conduct drug and alcohol prevention workshops, and organize volunteers for Big Brothers/Big Sisters.

Grantee: Mississippi Commission for National and Community Service
Subgrantee: North MidTown Community Development Corporation
Program Name: AmeriCorps Assist
Grant Type: State Program
Full-time AmeriCorps members: 20
Part-time AmeriCorps members: 10
Program Descriptions: AmeriCorps members serve the North Midtown community of Jackson through home renovations, adult education tutoring, after-school tutoring, and health care assistance. Divided in four teams, the housing renovation team rehabilitates 15 sub-standard homes, the child care team provides parent supportive services for 36 children, the health care team assists the medical clinic in offering health education seminars, the adult education team recruits and tutors 60 welfare recipients in attainment of their GED, and after-school team tutors children to increase their reading levels.

Grantee: Mississippi Commission for National and Community Service
Subgrantee: Campus Link—AmeriCorps formula
Program Name: Campus Link
Grant Type: State Program
Full-time AmeriCorps members: 15
Part-time AmeriCorps members: 20
Program Descriptions: AmeriCorps members tutor 500 under-achieving elementary school students from fourteen partnering schools in order to increase the reading comprehension two levels for 75 percent of those students participating, as well as increase the students' self-esteem and motivation for reading. The fifteen full-time and twenty part-time members serve in pairs at 10 university campuses throughout Mississippi via existing or newly established Campus Service Centers. Volunteer generation is a key component of this program—members are certified as reading tutors and recruit and train 500 volunteers who contribute 17,000 hours of tutoring through this program.

Grantee: Mississippi Commission for National and Community Service
Subgrantee: Mississippi Institutions of Higher Learning
Program Name: Learning Experiences for Adults to Develop Employability Related Skills
Grant Type: State Program
Full-time AmeriCorps members: 8
Part-time AmeriCorps members: 12
Program Descriptions: AmeriCorps members assist 345 out-of-school, unemployed 16–25 year olds in their preparation for employment opportunities. Through skill building and experiential community problem solving, the LEYDERS program focuses on alternative methods to improving marketable key competencies, interpersonal social skills, and thinking skills such that 229 youth participate in community problem solving activities and 25 youth are placed in jobs related to their career education plan.

Grantee: Mississippi Department of Education
Subgrantee: Mississippi Department of Education
Program Name: Volunteer Assistant Teachers Train to Become Teachers
Grant Type: Ed Award Only
Full-time AmeriCorps members: 200
Part-time AmeriCorps members:
Program Descriptions: Members will serve as assistant teachers, tutoring to raise literacy levels and receiving more training to better their abilities.

Grantee: Missouri Community Service Commission
Subgrantee: American Youth Foundation (Education Program)
Program Name: St. Louis Partners AmeriCorps—Education
Grant Type: State Program
Full-time AmeriCorps members: 30
Part-time AmeriCorps members: 12
Program Descriptions: AmeriCorps Members tutor elementary and middle school children, and assist teachers in developing projects in literacy, the environment, first aid and personal safety, and substance abuse prevention. Activities are structured at six sites, continue into an extended literacy program, and lead into a Summer Literacy Institute. This is a team-based program which serves an urban community in St. Louis.

Grantee: Montana Community Services Advisory Council
Subgrantee: The University of Montana
Program Name: The Montana Campus Corps
Grant Type: State Program
Full-time AmeriCorps members: 3
Part-time AmeriCorps members: 32
Program Descriptions: AmeriCorps members recruit and place students from Montana colleges to provide tutoring and mentoring to at-risk students.

Grantee: National Assoc. of Child Care Resource & Referral Agencies, Inc.
Subgrantee: National Association of Child Care Res Referral Agencies—Parent
Program Name: National Association of Child Resource and Referral Agencies
Grant Type: National Direct Central
Full-time AmeriCorps members:
Part-time AmeriCorps members:
Program Descriptions: The National Association of Child Care Resource and Resource (NACCRRA) and Referral Agencies promotes the growth and development of high quality resource and referral services; and exercises national policy leadership to build a diverse, high quality child care system with parental choice and equal access for all families. AmeriCorps members build community stability by improving the quality and availability of infant/toddler and school age child care. Members work directly with families, children, child care providers and the community by serving in child care settings, provide trainings to child care providers, consult with child care centers on program improvements, provide resource materials to families, and help families obtain education, health care, and other services.

Grantee: National Council of Churches of Christ
Subgrantee: Ecumenical Program for Urban Service (EPRUS)—Parent
Program Name:
Grant Type: National Direct
Full-time AmeriCorps members:
Part-time AmeriCorps members:

Program Descriptions: The National Council of the Churches of Christ is the nation's largest ecumenical organization. The Council's mission is to support its member denominations and churches in working toward social, economic and racial justice. The Council received a National Direct grant in 1994. AmeriCorps Members serve in schools and community organizations in low-income neighborhoods, primarily offering tutoring and mentoring support, leading after-school recreation and enrichment activities, assisting runaway and homeless youth, providing drug abuse prevention and other healthy lifestyle information, and delivering gang prevention and intervention assistance.

Grantee: Nebraska Volunteer Service Commission
Subgrantee: Community Action of Nebraska, Inc.
Program Name: Community Action of Nebraska
Grant Type: State Program
Full-time AmeriCorps members: 33
Part-time AmeriCorps members:
Program Descriptions: Community Action of Nebraska is a statewide program that implements conflict resolution training for in-class training and for youth groups, enhances the educational performance of at-risk youth through tutoring, and works with Head Start programs to teach conflict resolution skills. Members also recruit and train volunteers. Most of the members serve in teams ranging from two to ten Members. Some Members serve at individual placement sites. Potential outcomes of the program are an increase in conflict resolution skills, a reduction of detentions, suspensions, fights and expulsions in schools establishing peer mediation programs, and an increase in the academic performance of students being tutored. This program serves both rural and urban youth.

Grantee: Nebraska Volunteer Service Commission
Subgrantee: Lincoln-Lancaster County Health Department
Program Name: Lincoln-Lancaster County Health Dept.
Grant Type: State Program
Full-time AmeriCorps members: 18
Part-time AmeriCorps members:
Program Descriptions: The Comprehensive School Health Initiative integrates health education into academics. The program works directly with students, parents, educators, and community members to enrich educational opportunities, provide outreach and mentoring to encourage the adoption of healthy lifestyles, and cultivate the creation of school and community partnerships. Members will serve in teams and individually during the course of the program year. Potential impacts of the program include an increase in academic achievement by the students being tutored, the availability of after school programming for youth that will provide a safe and academically enriching environment, and increased parental involvement in school and community activities. This program serves an urban population.

Grantee: New Hampshire College and University Council
Subgrantee: NH College and University Council
Program Name: Campus Compact for New Hampshire
Grant Type: Ed Award Only
Full-time AmeriCorps members:
Part-time AmeriCorps members: 75
Program Descriptions: Members enhance and expand service-learning programs at 15 Institutions of Higher Education to meet the needs of children and youth across NH. Coordinate 60 community service-learning partnerships which engage in appropriate activities, incl. America Reads.

Grantee: New Hampshire Job Training Council
Subgrantee: Tri-County Community Action Program, Inc.
Program Name: Natural Resource Conservation & Development Area Council
Grant Type: State Program
Full-time AmeriCorps members: 20
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps members serve in single site placements throughout the North Country region of rural NH. Members target specific community needs in the areas of education and other human needs. Members develop and implement service-learning opportunities for 200–300 youth in grades K–14; tutor 200 youth and adults in basic academic skills; develop and provide well health services and programs to 500 families; and support community health agencies in such areas as coordinating cancer screenings, facilitating immunizations, disseminating preventative health literature, and securing pharmaceutical samples for low income

clients. Members will strive to sustain this support by generating volunteers and by initiating collaborations among the various programs.

Grantee: New Jersey Commission on National and Community Service
Subgrantee: NJ Department of Education (Urban Schools Service Corps)
Program Name: USSC Administrator
Grant Type: State Program
Full-time AmeriCorps members: 75
Part-time AmeriCorps members: 10
Program Descriptions: AmeriCorps Members serve community schools in eight New Jersey school districts. Members provide safe havens for children by extending the school day where they tutor children and run after-school programs. Members also provide in-class academic support and mentoring activities aimed at improving math, science and literacy skills. The program aims to improve the school success of 80 percent of 600 students served in eight districts.

Grantee: New Jersey Commission on National and Community Service
Subgrantee: New Jersey Dept. of Human Services—Youth Corps
Program Name:
Grant Type: State Program
Full-time AmeriCorps members: 80
Part-time AmeriCorps members: 51
Program Descriptions: AmeriCorps Members serve in five teams assigned to five sites that focus on a distinct issue area. One site emphasizes school success through teaching and motivating children at the Jersey Explorer Museum. Another site concentrates on violence prevention through mediation in public schools. A third site focuses on community revitalization by rebuilding neighborhoods and parks. At the last site, members provide meals to the homebound in an effort to increase independent living.

Grantee: New Jersey Commission on National and Community Service
Subgrantee: A+ for Kids Teacher Network, Inc.
Program Name: Mercer County Reads Literacy Program
Grant Type: State Program
Full-time AmeriCorps members: 20
Part-time AmeriCorps members:
Program Descriptions: Twenty AmeriCorps members provide literacy tutoring to 190 students at the district's most troubled school; they also provide after-school homework assistance and run a summer reading lab. Members provide tutoring and mentoring services to children and parents in transitional housing with an emphasis on employability skills for parents. The program brings at least 50 percent of the children who receive literacy tutoring up to grade level.

Grantee: New Jersey Commission on National and Community Service
Subgrantee: Catholic Community Services
Program Name: C.C.S AmeriCorps
Grant Type: State Program
Full-time AmeriCorps members: 21
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps members tutor and mentor children who are homeless or in crisis. Members also provide case management services to clients living in shelters in the areas of public assistance, job readiness skills, health care and living skills. As a result, 80 students per shelter are tutored, 20 preschool children participate in school readiness activities, and 70 families are assisted.

Grantee: New Jersey Commission on National and Community Service
Subgrantee: International Institute of New Jersey
Program Name: "Bringing New Jersey Together"
Grant Type: State Program
Full-time AmeriCorps members: 9
Part-time AmeriCorps members: 16
Program Descriptions: AmeriCorps Members work with immigrants from seven nationalities to (1) improve the academic performance of children, (2) assist families to access mainstream human service and health care delivery systems, and (3) resolve problems experienced by victims of bias crime and housing related violations. Goals include improved grades for 450 of the tutored children and improved satisfaction by 675 people from the serviced populations.

Grantee: New Jersey Commission on National and Community Service
Subgrantee: Urban League of Hudson County
Program Name: AmeriCorps Problem Solvers

Grant Type: State Program
Full-time AmeriCorps members: 5
Part-time AmeriCorps members: 36
Program Descriptions: AmeriCorps Members who are parents serve as teaching assistants in day care classes, deliver community outreach literacy programs, assist with recycling and beautification efforts and lead substance abuse prevention activities.

Grantee: New Jersey Commission on National and Community Service
Subgrantee: Red Bank Borough Board of Education
Program Name:
Grant Type: State Program
Full-time AmeriCorps members: 10
Part-time AmeriCorps members: 10
Program Descriptions: AmeriCorps Members support the success and achievement of 150–200 school-aged children, particularly in math and reading. Members provide in-class support, after-school tutoring, group mentoring, and safe havens for youth. Additionally, Members increase the number of community volunteers who work with students. Goals include increasing math and reading scores by 10 percent, increasing attendance while decreasing the numbers of students suspended, and increasing volunteer participation.

Grantee: New Jersey Commission on National and Community Service
Subgrantee: St. Paul's Community Development Corp.
Program Name: City SERVE AmeriCorps
Grant Type: State Program
Full-time AmeriCorps members: 15
Part-time AmeriCorps members: 20
Program Descriptions: AmeriCorps Members provide literacy and ESL training for low-income adults, reading improvement for homeless elementary school children, after-school and summer programming for teens, and family literacy activities that raise parents' awareness about the need for early literacy development. As a result of these efforts, 50 children will show an increase of 25 percent in reading improvement, low income adults will show a grade level improvement in their basic education skills, 50 teens will demonstrate increased motivation to stay in school, and parents will show increased self confidence in their work with children.

Grantee: New Jersey Commission on National and Community Service
Subgrantee: New Jersey Statewide Initiative
Program Name: NJ Reads (America Reads)
Grant Type: America Reads
Full-time AmeriCorps members: 27
Part-time AmeriCorps members: 18
Program Descriptions: This is a statewide initiative where 45 AmeriCorps members recruit and train 450 volunteers (10 per member) to assist with tutoring, mentoring and family literacy. Members and volunteers tutor and mentor 900 K–3 students to bring the reading abilities of 80 percent of the 900 students targeted up to or above grade level.

Grantee: New Jersey Commission on National and Community Service
Subgrantee: New Jersey Commission—PF
Program Name:
Grant Type: Promise Fellows
Full-time AmeriCorps members: 15
Part-time AmeriCorps members:
Program Descriptions: Fellows will serve as coordinators of Communities of Promise projects in 21 New Jersey counties. Service activities will include expanding the KidCare program that provides health care coverage for every child, promoting service learning for inner city youth and K–12 students, and establishing after-school mentoring programs for children. Anticipated outcomes are 5,000 children enrolled in heath care coverage, 2,500 youth participate in service learning projects, and 500 youth involved in mentoring programs. Fellows will be placed in Volunteer Centers across New Jersey.

Grantee: New Mexico Commission for National and Community Service
Subgrantee: National Indian Youth Leadership Development Project Inc.
Program Name:
Grant Type: State Program
Full-time AmeriCorps members: 20
Part-time AmeriCorps members: 8

Program Descriptions: 30 AmeriCorps members will serve in eight schools and two hospitals. Members will provide direct tutoring services, and will coordinate cross-age tutoring and mentoring activities for children K–8. Service activities will take place in eight schools and two hospitals, and will also take place on weekends and evenings. Additionally, members will host a four week summer literacy camp. In the schools, members will serve in teams of two or three.

Grantee: New Mexico Commission for National and Community Service
Subgrantee: Families and Youth
Program Name: Families and Youth, Inc.—CARAS Program
Grant Type: State Program
Full-time AmeriCorps members: 25
Part-time AmeriCorps members: 19
Program Descriptions: AmeriCorps Members tutor and mentor at-risk students. Working in three teams, Members will provide an alternative education program to youth ages 11–17 who have been suspended or expelled from school, develop reading skills and parental reading support among elementary students grades K–3 who are reading below grade level, or provide homework assistance and mentoring in class and in an after-school homework club for middle school students who have a history of incomplete assignments. This program will operate in city of Las Cruces.

Grantee: New York Office of National and Community Service
Subgrantee: New York Restoration Project
Program Name: Don't Trash New York
Grant Type: State Program
Full-time AmeriCorps members: 30
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps members focus on environmental clean-up in New York City. Members clean, create, restore and maintain 350 acres of parkland; provide neighborhood ecology at 2 outdoor science learning facilities for 1000 students; build a boat with community students; engage community leaders in the creation of a plan for sustainability; and link public spaces to the public education system.

Grantee: New York Office of National and Cummunity Service
Subgrantee: Schenectady County Job Training Agency
Program Name: The Schenectady Bridge Builders
Grant Type: State Program
Full-time AmeriCorps members: 29
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps Members serve in teams to tutor students in grades K–3; mentor youth in after school programs in conflict resolution, personal safety, and drug resistance; rehabilitate 2 single family low income houses; and construct community paths and revitalize nature trails. As a result of the tutoring services provided to 2000 students and family members, ninety five percent of the participating students will be able to read independently by age 8. Additionally, forty percent of parents will complete activities at home to strengthen student reading skills. Three hundred youth will learn new skills improve their attitudes and behavior. Two low or moderate income families will own newly renovated homes, not otherwise available to them. The community parks will be more accessible to the public as well as to the disabled community. Volunteers will contribute 100 hours to a greenhouse and community gardens.

Grantee: New York Office of National and Community Service
Subgrantee: Phoenix House Foundation, Inc.
Program Name: New York State Substance Abuse Service Program
Grant Type: State Program
Full-time AmeriCorps members: 85
Part-time AmeriCorps members:
Program Descriptions: The Phoenix House AmeriCorps program expands and improves the network of substance abuse and alcohol treatment/prevention services available to New Yorkers. Members assist various communities by developing linkages between treatment providers, organizations, and schools. Members provide substance abuse prevention counseling and education to community residents, including individuals in recovery, educators, school-aged youth and parents.

Grantee: New York Office of National and Community Service
Subgrantee: Grand Street Settlement
Program Name: AmeriCorps
Grant Type: State Program

Full-time AmeriCorps members:
Part-time AmeriCorps members: 40
Program Descriptions: 40 part time AmeriCorps members serve in various sites throughout the lower east side of Manhattan. Members address school safety, school readiness and school success issues of community residents. By escorting youth to after school activities, program attendance has increased. Service in the Early Head Start Program and work with parents support family literacy and school readiness. Members also provide homework assistance, computer training, and one to one tutoring to promote school success.

Grantee: New York Office of National and Community Service
Subgrantee: YMCA of Greater New York
Program Name: YMCA AmeriCorps School Success Program
Grant Type: State Program
Full-time AmeriCorps members: 72
Part-time AmeriCorps members:
Program Descriptions: YMCA School Success program is an extended day youth-based program where 72 AmeriCorps Members facilitate classroom-based service activities and enrichment activities in 12 Low-performing schools. Members also lead physical fitness and health awareness activities and provide community service-learning activities. Expected impact includes, 120 service projects, a 5-percent increase in student reading and math scores, and a 15-percent increase in student fitness levels.

Grantee: New York Office of National and Community Service
Subgrantee: Monroe Community College
Program Name:
Grant Type: State Program
Full-time AmeriCorps members: 94
Part-time AmeriCorps members:
Program Descriptions: 94 full-time AmeriCorps Members serve in 25 community-based organizations in Rochester, New York's Enterprise Community. The purpose of this program is to increase the reality and perception of public safety in the community. Members provide assistance to police substations, prevention and intervention education to youth around issues of substance abuse and conflict resolution, and implement positive developmental and community service activities with neighborhood youth. Expected impacts include: a 20 percent increase in geographic area covered by Neighborhood Watch and block clubs; a 20 percent increase in contacts at police substations; a reported increase in intervention/prevention services offered to youth; and a 10 percent increase in numbers of youths participating in targeted activities.

Grantee: New York Office of National and Community Service
Subgrantee: Bank Street College of Education
Program Name: AmeriCorps Community Service Internship
Grant Type: Ed Award Only
Full-time AmeriCorps members:
Part-time AmeriCorps members: 25
Program Descriptions: Members provide classroom and after-school literacy training and reading/tutoring support for 700+ elementary school students who do not perform at grade level.

Grantee: New York Office of National and Community Service
Subgrantee: Research Foundation of SUNY—New Paltz
Program Name: AmeriCorps Education Awards Program
Grant Type: Ed Award Only
Full-time AmeriCorps members:
Part-time AmeriCorps members: 100
Program Descriptions: Members provide tutoring and literacy assistance to 500+ youth; after school, weekend, and summer activities in 4 community centers; and involve youth in community service efforts.

Grantee: New York Office of National and Community Service
Subgrantee: Albany Service Corps
Program Name: Albany School Success AmeriCorps Program
Grant Type: State Program
Full-time AmeriCorps members: 16
Part-time AmeriCorps members: 16
Program Descriptions: AmeriCorps members support school success through three principal initiatives: (1) to improve the literacy of 500 students, (2) to provide ex-

tended day programming for 500 youth, and (3) to improve school attendance of 300 students. The program goals are to improve the achievement poential of at-risk youth.

Grantee: New York Office of National and Community Service
Subgrantee: Buffalo Place Foundation
Program Name: AmeriCorps Ranger Escort Program
Grant Type: State Program
Full-time AmeriCorps members: 12
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps Members increase public safety visibility and effectiveness through identifying potential crimes and patrolling the streets of downtown Buffalo. Expected impacts include a 10 percent decrease in crime and a 20 percent increase in the perception of a safer downtown area. Additionally, members provide safety escorts for 500 people and distribute safety tips to 3000 people.

Grantee: New York Office of National and Community Service
Subgrantee: Syracuse Area Catholic Charities
Program Name: Syracuse Area Catholic Charities AmeriCorps Program
Grant Type: State Program
Full-time AmeriCorps members: 15
Part-time AmeriCorps members: 1
Program Descriptions: AmeriCorps members serve in seven centers in the greater Syracuse, NY region with attention in three areas: (1) to assist with the early childhood education of 150 3–5 year olds to foster school readiness and school success, (2) to teach and model prosocial skills to 1200 children 5–18 years and (3) to transport 800 low income children and women to medical appointments to improve compliance with medical treatment. Members work with children in schools and in after school programs. Additionally, members will expand their service to support the needs of refugee youth in the area, which includes providing them an orientation to the community and to the schools, providing support with the adjustment to a new culture, and teaching ESL and assisting with citizenship classes.

Grantee: New York Office of National and Community Service
Subgrantee: Oswego City-County Youth Bureau
Program Name: Oswego AmeriCorps Program
Grant Type: State Program
Full-time AmeriCorps members: 17
Part-time AmeriCorps members: 48
Program Descriptions: AmeriCorps members serve in multiple agencies throughout Oswego County to provide positive prevention services to youth and families. Members assist youth and families with basic needs that permit self-sufficiency such as with food, clothing, shelter, child care and safety. Additionally members provide school readiness, literacy readiness and tutoring opportunities by supporting parents of preschoolers, assisting with in-school and after school activities, and establishing a summer reading program for elementary students. Members also provide positive alternatives and relationships for youth and their families by developing a youth leadership program, establishing parent support groups and developing meaningful community service projects. Members will serve at least 2000 youth and their families.

Grantee: New York Office of National and Community Service
Subgrantee: West Seneca Youth Bureau—Share the Word
Program Name: Sharing the Words, America Reads
Grant Type: State Program
Full-time AmeriCorps members: 38
Part-time AmeriCorps members: 80
Program Descriptions: In partnership with Universities at Buffalo, Buffalo State College and the King Urban Center, 38 full-time AmeriCorps Members provide one-on-one tutoring to 2500 at-risk children in Buffalo, New York. Members will "adopt" elementary and secondary schools with low retention rates in order to increase retention through tutoring and providing public awards for the students' work. Members also design and implement service projects with these students. Expected impacts include: a 75 percent improvement in test scores of students tutored; a 75 percent satisfaction rate among service recipients; and a 75 percent improvement in student retention rate.

Grantee: New York Office of National and Community Service
Subgrantee: The Institute for Human Services, Inc.
Program Name: AmeriCorps Kids First Initiative/Steuben County

Grant Type: State Program
Full-time AmeriCorps members: 20
Part-time AmeriCorps members:
Program Descriptions: Twenty AmeriCorps members serve in single site placements throughout rural Steuben County supporting various goals of the Summit. Members provide 3750 of the county's youth with positive role models and alternative activities through tutoring, mentoring, and planned activities. Members ensure that youth and their families receive the support needed to succeed in and stay in school. Additionally, members provide support to ensure that children have safe and healthy home environments and behaviors. Specific member services include providing safe places, substance abuse prevention counseling, adolescent pregnancy training, health care counseling, and alternative after school activities.

Grantee: New York Office of National and Community Service
Subgrantee: Pace University
Program Name: Lower East Side/Chinatown AmeriCorps
Grant Type: State Program
Full-time AmeriCorps members:
Part-time AmeriCorps members: 57
Program Descriptions: 11 part-time and 46 reduced part-time members serve the primarily Asian community in Lower Eastside NYC. Members tutor and mentor low achieving junior high students to improve their grades and attendance; provide college and career counseling to high school students and their parents to increase the rate of h.s. graduation, college matriculation and career/employment options; and provide service-learning opportunities to students to help them increase their problem solving skills.

Grantee: New York Office of National and Community Service
Subgrantee: City College of the City University of New York
Program Name: City College's Empowering Communities Program
Grant Type: State Program
Full-time AmeriCorps members:
Part-time AmeriCorps members: 30
Program Descriptions: AmeriCorps Members from the City College of New York facilitate a community service learning program that increases community members' computer skills and school success. Members train community members in computer skills, tutor students after-school, and work with parents to involve them more in their child's education. Expected impacts include: Community members will be trained in computer skills and targeted youth will show an improvement in college preparatory skills.

Grantee: New York Office of National and Community Service
Subgrantee: SUNY Oneonta Research Foundation
Program Name: Oneonta Rural School Empowerment Program
Grant Type: State Program
Full-time AmeriCorps members: 30
Part-time AmeriCorps members: 30
Program Descriptions: AmeriCorps members improve the school success of youth in Oneonta County. Focusing on reading and math, members tutor and mentor 900 students in school and engage 450 students in after school and evening programs. Additionally, through the development of 15 Youth Leaders in Action service clubs, members provide leadership training for 225 youth.

Grantee: New York Office of National and Community Service
Subgrantee: Latino Pastoral Action Center
Program Name: Latino Pastoral Action Center
Grant Type: State Program
Full-time AmeriCorps members: 20
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps Members improve the literacy of 150 5–7 year old students through a comprehensive school day and extended day program. Additionally, members improve the academic performance of 150 6–14 year olds through an after school program. Members also serve to increase the access and use of community services by 100 youth and their family members.

Grantee: New York Office of National and Community Service
Subgrantee: Families First in Essex County
Program Name: Families First in Essex County
Grant Type: State Program
Full-time AmeriCorps members: 12

Part-time AmeriCorps members: 14
Program Descriptions: AmeriCorps Members serve in eleven agencies throughout Essex County to address all five goals of the Summit as well as the human needs of its citizens. Members tutor, mentor, and counsel youth, train parents of youth with disabilities and provide educational support to older adolescents. Program goals are to improve the academic and behavioral performance of students in schools and to increase the numbers of community agencies and businesses that collaborate.

Grantee: New York Office of National and Community Service
Subgrantee: Student Conservation Association NY
Program Name: NY Adirondack Youth Conservation AmeriCorps
Grant Type: State Program
Full-time AmeriCorps members: 20
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps members serve in a residential environmental conservation program in the Adirondacks region. Members build, repair, refurbish and restore recreational and natural areas such as hiking trails, camp grounds, recreational and historic buildings. Additionally, members use service learning models to provide environmental and ecological education for 400–800 in-school, after school, and out of school youth. 60–100 volunteers will be recruited and trained to assist with these activities.

Grantee: North Carolina Commission on National & Community Service
Subgrantee: Children First of Buncombe County
Program Name: Project POWER
Grant Type: State Program
Full-time AmeriCorps members: 16
Part-time AmeriCorps members: 6
Program Descriptions: AmeriCorps members serve as reading coaches to K–8th grade children performing below grade level in Asheville/Buncombe County schools. In addition, members set up mediation programs to teach conflict resolution to children in grades 5 and 6 and lead small groups of students in service learning projects.

Grantee: North Carolina Commission on National & Community Service
Subgrantee: Communities in Schools of North Carolina, Inc.
Program Name: Project REACH
Grant Type: State Program
Full-time AmeriCorps members:
Part-time AmeriCorps members: 30
Program Descriptions: AmeriCorps members tutor 400 elementary school children who read below grade level, utilizing the Great Leaps curriculum to increase reading proficiency and comprehension. Members also train parents to better support their children's learning and recruit 90 community volunteers to tutor in the schools.

Grantee: North Carolina Commission on National & Community Service
Subgrantee: Warren Family Institute
Program Name: Warren Service Corps
Grant Type: State Program
Full-time AmeriCorps members:
Part-time AmeriCorps members: 40
Program Descriptions: AmeriCorps members provide one-on-one instructional Support to K–12 students and GED students; literacy development with preschoolers in day care; and provide homework assistance and enrichment activities in after-school and Saturday academies.

Grantee: North Carolina Commission on National & Community Service
Subgrantee: Southeastern Community College
Program Name: Steps to Success
Grant Type: State Program
Full-time AmeriCorps members: 20
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps members tutor and mentor 400 3rd–5th grade students to increase reading proficiency and school attendance. Members serve in four schools in Columbus County.

Grantee: Northeastern University
Subgrantee: Athletes in Service to America—Parent
Program Name: NE University/Athletes in Service
Grant Type: National Direct

Full-time AmeriCorps members:
Part-time AmeriCorps members:
Program Descriptions: The Northeastern University Center for Sport in Society increases awareness of sport's relation to society and develops programs that identify current problems and offer solutions promoting the benefit of sport. The Center, founded in 1984, designed the program models used by sites: Project TEAMWORK (conflict resolution) and Mentors in Violence Prevention (MVP) concerning gender-based violence. President Clinton recognized TEAMWORK as a national model in 1994. AmeriCorps Members recruit college and high school students to tutor and mentor school-age youth during full-time summer and year-round after school programs. The full-time Members train part-time Members and community volunteers in curriculum development and tutoring skills and all Members expand the program's partnership with families, schools and community agencies.

Grantee: Notre Dame Mission Volunteer Program, Inc.
Subgrantee: Notre Dame Mission Volunteer Program, Inc.—Parent
Program Name: Notre Dame Mission Volunteers, Inc.
Grant Type: National Direct Central
Full-time AmeriCorps members:
Part-time AmeriCorps members:
Program Descriptions: The Notre Dame Mission Volunteers, Inc., is a non-profit organization founded by the Sisters of Notre Dame, a religious institution which has been serving communities in need for over 150 years. Among other social issues which the organization addresses, the Notre Dame volunteers target the educational needs of the disadvantaged youth and their families. AmeriCorps Members tutor low income children, teach ESL to immigrants and GED and literacy skills to adults such as single mothers and high school drop-outs, and operate after school programs. Members also recruit volunteer parents for enrichment programs, teach conflict resolution skills, and provide school-to-work transition support for migrant farmworkers.

Grantee: Oregon Community Service Commission
Subgrantee: Central Oregon Community College Foundation
Program Name: COCC/AmeriCorps Service to Community
Grant Type: State Program
Full-time AmeriCorps members: 9
Part-time AmeriCorps members: 58
Program Descriptions: 9 full-time and 36 part-time AmeriCorps members serve in an urban and several rural communities in central Oregon in small teams or individual placements. These members provide tutoring in elementary schools to increase literacy and life skills; provide community service projects in middle schools; and develop leadership training and opportunities for high school.

Grantee: Oregon Community Service Commission
Subgrantee: Forest Grove School District
Program Name: Partnerships For Student Achievement
Grant Type: State Program
Full-time AmeriCorps members: 20
Part-time AmeriCorps members: 10
Program Descriptions: AmeriCorps members serve in eleven schools in the Forest Grove school district in K–12 grades to improve literacy among low achieving and at risk students, and generate parental involvement in the schools. As a result five hundred school students will increase reading scores and parental involvement will increase by 15 percent in targeted schools.

Grantee: PennSERVE: The Governor's Office of Citizen Service
Subgrantee: City Year, Inc. PA
Program Name:
Grant Type: America Reads
Full-time AmeriCorps members: 12
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps Members deliver a specialized literacy curriculum to children with physical, emotional, and cognitive disabilities and to children for whom English is a second language. Through a partnership with City Year Philadelphia and the Institute on Disabilities, Members serve in 2 public elementary schools where they provide one-on-one tutoring to 60 children in grades K–3. Members help improve reading ability and interest levels for the children they serve in addition to integrating children with disabilities into normal classroom activities.

Grantee: PennSERVE: The Governor's Office of Citizen Service

Subgrantee: Keystone School District
Program Name: Keystone SMILES
Grant Type: State Program
Full-time AmeriCorps members: 27
Part-time AmeriCorps members: 59
Program Descriptions: AmeriCorps members tutor and mentor K–12 school aged children. Their primary focus is on students at risk of not completing school. They accomplish their goal by expanding learning environments, recreational and health facilities. As a result of Members' efforts, 281 students are tutored and 1,282 students participate in the Computer Lab.

Grantee: PennSERVE: The Governor's Office of Citizen Service
Subgrantee: Appalachia Intermediate Unit 8: Pennsylvania Mountain Service Corps
Program Name: Pennsylvania Mountain Service Corps
Grant Type: State Program
Full-time AmeriCorps members: 56
Part-time AmeriCorps members: 4
Program Descriptions: AmeriCorps Members serve in teams where they institute violence prevention programs for students, provide health care and education to the elderly and preschoolers. Members also design and implement watershed projects in a vast 10 county rural area through the cooperative use of volunteers. Members' efforts result in the increase of school readiness and parental involvement for 2,000 individuals.

Grantee: PennSERVE: The Governor's Office of Citizen Service
Subgrantee: Family Services of Butler Memorial Hospital
Program Name: Family Services of Butler Memorial Hospital
Grant Type: State Program
Full-time AmeriCorps members: 30
Part-time AmeriCorps members: 16
Program Descriptions: Members provide family support services in the areas of counseling, child development, parenting classes, violence prevention, and personal development. Members support needs identified by the community to reduce isolation; increase access to health, education and recreation programs; and increase volunteerism. Members also assist 30 new programs, expand or enhance the services of existing programs by 10 percent, and increase local volunteerism by 10 percent.

Grantee: PennSERVE: The Governor's Office of Citizen Service
Subgrantee: County of Allegheny DFP (KEYS to Success)
Program Name: KEYS PUBLIC SAFETY INITIATIVE
Grant Type: State Program
Full-time AmeriCorps members: 22
Part-time AmeriCorps members: 7
Program Descriptions: AmeriCorps members improve the rate of academic success by tutoring 175 economically disadvantaged and high risk students. They broaden the horizons of these students though engagement in 16 service-learning/community service projects and the development of individual career plans. To assist with these efforts, parents provide 100 hours and other volunteers provide 650 hours of additional support.

Grantee: PennSERVE: The Governor's Office of Citizens Service
Subgrantee: County of Allegheny DFP (Public Safety)
Program Name: Knowledge to Empower Youths to Success (KEYS) Service Corps
Grant Type: State Program
Full-time AmeriCorps members: 19
Part-time AmeriCorps members: 8
Program Descriptions: AmeriCorps Members serve in sites throughout Allegheny County to develop and implement crime prevention strategies, including community policing. Members also develop and implement youth mentoring programs. Members' efforts result in the implementation of six neighborhood watches or block clubs.

Grantee: Puerto Rico State Commission on Community Service
Subgrantee: University of the Sacred Heart
Program Name: USH AmeriCorps Program: Public Safety Through School and Community Empowerment
Grant Type: State Program
Full-time AmeriCorps members: 10
Part-time AmeriCorps members: 20

Program Descriptions: AmeriCorps members work with 100–160 students at each of five schools (elementary, intermediate, and high schools) to increase school success and reduce at-risk behavior. Members serve to reduce the use of alcohol, tobacco, and other drugs; prevent the crime and violence that often accompanies this behavior; and improve the school success of the students. Program strategies include the use of fine arts and the development of student groups at each school. Additionally, the program emphasizes the training of teachers and parents in the management of high risk youth and violence for the improvement of public safety.

Grantee: Rhode Island Commission on National and Community Service
Subgrantee: Children's Museum of Rhode Island
Program Name: Providence Children's Museum AmeriCorps Program
Grant Type: State Program
Full-time AmeriCorps members: 15
Part-time AmeriCorps members:
Program Descriptions: Fifteen AmeriCorps Members provide community service opportunities through the Children's Museum of Rhode Island for low-income high-risk families. Members serve in three teams—after school learning club, community service learning, and Head Start. In the After School Learning Clubs, five members encourage students to increase independent learning and serve as a resource for parents. The community service team involves four members and at least 500 children who participate in "Community Quest" a program that explores the meaning and importance of serving the community. The Head Start team is made up of three members and serves 886 children in 44 classes. With Head Start teachers and parents, members develop enriched museum visits for Head Start students. These classes visit the Children's Museum where they explore exhibits and participate in art activities.

Grantee: Rhode Island Commission on National and Community Service
Subgrantee: Rhode Island Children's Crusade for Higher Education
Program Name: Rhode Island Children's Crusade for Higher Education
Grant Type: State Program
Full-time AmeriCorps members: 40
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps Members support the educational success of participating students in the sixth through ninth grades. Additionally, members provide direct service to strengthen schools, families, and communities in order to support poor children at risk of dropping out of school. The Crusade assists children to graduate and take advantage of a scholarship for higher education. Members complete assessments and assist the progress of 80 percent of the at-risk children identified as Crusaders and make appropriate referrals to service agencies to help students and their families. Approximately 3270 sixth–ninth grade children will be profiled, followed, and aided in staying in school and maintaining satisfactory academic performance.

Grantee: Rhode Island Commission on National and Community Service
Subgrantee: Public Education Fund (Parents Making a Difference)
Program Name: Parents Making A Difference
Grant Type: State Program
Full-time AmeriCorps members: 35
Part-time AmeriCorps members: 14
Program Descriptions: AmeriCorps members create and operate family centers in 21 Providence elementary, middle and high schools as part of a state-wide effort at school reform. In the family centers, members provide GED, ESL, and parenting education classes as well as Domestic Violence Prevention training for 3,000 adults in the community. Members also plan to tutor and mentor 14,600 students in those participating schools. This program addresses the America Reads challenge by launching Providence Reads where they collaborate with Learn and Serve America. Members are actively recruited from the local welfare to work program.

Grantee: Rhode Island Commission on National and Community Service
Subgrantee: City Year, Inc.
Program Name: City Year Rhode Island
Grant Type: State Program
Full-time AmeriCorps members: 100
Part-time AmeriCorps members: 10
Program Descriptions: One hundred and seven full-time and 6 part-time AmeriCorps Members tutor and mentor elementary school children, implement an after school program, and present special issues workshops. In middle schools, members teach a six week Creating Community Curriculum and operate Young Heroes

which is a junior service and service-learning program. Finally, members work to revitalize 6 urban neighborhoods. These members serve in three teams and are placed at six high need urban elementary and middle schools. Impact includes: improved learning environment for 2,870 children; enriched middle school environment for 1,200 children; and improved urban habitat for children and families in 6 urban neighborhoods.

Grantee: Rhode Island Commission on National and Community Service
Subgrantee: City of Pawtucket
Program Name: Partners in Learning/AmeriCorps
Grant Type: State Program
Full-time AmeriCorps members:
Part-time AmeriCorps members: 21
Program Descriptions: AmeriCorps Members provide educational assistance for at-risk children grades K–2 from the diverse Cities of Pawtucket and Central Falls. Members also tutor adults enrolled in GED, ESL and literacy programs and involve children in community based academic enrichment programs during the summer months. Expected impacts include, 60 percent of those who receive tutoring support will show progress in reading skills; 70 percent of those parents involved in these programs will report involvement in their child's schooling; and 80 percent of those enrolled in summer enrichment programs will report improved attitudes and interest in the sciences as career options.

Grantee: Rhode Island Commission on National and Community Service
Subgrantee: Community College of Rhode Island
Program Name: CRRI—AmeriCorps
Grant Type: State Program
Full-time AmeriCorps members: 30
Part-time AmeriCorps members: 4
Program Descriptions: AmeriCorps Members serve in three sites in the Providence area, to provide educational support, bridge community needs through service learning, and encourage civic responsibility. Members specifically provide school readiness activities for limited English proficient children, tutor and mentor low-income elementary school students, and assist parents in skills to enhance child development. Expected impacts include, 75 percent of children who participate will increase their school readiness by 75 percent; 75 percent of children participating will increase their English language skills; and 75 percent of parents participating will report a 50 percent increase in their parenting skills.

Grantee: Rhode Island Commission on National and Community Service
Subgrantee: Rhode Island Commission—PF
Program Name: AmeriCorps Promise—Rhode Island
Grant Type: Promise Fellows
Full-time AmeriCorps members: 5
Part-time AmeriCorps members:
Program Descriptions: Fellows will serve in several capacities led by the United Way in order to focus on all five resources of the Summit. Service activities will include establishing 50 neighborhood homework safe places, encouraging 100 Employers to allow employees paid time off for community service, and organizing an interactive Youth Resource Bank where people can contribute skills and talents to the community. Expected results include increased volunteerism and resources across Rhode Island. Fellows will serve in sites to be selected in a competitive process.

Grantee: Robert F. Kennedy Memorial
Subgrantee: RFK Fellows AmeriCorps Program—Parent
Program Name:
Grant Type: National Direct
Full-time AmeriCorps members:
Part-time AmeriCorps members:
Program Descriptions: The Robert F. Kennedy (RFK) Memorial works across the county and around the world to carry forward Robert Kennedy's mission for social justice by helping disadvantaged and oppressed people and recognizing, training, and supporting upcoming leaders. It currently sponsors the RFK Fellows program, which is designed to train young people and provides them with public-service placements. AmeriCorps Members, placed at community-based organizations, will assist at-risk youth to gain leadership skills through provision of solutions to neighborhood violence and out-of-school learning activities. Members will serve as mentors and tutors, organize out-of-school activities, teach conflict resolution and violence prevention, youth case management, and integrate community members in service.

Grantee: Round Rock Chapter
Subgrantee: Round Rock Chapter
Program Name: Round Rock AmeriCorps
Grant Type: Tribe Territory
Full-time AmeriCorps members: 15
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps Members tutor 85 K–5 students to bring them up to grade level in reading on this remote chapter of the Navajo Nation in Arizona. Members are also constructing 2 homes and a teen center, building 8 bathrooms for houses that lack them, and producing a community newsletter. Members will recruit 115 community members including local teens, to assist them in providing youth recreational activities and culture camps after school and in the summer. Members serve in two teams in a isolated, rural area.

Grantee: South Carolina Commission on National and Community Service
Subgrantee: Winthrop University
Program Name: Winthrop AmeriCorps: Empowerment Through Literacy
Grant Type: State Program
Full-time AmeriCorps members: 8
Part-time AmeriCorps members: 24
Program Descriptions: AmeriCorps members tutor 225 low performing students in grade 2–6 and 9–12 to raise 90 percent of their reading scores above the 50th percentile or pass the state competency for reading and literacy. Members also tutor 30 special needs students in grades 2–6 to increase their standardized test scores by one grade. Additionally members tutor 100 students in grade 2–5 to increase their reading comprehension scores by one grade level. Members serve at one of four sites. The program will recruit and utilize 40 community volunteers in support of this literacy effort.

Grantee: South Carolina Commission on National and Community Service
Subgrantee: Benedict College
Program Name: Benedict College AmeriCorps Program
Grant Type: State Program
Full-time AmeriCorps members: 12
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps members tutor 150 K–6 low-achieving students (both in-school and after-school) so that 85 percent increase reading and math scores one grade level. Members also tutor 75-achieving students in a summer enrichment program so that 85 percent increase math and reading scores one grade level. Members serve in one of three elementary school. This program recruits and utilizes 30 volunteers to provide 1,500 hours of service.

Grantee: Summerbridge National, Inc.
Subgrantee: Summerbridge National—Parent
Program Name: Summerbridge ACorps Teaching Program
Grant Type: National Direct Central
Full-time AmeriCorps members.
Part-time AmeriCorps members:
Program Descriptions: Summerbridge National promotes school success while preparing students for high-school programs and developing high school and college students as future educators. Summerbridge National AmeriCorps Members provided tutoring and mentoring support in after-school, weekend, and summer settings, provided enrichment class instruction, provided service and service-learning opportunities for elementary, middle, secondary school and college students, and cultivated young educators.

Grantee: Teach For America, Inc.
Subgrantee: Baltimore/Teach For America, Inc.
Program Name: Teach for America—Baltimore
Grant Type: National Direct Central
Full-time AmeriCorps members: 63
Part-time AmeriCorps members:
Program Descriptions: Teach for America (TFA) is a national teacher corps dedicated to improving educational achievement of under-served school age youth. TFA places a diverse group of recent college graduates as teachers in urban and rural school districts facing critical teacher shortages. AmeriCorps Members teach underserved youth at inner-city and rural public schools. Members assume leadership roles on school committees, sponsoring after school enrichment and recreational opportunities. Members also coordinate and implement service projects addressing specific community needs.

Grantee: Teach For America, Inc.
Subgrantee: Houston/Teach For America, Inc.
Program Name: Teach for America
Grant Type: National Direct Central
Full-time AmeriCorps members: 37
Part-time AmeriCorps members:
Program Descriptions: Teach for America (TFA) is a national teacher corps dedicated to improving educational achievement of under-served school age youth. TFA places a diverse group of recent college graduates as teachers in urban and rural school districts facing critical teacher shortages. AmeriCorps Members teach underserved youth at inner-city and rural public schools. Members assume leadership roles on school committees, sponsoring after school enrichment and recreational opportunities. Members also coordinate and implement service projects addressing specific community needs.

Grantee: Teach For America, Inc.
Subgrantee: Enfield/Teach For America, Inc.
Program Name: Teach for America
Grant Type: National Direct Central
Full-time AmeriCorps members: 60
Part-time AmeriCorps members:
Program Descriptions: Teach for America (TFA) is a national teacher corps dedicated to improving educational achievement of under-served school age youth. TFA places a diverse group of recent college graduates as teachers in urban and rural school districts facing critical teacher shortages. AmeriCorps Members teach underserved youth at inner-city and rural public schools. Members assume leadership roles on school committees, sponsoring after school enrichment and recreational opportunities. Members also coordinate and implement service projects addressing specific community needs.

Grantee: Teach For America, Inc.
Subgrantee: McAllen/Teach For America, Inc.
Program Name: Teach for America—McAllen
Grant Type: National Direct Central
Full-time AmeriCorps members: 78
Part-time AmeriCorps members:
Program Descriptions: Teach for America (TFA) is a national teacher corps dedicated to improving educational achievement of under-served school age youth. TFA places a diverse group of recent college graduates as teachers in urban and rural school districts facing critical teacher shortages. AmeriCorps Members teach underserved youth at inner-city and rural public schools. Members assume leadership roles on school committees, sponsoring after school enrichment and recreational opportunities. Members also coordinate and implement service projects addressing specific community needs.

Grantee: Tennessee State Commission on National and Community Service
Subgrantee: The University of Tennessee at Chattanooga
Program Name: Chattanooga Family Service Corps
Grant Type: State Program
Full-time AmeriCorps members: 20
Part-time AmeriCorps members: 16
Program Descriptions: AmeriCorps members provide mentoring, in-school and after-school tutoring, and summer learning opportunities to more than 250 children, of which 75 percent will reach their individual reading learning goal. Chattanooga Family Service Corps aims to improve the academic success of low-income children from south Chattanooga who have been identified as at-risk of school failure and encourages parental participation in school activities by involving more than 100 parents of the children tutored. Members also coordinate service-learning at 4 area schools with children in grades K–3 and involve parents to participate in school activities.

Grantee: Tennessee State Commission on National and Community Service
Subgrantee: Upper Cumberland County Community Health Agency
Program Name: School Achievement Partnership Project
Grant Type: State Program
Full-time AmeriCorps members:
Part-time AmeriCorps members: 30
Program Descriptions: AmeriCorps members tutor children and make family contacts in an effort to promote regular attendance of children identified as truant and to involve the parent in the children's academic achievements. The School Achieve-

ment Partnership Project is increasing attendance by 15 percent of at least 70 percent of the 450 students served. Of the 300 elementary school children tutored in four participating rural counties of the Upper Cumberland region of Middle Tennessee, 70 percent will demonstrate academic success with an increase of one or more letter grade(s). In the summer, corps members organize Youth Power Teams to engage 4th–6th graders in service-learning activities.

Grantee: Tennessee State Commission on National and Community Service
Subgrantee: Emerald Avenue Urban Youth
Program Name: Emerald Avenue AmeriCorps Urban Youth Initiative
Grant Type: State Program
Full-time AmeriCorps members: 12
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps members tutor at-risk students in grades 2–5, as well as teach computer skills through newsletter production in an after-school program and summer day camp for 6th–8th grade students. Of 75 children tutored, 65 percent demonstrate an increase in academic achievement. Members also lead nonviolent learning sessions to 100 students in grades 2–8, resulting in a 30 percent decrease of violent/aggressive behavior by the end of the year and 75 percent decrease in nonviolent classroom behavior. Members are assigned to three community centers in the Knoxville area.

Grantee: The Arc of The United States
Subgrantee: The Arc of Montgomery County
Program Name: The ARC of Montgomery County—C.O.N.N.E.C.T.S.
Grant Type: National Direct
Full-time AmeriCorps members: 20
Part-time AmeriCorps members:
Program Descriptions: The Arc of the United States is the nation's largest volunteer organization solely devoted to improving the welfare of Americans with mental retardation and their families, working through 1200 chapters across the nation. AmeriCorps Members mentor individuals with mental retardation on a one-to-one basis, teach independent living skills, and assist integration into community life. Members serve as liaisons between the community and disabled persons and educate community groups, local businesses and the general public about the needs of developmentally disabled.

Grantee: The ASPIRA Association Inc.
Subgrantee: Aspira (Washington)—Parent
Program Name: ASPIRA/AmeriCorps Community Service Program
Grant Type: National Direct
Full-time AmeriCorps members:
Part-time AmeriCorps members:
Program Descriptions: Aspira Association, Inc. is a national non-profit organization devoted solely to serving Puerto Rican and other Latino youth through leadership development and education. AmeriCorps Members teach Latino youth literacy, language and mathematical skills through tutoring and mentoring in school and after school. Members develop and facilitate programs providing leadership development, service learning, and enrichment activities. Members also conduct outreach to parents individually and through group programming.

Grantee: The Houston READ Commission
Subgrantee: The Houston READ Commission—Parent
Program Name: National Direct Sub
Grant Type:
Full-time AmeriCorps members:
Part-time AmeriCorps members:
Program Descriptions: The Houston READ Commission is a non-profit created in 1988 by the City of Houston to coordinate, promote and expand adult and family literacy services in the greater Houston area. It has been instrumental in raising an additional million dollars to support local community-based literacy efforts. It enjoys strong relationships with the Houston Community College System and the Texas State Commission. Literacy*AmeriCorps Members provide literacy instruction for children and adults and target the specific need of increasing children's literacy skills. AmeriCorps Members increase literacy for families by providing English as a Second Language courses, basic skills, pre-GED and GED classes, homework assistance to school-age children, family and parent literacy programs. America Reads activities include recruiting and training volunteers as tutors for young children.

Grantee: University of Maryland Baltimore County

Subgrantee: UMBC/Shriver-Choice
Program Name: The Choice Program
Grant Type: Ed Award Only
Full-time AmeriCorps members: 131
Part-time AmeriCorps members: 11
Program Descriptions: Members work in round-the-clock service designed to curb delinquency and reduce school dropout among the most troubled youth in the area.

Grantee: University of St. Thomas
Subgrantee: Minnesota Campus Compact
Program Name: STAND and Deliver
Grant Type: Ed Award Only
Full-time AmeriCorps members:
Part-time AmeriCorps members: 100
Program Descriptions: Members will organize and lead service-learning projects—tutoring, building homes, researching, and cleaning streams.

Grantee: Utah Commission on Volunteers
Subgrantee: Salt Lake County Reads and Promotes Service
Program Name: Salt Lake County Reads and Promotes Services (SLORPS)
Grant Type: Ed Award Only
Full-time AmeriCorps members:
Part-time AmeriCorps members: 85
Program Descriptions: Members provide small group instruction for youth who need additional help after-school.

Grantee: Vermont Commission on National and Community Service
Subgrantee: Lyndon State College
Program Name: Northeast Kingdom Initiative
Grant Type: State Program
Full-time AmeriCorps members: 14
Part-time AmeriCorps members: 10
Program Descriptions: Members tutor 300 Northeast Kingdom youth. Also, members operate resource centers that provide 400 residents of rural Vermont with computer resources, educational material, and courses on adult literacy and parenting skills. These members effectively impact 150–220 children and adults by increasing reading skills by a grade level; assisting 125 victims of domestic violence resulting in 70 percent of the families choosing healthy behavior; and mentoring 200 youth in order to increase their academic success by 40–55 percent.

Grantee: Vermont Commission on National and Community Service
Subgrantee: Lyndon State College
Program Name: Literacy in the Kingdom (Northeast Kindgom Initiative AmeriCorps)
Grant Type: Ed Award Only
Full-time AmeriCorps members:
Part-time AmeriCorps members: 20
Program Descriptions: Members provide tutoring, reading, and mentoring to young children and at-risk youth. Members also provide needed support for unemployed or underemployed adults and welfare recipients.

Grantee: Vermont Commission on National and Community Service
Subgrantee: Vermont Commission—PF
Program Name: Vermont America's Promise Fellowship Program
Grant Type: Promise Fellows
Full-time AmeriCorps members: 8
Part-time AmeriCorps members:
Program Descriptions: Fellows will serve in non-profit and state agencies to help private and public agencies focus on the goal of serving 15,000 additional Vermont Children by 2000. Service activities will include identifying and working with community partners to develop service learning programs, developing a T/TA Needs Assessment tool and organizing a statewide conference to disseminate information, and coordinating a process to recruit mentors. Anticipated outcomes are an increase in students participating in service learning, a system to recruit mentors and volunteers, and the creation of afterschool programs and out of school programs. Fellows will serve in eight organizations across the state.

Grantee: Virginia Commission on National & Community Service
Subgrantee: Fredericksburg City Public Schools
Program Name: Rappahannock AmeriCorps
Grant Type: State Program

Full-time AmeriCorps members: 14
Part-time AmeriCorps members: 20
Program Descriptions: AmeriCorps members provide in-class support to educationally at-risk students in grades K–8 to increase K–5 grade children to "satisfactory" performance and to improve middle schoolers' grade point average at least one letter grade. Members also provide individual tutoring for students at risk of failing state-mandated achievement tests, and mentor truant students in after-school programs. A total of 500 students are served.

Grantee: Virginia Commission on National & Community
Subgrantee: Virginia Cooperative Extension Americorps Program
Program Name: VCE AmeriCorps
Grant Type: State Program
Full-time AmeriCorps members:
Part-time AmeriCorps members: 40
Program Descriptions: AmeriCorps members deliver educational activities at 4-H after-school and summer programs for youth ages 5–14. Members plan and conduct training sessions for workforce preparation for 13- to 19-year-old teens. Members serve in one of three northern Virginia communities.

Grantee: Virginia Commission on National & Community
Subgrantee: Northern Virginia Urban League—2
Program Name: Alex Can Read Initiative
Grant Type: State Program
Full-time AmeriCorps members:
Part-time AmeriCorps members: 24
Program Descriptions: AmeriCorps members provide tutoring in reading to 100 K–3rd grade children in four elementary schools to increase student reading ability by ½ grade level. Members also lead and support learning activities for 3- to 5-year-olds in Head Start classrooms, and coordinate the reading tutorial services of community volunteers in the schools served by members.

Grantee: Virginia Commission on National & Community
Subgrantee: Virginia Commonwealth University Americorps
Program Name: VCU AmeriCorps
Grant Type: State Program
Full-time AmeriCorps members: 15
Part-time AmeriCorps members: 40
Program Descriptions: AmeriCorps members assist families transitioning from welfare to work in three impoverished inner-city neighborhoods. Services include job readiness training, job search assistance, and quality care and academic enrichment to pre-school and school-aged children during the school day and after school.

Grantee: Washington Commission on National and Community Service
Subgrantee: Washington Dept. of Social and Health Services
Program Name: Fostering Youth and Community Partnerships
Grant Type: Ed Award Only
Full-time AmeriCorps members: 5
Part-time AmeriCorps members: 20
Program Descriptions: Members recruit, select, train and support mentors for adolescents in foster care.

Grantee: West Virginia Commission for National and Community Service
Subgrantee: Regional Family Resource Network
Program Name: Regional Family Resource Network
Grant Type: State Program
Full-time AmeriCorps members: 20
Part-time AmeriCorps members: 3
Program Descriptions: AmeriCorps members tutor and mentor 575 children to improve academic and behavioral problems, coordinate immunizations and health clinics for more than 7,200 children resulting in a 10 percent increase in the area's immunization rate, and assist in the development of pre-school programs that enrich parent/child interactions and school preparedness for more than 200 families. Members are assigned to one of 8 participating Family Resource Center sites in rural and urban communities of West Virginia and, in addition to their direct services, they recruit and train more than 250 parents and community volunteers to assist in service activities.

Grantee: West Virginia Commission for National and Community Service
Subgrantee: North Central Regional Education Service Agency
Program Name: The Challenge Club

Grant Type: State Program
Full-time AmeriCorps members: 10
Part-time AmeriCorps members:
Program Descriptions: AmeriCorps members tutor and mentor 600 elementary-aged school children in-and after-school, and as part of a summer program. Through a balance of educational and recreational activities, more than 80 percent of the 600 students participating improve one letter grade in one subject tutored and demonstrate marked improvements in their social and life-coping skills. Members with The Challenge Club are serving two communities of north central West Virginia.

Grantee: Western Washington University/WA Campus Compact
Subgrantee: Western Washington University /WA Campus Compact
Program Name: Campus Reads Education Awards Program
Grant Type: Ed Award Only
Full-time AmeriCorps members:
Part-time AmeriCorps members: 210
Program Descriptions: Members tutor K–6 youth using resources from WA Institutions of Higher Education to improve reading skills.

Grantee: Wisconsin National & Community Service Board
Subgrantee: North Central Community Action Program
Program Name: AmeriCorps Team-Greater Wausau Area
Grant Type: State Program
Full-time AmeriCorps members: 9
Part-time AmeriCorps members: 16
Program Descriptions: AmeriCorps members provide direct service to youth to increase their level developmental assets in order to reduce youth involvement in at-risk behaviors. Members activities include literacy tutoring, mentoring, after-school activities, and volunteer generation.

Grantee: Woodrow Wilson National Fellowship Fnd.
Subgrantee: National School and Community Corps (Princeton)—Parent
Program Name:
Grant Type: National Direct
Full-time AmeriCorps members:
Part-time AmeriCorps members:
Program Descriptions: The Woodrow Wilson National Fellowship Foundation identifies critical education needs and develops programs to address those needs, including fellowships and programs for students, minorities and teachers. The National School & Community Corps (NSCC) was established in 1994. Its AmeriCorps Members provide services in literacy, the arts, and service learning to children and adults. Members also provide mentoring, homework assistance, club activities, youth leadership, conflict resolution, and other programs as identified by local communities and schools.

Grantee: Youth Volunteer Corps of America, Inc.
Subgrantee: Youth Volunteer Corps of America—Parent
Program Name: Youth Volunteer Corps of America
Grant Type: National Direct Central
Full-time AmeriCorps members:
Part-time AmeriCorps members:
Program Descriptions: Youth Volunteer Corps of America (YVCA) creates and increases volunteer opportunities to enrich America's youth, addresses community needs, and develops a lifetime commitment to service. There are currently Youth Volunteer Corps programs in over 50 communities in the United States. AmeriCorps Members act as service learning coordinators, recruiting and training school-age youth to recognize and address community problems, and provide tutoring, mentoring, and reading support. Members also recruit, lead, and supervise volunteers in youth-generated service projects, while encouraging each volunteer to commit to a lifetime of service.

Grantee: Youth Volunteer Corps of America, Inc.
Subgrantee:
Program Name:
Grant Type:
Full-time AmeriCorps members:
Part-time AmeriCorps members:
Program Descriptions:

Grantee: Youth Volunteer Corps of America, Inc.
Subgrantee: YVCA

Program Name: YVCA AmeriCorps Education Awards Program
Grant Type: Ed Award Only
Full-time AmeriCorps members:
Part-time AmeriCorps members: 70
Program Descriptions: Members will recruit, organize, and lead youth volunteers to engage in community service projects—tutoring, mentoring, after-school and summer programming.

Grantee: Youth Volunteer Corps of America, Inc.
Subgrantee:
Program Name.
Grant Type:
Full-time AmeriCorps members:
Part-time AmeriCorps members:
Program Descriptions:

Grantee: YouthBuild USA, Inc.
Subgrantee: YouthBuild USA—Parent
Program Name: Youthbuild USA
Grant Type: National Direct
Full-time AmeriCorps members:
Part-time AmeriCorps members:
Program Descriptions: YouthBuild USA, Inc., is a national non-profit organization that engages educationally at risk youth in a combination of service and youth development activities. The service activities focus primarily on renovating houses and buildings for the homeless and low income families. YouthBuild USA has a substantial number of affiliate organizations across the country. Members serve directly with community based organizations to rehabilitate abandoned housing and build new homes for homeless people, persons with HIV/AIDS, the physically challenges, and low income families. They build awareness of community issues and generate volunteers for local service projects.

Question. A news report on December 31, 1998 indicated that AmeriCorps participants have engaged in partisan political activities and so-called "AmeriRallies" to solicit money for political purposes and to hand out political literature for partisan causes. The report even mentions rallies for Members of Congress. I will provide you with a copy of the report. Can you tell me if AmeriCorps workers are indeed engaged in these kinds of activities, and if so, what the justification is for it? What rules are in place to guard against misuse of AmeriCorps participants for partisan political causes?

Answer. The report essentially repeats concerns expressed several years ago by the House Education and the Workforce Subcommittee on Oversight and Investigations. At that time, the Corporation reviewed each matter and determined either that the allegations were not supported in fact or had been appropriately addressed by the responsible oversight agency.

For example, on June 7, 1995, the Corporation explained to the Subcommittee that the "Maxine Waters Day of Caring" was a service event sponsored by a local non-profit foundation, which occasionally names service events after well-known citizens of Los Angeles. Representative Waters did not attend the event; her staff did not attend the event; and no political activity occurred on that day. Instead, community volunteers and AmeriCorps members gave food and other assistance to homeless veterans in Los Angeles. When questions were raised about this event, the Corporation provided supporting documentation to the committee from the Los Angeles Veterans Education and Training Service, the Los Angeles Veterans Initiative, and the Kenny Nickelson Memorial Foundation for Homeless Veterans.

The Corporation takes such concerns seriously. We have adopted strict rules prohibiting partisan political activities by AmeriCorps members. The grant agreement for every AmeriCorps program contain very detailed restrictions, including the following:

While charging time to the AmeriCorps Program, accumulating service/training hours or otherwise engaging in activities associated with the AmeriCorps program or the Corporation, staff and Members may not engage in the following activities:

—a. Any effort to influence legislation.
—b. Organizing or engaging in protests, petitions, boycotts or strikes.
—c. Assisting, promoting or deterring union organizing.
—d. Impairing existing contracts for services or collective bargaining agreements.
—e. Engaging in partisan political activities or other activities designed to influence the outcome of an election to any public office.

—f. Participating in, or endorsing, events or activities which are likely to include advocacy for or against political parties, political platforms, political candidates, proposed legislation, or elected officials—.

—g. Voter registration drives by AmeriCorps Members.

These prohibitions on political activities are in place to guard against misuse of AmeriCorps members for partisan political causes. Should any instance of violation be brought to our attention, we will take swift action to enforce the prohibitions.

QUESTIONS SUBMITTED BY SENATOR MIKULSKI

Question. How many AmeriCorps members have completed their term of service?

Answer. As of March 17, 1999, 77,514 have earned an education award. Most members in program years 1994 through 1997 have completed their service. Most members funded in program year 1998 are still serving.

Question. How many AmeriCorps members have used their education awards?

Answer. Of the awards earned, 43,793 have been used in whole or in part. Members have seven years after completion of their service to use the education award. About 70 percent of the awards earned in the first year of the program have been used in whole or in part. Members in that first year have until 2002 to use their awards. See attached fact sheet entitled "AmeriCorps and the National Service Trust: Enrollment Data and Use of the Education Award" for more information.

Question. How many volunteers were recruited? What have they done in their communities?

Answer. Most AmeriCorps programs recruit, train, and/or supervise uncompensated members of their local community to assist in their service activities. These so-called leveraged volunteers substantially increase the amount of service AmeriCorps can provide to communities. In addition, the volunteers benefit from the opportunity to give back to their communities through meaningful, well-planned activities.

We estimate that during the period 1994 through 1999, AmeriCorps programs recruited, trained or supervised about 1.7 million community volunteers. This averages out to about 12 leveraged volunteers per member since 1994.

The recently released evaluation of AmeriCorps State/National Direct sheds some light on the roles, contributions and experiences of leveraged volunteers in AmeriCorps programs. The report notes that the leveraged volunteers "varied greatly in education, age, demographics and socioeconomic backgrounds." They were involved in a range of service activities, including "* * * holding one day events, for example, health fair, tutoring students, constructing houses, cleaning up trash, and other labor intensive environmental projects." The researchers drew a clear distinction between the roles of the AmeriCorps members and those of the community volunteers. Members tended to be engaged in activities that traditional volunteers could not perform because they required full-time or extensive part-time effort. Community volunteers were used in roles more appropriate to their available time, usually a few hours per week at most. The programs and the communities appear to have benefited from the relationships, however. The volunteers were interested in what AmeriCorps programs were doing, and often benefited from the overall impact of the program on their community. The AmeriCorps programs, in turn, used the knowledge gained from volunteers to more quickly tailor the programs to community needs, to reduce resistance toward new community initiatives, and to more deeply engage their members.

The report points out that for volunteers to be used to greatest advantage, and to ensure that they have a positive experience, certain conditions need to be met, for example, programs must be well-organized, be able to solicit community members to become involved. Some programs during the startup years of AmeriCorps struggled to meet these conditions. Others were hampered by the realities of their program locations; community members were too economically pressed to have spare time to volunteers or, in other cases, had concern for their personal safety.

Overall, however, AmeriCorps' efforts with community volunteers have been of great value to the programs, the volunteers, and their communities. To better understand AmeriCorps' use of community volunteers, their value to the programs, and their experiences, the Corporation's Office of Evaluation will be initiating a study during this fiscal year to study volunteer leveraging in detail.

Question. What happened in the communities where members served?

Answer. Aguirre International's evaluation of AmeriCorps during 1994–1996 documents many of the significant contributions that AmeriCorps made to communities during its first years. Perhaps first among them is the tremendous volume of service accomplishments achieved by the local AmeriCorps programs. The report describes

a detailed investigation of randomly selected programs and concludes that, overall, the accomplishments resulted in positive impact on the service recipients. The report is also encouraging in its depiction of the role of AmeriCorps in strengthening the institutions and communities in which it serves. The report concludes:

> "The institutional impacts of AmeriCorps were far stronger than expected * * *. Often as a result of partnership with AmeriCorps, institutions were able to streamline their service delivery within communities * * *. New relationships between agencies were made [that permitted agencies to] pool resources—and provide communities with more cohesive, comprehensive services. In some instances, AmeriCorps was a catalyst for change [among community agencies].
>
> "In almost all cases (95 percent), involved institutions felt that AmeriCorps had a positive impact on their organizations. Only 2 percent said that they did not want to continue their AmeriCorps collaborations. Involved institution representatives stated that AmeriCorps had infused their organizations with new resources, helped them achieve their goals, made their jobs easier, and helped their clients. Schools that were host sites to members were particularly grateful to AmeriCorps programs for easing teachers' burdens, expanding the quality of education, and increasing contacts between students and adults. Businesses that began by providing resources often became involved in direct service over time."

As the report details, community representatives nationwide gave AmeriCorps high marks for the impact of its services and for the role it is playing in the community. The authors note that "The impact of AmeriCorps in terms of mobilizing communities and infusing hope into depressed communities cannot be understated."

In addition to results for communities and service recipients, the report provides data on the positive short-term outcomes of service for AmeriCorps members themselves. Members achieved statistically significant gains in so-called SCANS skills (life skills, general employment skills) over comparison groups of non-members. These skills permit members to better help themselves, as well as their communities, long after their service ends.

Question. What is the sustainability of the impact of AmeriCorps on local communities?

Answer. The Aguirre International report provides clear indication AmeriCorps programs are providing the services whose impact will be sustained. As the following table, taken from the Aguirre report, indicates, programs are having the type of impact likely to be sustained in communities. Community members value the program services, perceive the program to have a very positive impact on their communities and view them as strengthening their communities. All of these indicators are critical to the sustainability of the service impact.

COMMUNITY REPRESENTATIVE RATINGS OF AMERICORPS' COMMUNITY STRENGTHENING INDICATORS

[Percentages]

Measure	Outstanding	Excellent/ Very Good	Satisfactory	Unsatisfactory/Development Needed
Overall project impact	14	69	13	3
Impact on the community	11	71	17	2
Strengthen communities	12	56	25	7
Overall project quality	20	65	11	4
Provide support to the community	20	63	14	3
Working with other groups/agencies	23	63	18	4
Understanding clients	29	61	15	1
Understanding community politics	10	53	21	16
Community mobilization	15	45	28	12
Reach goals/objectives	24	59	15	2
Make communities more aware of issues	8	46	27	2
Help organizations work better w/each other	4	53	36	8
Provide sense of community leadership	15	47	25	13
Change ways CBOs work together	10	54	32	5

COMMUNITY REPRESENTATIVE RATINGS OF AMERICORPS' COMMUNITY STRENGTHENING INDICATORS—Continued

[Percentages]

Measure	Outstanding	Excellent/ Very Good	Satisfactory	Unsatisfactory/Development Needed
Encourage civic responsibility among groups	12	57	24	6

Source: Community representative interviews.

For several reasons there is, at present, no more direct evidence about the sustainability of the impacts of AmeriCorps service on local communities. For the most part, successful AmeriCorps programs continue to receive Corporation funding. A study being initiated this year will attempt to assess the sustainability of the institutional networks and community building effects of AmeriCorps.

Question. What have participants done once they have left programs?

Answer. Although the Corporation has not conducted a specific survey of all former AmeriCorps members to determine what they do following AmeriCorps service, we do know several things.

First, after leaving service members enter or continue schooling. Of those members earning education awards in the first program year, approximately 50 percent have used all or a portion of their award to attend institutions of higher education. (Others have used their education award to pay off loans, and still others have several years remaining in which to use the award.)

Second, many members continue their service activities. A study of the alumni in the AmeriCorps Leader program concluded the following:

—92 percent volunteered in their community.

—96 percent contributed monies to nonprofit organizations and charities.

—87 percent provided labor, training, grant writing and consulting assistance to local projects.

—87 percent continued in service as a profession.

A national study of all AmeriCorps members conducted by Aguirre International found strong interest in community service careers among AmeriCorps members. Two-thirds of those leaving said they would probably or definitely become involved in community service as staff members. In terms of actions taken, one in eight had already taken steps to secure a staff position in a community service agency.

This same study found that by the end of the AmeriCorps service term, almost all members (99 percent) reported plans of engaging in future community service.

Third, we know from the experience of Peace Corps and AmeriCorps*VISTA that many former members will go on to be among the political, civic, and education leaders of our communities. There are already many individual stories of remarkable career successes by former members.

Beginning this fiscal year we are considering initiating a longitudinal study of AmeriCorps members that will provide a detailed analysis of the post-program life and career paths of former members. Alternatively, we are considering conducting a retrospective study of AmeriCorps members who have graduated.

Question. Is there an AmeriCorps alumni association?

Answer. Yes. Please see the attached information.

LETTER FROM KATIE FLOYD

AMERICORPS ALUMS, INC.
Washington, DC, April 14, 1999.

Senator BARBARA MIKULSKI,
Senate Office Building,
Washington, DC.

DEAR SENATOR MIKULSKI: Greetings from AmeriCorps Alums, Inc., the national alumni association for AmeriCorps graduates. I am aware that at the Senate hearing for the Corporation for National Service in early March, you inquired about the existence of an alumni association for AmeriCorps. I would like to take this opportunity to introduce you to our small but growing organization.

Our history dates back to the fall of 1995. That year, AmeriCorps Alums was launched as a program of the Partnership for National Service, a non-profit organization which raised private sector support for AmeriCorps programs. In April 1997, the weekend of the Presidents' Summit in Philadelphia, roughly 70 alumni convened

for the first-ever reunion of AmeriCorps graduates. During the weekend, AmeriCorps Alums officially incorporated as an independent 501(c)(3) non-profit association. Our three-fold mission is to meet the needs of AmeriCorps graduates, to support AmeriCorps, and to uphold the ethic and practice of community service.

Currently, the organization serves almost 1,600 active members. Though we have limited resources at this point, I am proud to note that through our programs, we have been able to keep alumni informed about legislative updates; direct alumni to post-AmeriCorps career opportunities; deliver transitional training to a few thousand graduating corps members; and start the development of local alumni chapters in 13 cities across the U.S.

An October 1997 survey of AmeriCorps Alums' membership shows that almost 40 percent are working in the non-profit field, and over 60 percent continue to volunteer in their communities at least 10 hours a month. Given the civic-mindedness that many AmeriCorps members possess and develop upon entering the program, coupled with the skills they acquire while in AmeriCorps, I am confident that there are thousands of AmeriCorps alumni who continue to touch the communities in which they live.

The enclosed flyer, list of achievements, and newsletters should give you a greater understanding of the organization. If you have any other questions about AmeriCorps Alums, Inc., please do not hesitate to contact me at (202) 729–8180 or Acorpalums@aol.com. Thank you for your interest.

In service,

KATIE FLOYD,
Member Services Coordinator.

AMERICORPS ALUMS, INC. ACCOMPLISHMENTS: 1997–1998

Meeting the Needs of AmeriCorps alumni

Developing partnerships which provide association members with over 1,800 jobs each year.

Preparing 2,500 members of the AmeriCorps Class of 1998 for the post-AmeriCorps transition through career development training.

Improving communication with alumni by launching two e-mail listservs for networking and job searching, and by doubling the size of Alum Action, the association newsletter.

Raising the awareness of the education awrd tax with the help of an AmeriCorps graduate who relayed statistics and hardship stories to 15 congressional offices and two leading publications: The Chronicle of Higher Education (July 31, 1998) and the Christian Science Monitor (September 22, 1998).

Building a national network of AmeriCorps graduates

Increasing current association membership by 225 percent.

Establishing affiliate networks with local alumni leaders in Baltimore, Philadelphia, and Washington.

Instituting partnerships with fifteen state community service commissions, which provides AmeriCorps Alums, Inc. memberships to over one-third of all AmeriCorps programs (providing our career development resources to over 5,500 current AmeriCorps members).

Creating an official website (http://www.americorpsalums.org) into a one-stop shopping place for graduates by linking them to the association, one another, service opportunities, job postings, financial and education award tips, higher education resources, and information on the AmeriCorps reauthorization process. Over 8,000 hits to date.

Strengthening Organizational Capacity

Hiring a full-time member services coordinator.

Developing training capacity so that AmeriCorps Alums, Inc. can assist AmeriCorps grantees in increasing the likelihood of success of the AmeriCorps graduate.

Raising $25,000 and $32,000 in the first two annual "Friends of AmeriCorps" fundraisers, with honored guest First Lady Hillary Rodham Clinton attending the second celebration.

Collaborating with nationally-recognized membership organizations (NAACP, Child Welfare League, National Peace Corps Association) and higher education institutions (College of William and Mary, University of Notre Dame) to implement a national network of AmeriCorps alumni chapters.

[CLERK'S NOTE.—Additional background on AmeriCorps Alums can be found in the VA–HUD subcommittee's files.]

Question. How many education awards are used to pay off loans? What percentage of those awards are for full-time participants?

Answer. Of the awards that have been used, 44 percent have been used in whole or in part to pay off existing student loans. Of those, 82 percent were full time awards.

Question. What percentage of participants use their vouchers to begin higher education?

Answer. Approximately one-fourth of all AmeriCorps members have a high school education or less, and use their voucher to begin higher education. The other 75 percent of AmeriCorps members use their voucher to continue higher education or pay off qualified student loans.

Question. Of the participants who use their education award to begin higher education, how many went to two-year schools and how many went to four-year schools?

Answer. The Corporation does not routinely collect data on the types of institutions attended by AmeriCorps members, including a breakdown of two- and four-year institutions. If the Committee wishes a separate study to be done on this matter, the Corporation can do so.

Question. Have AmeriCorps participants used their education awards to further higher education?

Answer. Yes. Please see the attached information.

AMERICORPS AND THE NATIONAL SERVICE TRUST

ENROLLMENT DATA AND THE USE OF THE EDUCATION AWARD [1]

Education awards earned

To date, over 77,000 awards have been earned. Of those, full-time members have earned 70 percent of the awards, and part-time members have earned 30 percent.

Part-time members

Since the beginning, State Commissions and local programs have enrolled a significant number of part-time members, including those serving in summer programs. The following table summarizes actual full-time and part-time Trust enrollments by program year:

Program year	Full-time members	Full-time percent	Part-time members	Part-time percent	All members
1994	16,054	64	9,163	36	25,217
1995	17,844	71	7,338	29	25,182
1996	17,608	70	7,520	30	25,128
1997	22,963	61	14,586	39	37,549
Total	74,469	66	38,607	34	113,076

Use of education awards

Members have used over 40,000 awards to:

—Pay for the cost of going on to school (56 percent);

—Pay education loans for previous schooling (34 percent); and

—Pay for both going on to school and for loans for previous schooling (9 percent).

Of those members enrolled in the first year class (94) who earned awards, 70 percent have used all or a portion of their award.

Of the dollar value of the education awards earned by members in the first year class (94), 61 percent has been used to date. First-year members have three more years to use their awards. The Corporation's budget estimates that 78 percent of awards earned will be used before the seven-year expiration date.

There is no substantial difference in the use of awards between full-time and part-time members, except that those serving only in summer programs tend to use their award, which is smaller, more quickly than those serving in full-year programs.

Question. What has been the impact of literacy programs?

Answer. Since fiscal year 1994, education programs, including literacy activities for young children, have been a high priority for national service. Governor-appointed state commissions on national and community service have focused national service resources on unmet needs in education. In addition, AmeriCorps*National and Education Award programs, as well as service-learning programs at the K–12

[1] As of March 16, 1999.

and higher education levels, and senior programs have targeted service activities on the education needs of youth.

I summarized some of these impacts in my written statement for the record. We will provide copies of all literacy evaluations to the Committee.

Literacy programs supported by the Corporation under the AmeriCorps*State and National category reported the following results for the 1996–97 program year:

1. In all programs, 5,700 members at 305 sites supported the tutoring of youth in grades 1–12. Sixty-seven percent of youth tutored in grades 1–12 (of 128,000 measured) showed improvement during the program year.

2. In all programs, 4,700 members supported academic mentoring at 258 sites. Seventy-six percent (of 53,000 mentored students measured) showed improvement during the program year.

3. In all programs, over 2,000 members taught in grades 1–12. Sixty-nine percent (of 70,000 students measured) showed improvement during the program year.

An independent analysis of these project reports and program generated evaluation materials, noted:

> "* * * programs are using measures [evaluation] that are appropriate for the individuals they are serving and the type of tutoring they are providing.
>
> "* * * tutoring programs investigated in this study reported positive changes for the students who receive tutoring."

In a 1999 study of the Corporation for National Service's Seniors for Schools pilot program, principals and teachers indicated the following: 90 percent reported an increased positive attitude in students toward reading; 85 percent reported improved self-esteem among students; 84 percent reported increased self-confidence in reading; 82 percent reported increased reading skills; and 79 percent reported general academic improvement. Of the teachers reporting in that same study, 79 percent reported improved student attitudes, 60 percent reported improved overall student performance levels; and 58 percent reported an increased number of students keeping up with the class.

In the District of Columbia, low achieving children, tutored by Federal Work Study students and other volunteers in a program managed by AmeriCorps*VISTA members, improved reading scores to the national average at the end of the first year of the program.

Other Senior Corps evaluations have produced similar results. The recent evaluation of Foster Grandparents in Head Start centers (1998) found volunteers exhibiting well-researched positive caregiver behaviors. It also concluded that consistent with previous research, these effective practices were observed to contribute to the emotional, social, behavioral, and cognitive development of the pre school children as well as to classrooms and centers.

In addition to these recent studies done by the Corporation, independent evaluations of individual projects have produced comparable results. Several examples are provided below:

Professor George Farkas of the University of Texas documented gains for a Reading One-to-One program of 0.4 to 0.7 grade equivalents above what students would have attained without tutoring. This significant improvement will help assure that these children become literate. The program uses college students, AmeriCorps members, and community residents to tutor more than 6,000 students in more than 70 schools across ten school districts.

In New Haven Connecticut, the Leadership, Education, Athletics in Partnership program helped produce increases in children's reading test scores; children read an average of 24 books during the summer in the program.

In West Virginia, a summer project that uses AmeriCorps members documented the following results:

> "Energy Express, through a print-rich environment, increases children's reading scores. An intensive evaluation to measure impact was conducted for last summer's project by West Virginia University faculty members and graduate students. Six hundred four children were tested in matched pairs pre to post using the Woodcock Johnson (revised 1989). Data indicates significant increases in reading comprehension ($p<.0001$) and word recognition ($p<.0001$). Seventy-one percent of all children increased in reading comprehension and 67.6 percent in word identification."

An independent researcher who examined Jumpstart, a pre-school program noted:

> "The results of the analyses on the first 2 Cohorts of children over their first year in the Jumpstart program suggest that the program has positive effects on at-risk children's school readiness, and suggest that, as the pro-

gram is developed further and more children participate in the evaluation, there is real potential for showing stronger and positive program effects."

University of Delaware researchers concluded:

"Tutoring, that is, periodic meetings of a student with a tutor as a supplement to classroom instruction, can increase reading achievement, improve self-confidence in one's reading skills, and increase motivation for reading. Positive results for reading have been obtained with volunteers, peers, and cross-age tutors, as well as with professionals."

Finally, the Corporation is engaged in a national study of Corporation-sponsored tutoring programs funded by AmeriCorps State/National and America Reads. The first phase of that study is a descriptive analysis that will permit us to characterize how these programs' practices compare to what is known about effective program models. Data from this study will be available in Fall, 1999. The second phase of the study, to begin in September, 1999, will collect outcome data on reading ability in a rigorous design intended to permit us to make definitive statements about the effects of Corporation-sponsored tutoring efforts. Results from that phase of the research will be available late in 2000.

[CLERK'S NOTE.—Further information concerning the literacy question can be found in the VA–HUD subcommittee files.

Reports included with Literacy Questions:

—Seniors for Schools Content Analysis of 1997–98 Project Evaluation Reports
—Effective Practices of Foster Grandparents in Head Start Centers
—Evaluation of DC Reads Book Partners Program Year 1 Final Report
—Foster Grandparent Program Accomplishment Summary July 1, 1997–June 30, 1998 National Senior Service Corps
—Retired and Senior Volunteer Program Accomplishment Summary July 1, 1997–June 30, 1998 National Senior Service Corps.]

Question. With the exception of immunizations, what accomplishments have occurred in the Health care area?

Answer. AmeriCorps programs are involved in providing a variety of health care related services in local communities. Data taken from the Aguirre evaluation report indicates AmeriCorps programs, in addition to immunizations, provided the following health care related services:

—Made independent living easier for disabled, elderly, or hospitalized individuals by providing independent living assistance to over 15,000 people;
—Provided emergency medical services, as well as health training and education;
—Provided access to health care, diagnosis, and/or follow-up to over 57,000 individuals and/or screened for needed care;
—Provided access to pre-natal care, screening or actual health services, and/or taught about children's health or development, * * *to over 21,000 pregnant women or families with young;
—Distributed health related informational material to over 973,000 people.

Question. What is AmeriCorps doing to help seniors live independently?

Answer. There are currently fifteen programs that focus specifically on working with seniors to assist them in living independently. Programs are located in the Atlantic region (Maryland); the Northeast (New York, Massachusetts, New Jersey, Vermont); the Southeast (Florida, North Carolina, Mississippi, Georgia, South Carolina, Alabama); and the Southwest (Texas).

DEPARTMENT OF THE TREASURY

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTES FUND

STATEMENT OF ELLEN W. LAZAR, DIRECTOR

ACCOMPANIED BY:

MAURICE A. JONES, DEPUTY DIRECTOR, PROGRAM AND POLICY
PAUL R. GENTILLE, DEPUTY DIRECTOR, MANAGEMENT AND CHIEF FINANCIAL OFFICER

OPENING REMARKS

Senator BOND. Now I want to call on a final panel, Ellen Lazar, the Director of the CDFI program, accompanied by her Deputy Director Mr. Maurice Jones and Deputy Director for Management and the CFO Mr. Gentille.

The administration's budget requests for CDFI asks for an increase of $30 million from $95 million to $125 million for the year 2000. I understand that $15 million of the request would be to fund the new microenterprise program. I am very much concerned about the amount and purposes of the CDFI funding request, especially as we prioritize the funding needs of some of the primary programs and activities. It is a relatively new operation and its track record is still unclear. And it does seem that some of its activities overlap with those of other programs designed to revitalize distressed communities. I do want to congratulate the director of the fund, Ms. Lazar and her staff, for correcting the management deficiencies identified in the past.

KPMG, the Fund's independent auditors, has provided an unqualified or clean opinion on its financial statements and further reported no new material weaknesses. We all know the CDFI had a rocky beginning. I am interested to hear the specific steps taken to address the program management.

Second, we are interested in how well the performance goals and objectives are being met. GAO had a report last July and had some questions about emphasis on outputs rather than outcomes. A particular concern was in the area of external factors that the Fund's strategic plan only partially meets the requirements to describe the external factors. I think it is critical that we look at the Fund's activities where they may be overlapping.

And finally, I have some real questions about the Program for Investment in Microentrepreneurs or PRIME. I happen to chair the Committee on Small Business Administration and the SBA has programs in that area, as does the Economic Development Administration and many states in their welfare-to-work programs.

I would also say that I will ask unanimous consent to include in the record a statement by Senator Shelby, a member of the committee, raising serious questions about some of the CDFI activities, challenging whether the Fund has received the necessary author-

ization from the authorizing committee, the Committee on Banking, Housing and Urban Affairs. And he also raises questions about the new so-called PRIME program in the Banking Committee's letter to the Budget Committee on which I also serve, transmitting the views and estimates of the Banking Committee.

The Banking Committee notes that it opposes any increase in funding for CDFI. The Committee has not received adequate assurances that CDFI's current operations are fully consistent with congressional intent and void of any form of misuse of public moneys.

Senator BOND. With those opening comments, any opening comments you wish to make, Senator Mikulski?

STATEMENT OF SENATOR BARBARA MIKULSKI

Senator MIKULSKI. Just a very few, Mr. Chairman, one to Ms. Lazar and to her team. Thank you for really strengthening the management so that we could get to the ability to evaluate the programmatic impacts and where best to target our resources. Second, I have to leave at about 11:20 a.m. So if I am not here, it is not because of a lack of interest.

I note the Maryland programs. I think groups like the Enterprise Foundation working with you have always, from what I know, leveraged other funds. So we look forward to it. Some programs I am not familiar with, but others I am. So I look forward to your testimony.

I just want to say this generally. We are in the world of the mega-merger of the bank, so we have big banks buying each other and big banks then being bought internationally. And then what happens at the local community, whether it is to the community or the Small Business Administration, whether it is the farmer or the business person trying to get started in a multi-ethnic community, goes to how do we stay local while we go global?

I think that is one of the big challenges for both the Banking Committee—knowing we have to reform and change, but all I see is us going global. The more global—I know right now a couple of organizations are merging in Maryland. And Alex Brown was sold to Bankers Trust, which is now in line to be bought in Deutsche Bank; and where I used to go downtown to the Center Club to talk things over, I might now have to go to Berlin. And what I am interested in is the neighborhoods in Baltimore. So any insights you could provide to us would be very helpful.

Senator BOND. Ms. Lazar.

STATEMENT OF ELLEN LAZAR

Ms. LAZAR. Good morning. Thank you, Chairman Bond and Ranking Member Mikulski. I am happy to be here today. I am Ellen Lazar. I am the director of the Community Development Financial Institution's Fund at the Treasury Department. I am here today with my two deputies, Paul Gentille our deputy director for management and CFO and Maurice Jones our deputy director for program and policy. I would ask the chair to submit my written statement for the record and for the purposes of time I will abbreviate my testimony.

Senator BOND. We appreciate that. And we will accept your full written statement and give you 5 minutes.

Ms. LAZAR. Thank you, Senator.

MAJOR POINTS

I will talk about four major points today: management, programs activity, our evaluation and impact work, and our fiscal year 2000 budget request.

We have, at the front, have taken key steps over the past year to develop and implement necessary improvement to the Fund's financial and program management. I am happy to report, as you had so observed, that this year we received for our second year in a row a clean audit from KPMG Peat Marwick. All the material weaknesses identified in 1997 have been corrected and no new material weaknesses have been found for 1998. We have worked hard to build an infrastructure and have hired a staff at the Fund to serve. We are disbursing our funds more expeditiously and we have developed a strategic plan that has been delivered to the Hill for consultation and consideration.

CDFI'S

On the program side, the Fund's mission is to promote access to capital and local economic growth by directly investing in and supporting community development financial organizations, what we call CDFI's. We also work towards expanding financial service organizations, lending investment and services within under served communities. Our CDFI's—it is really an umbrella term for a number of different types of organizations: community development banks and community development credit unions, which are regulated institutions, nonprofit loan funds which can be working in both business and housing, microenterprise loan funds, community development venture capital funds.

The CDFI program includes our core funding which helps build the financial capacity of CDFI's by providing equity investments, grants, loans or deposits to enhance the capital base of these institutions to help them better address unmet community development needs in their target markets. We also have a technical assistance program which fills the capacity of start-up, young and small institutions.

BANK ENTERPRISE AWARDS PROGRAM

Another major program is our bank enterprise awards program which is our primary tool for pursuing our strategic plan goal of expanding banks and thrifts, community development, and lending and investment activity. Incentives encourage banks to increase investments in underserved communities, and we have seen startling leveraging numbers of the $58 million that we have provided in incentives to the banks. We have seen their investments grow to $983 million, 17 times the amount of our investment.

NONMONETARY PROGRAMS

Each year there has been an increased demand for our funding. And since 1996 we have obligated $190 million in funding. We run a number of other programs both nonmonetary and in initiatives that I would like to talk to you about for a minute.

Our Presidential Awards for Excellence in Microenterprise Development is a nonmonetary award which brings attention to organizations that have demonstrated excellence in microentrepreneurship. We have begun our Native American Lending Study and Action Plan which will help to improve access to capital for Native Americans.

And, finally, we have embarked on a policy and research program to evaluate the impact of our Federal investments.

IMPACT OF OUR FEDERAL INVESTMENTS

I would like to talk with you for a few minutes now about those evaluations and the outcomes that we have unearthed. The Fund collected performance and outcome data on 30 of our first-round awardees; those 30 awards totalled $34 million. This was money that was obligated in 1996 that was put out over the subsequent 18 months and has been put to work now for over a year. Our plans for these organizations are based on a 5-year business plan that we require of our awardees.

Over the past 3 years our preliminary data shows that $565 million in CD loans and investments have been made by these institutions. They have created or expanded 895 microenterprise organizations and over 1,100 businesses. They have helped to create or retain over 12,000 jobs. That have developed over 8,000 units of affordable housing. They have developed child care, health care, human service and educational facilities and they have provided business training, credit counseling, home buyer training and other development services to over 10,000 people.

The assets of these organizations have grown by 122 percent, from $473 million to $1.5 billion in the aggregate in 1998. Seventy percent of the clients served by these organizations are low income and 53 percent of them live in the inner city.

We have also been conducting case studies. We have done field work in Boston, Santa Cruz and San Antonio. And my written statement contains more information about these case studies. Our initial research shows how positively these CDFI's are affecting their communities.

FISCAL YEAR 2000 BUDGET

I would like to take a minute now to talk about our fiscal year 2000 budget. We have asked for $125 million, an additional $30 million above the fiscal year 1999 funding level. Fifteen million dollars has been set aside for our core programs and $15 million for the new PRIME Act, the Program for Investment in Microentrepreneurs. The PRIME Act legislation was introduced by Congressman Bobby Rush and Chairman Leach in the House as H.R. 413. It was introduced by Senators Domenici and Kennedy as S. 409 here in the Senate. Essentially PRIME will allow the CDFI Fund to build the capacity of low income and disadvantaged microentrepreneurs, to build the capacity of micro organizations to better serve these low-income clients and to support best practices and research in the field. The PRIME Act essentially complements the current work of the Fund, which is to build community-based organizations, to serve low income and very low-income people in communities.

PREPARED STATEMENT

I think our fiscal year 2000 funding request is a logical one, based on need demonstrated in the field. We want to continue our vision of providing greater access to credit for all Americans. And I would like to thank the committee for the opportunity to talk with you this morning and look forward to working with you on this appropriation. I am happy to entertain any questions, as are my deputies.

[The statement follows:]

PREPARED STATEMENT OF ELLEN W. LAZAR

INTRODUCTION

Chairman Bond, Senator Mikulski and distinguished Members of the Subcommittee, it is a pleasure to be before you today to represent the Community Development Financial Institutions (CDFI) Fund. I am Ellen Lazar, the Director of the Fund. Before I begin my testimony, I would like to introduce you to two other key members of the Fund who are with me today: Paul Gentille, Deputy Director for Management/Chief Financial Officer of the Fund, and Maurice Jones, Deputy Director for Policy and Programs at the Fund.

STRONG AND EFFECTIVE MANAGEMENT

When I testified before this Subcommittee this time last year, I described key steps that the Community Development Financial Institutions Fund (the CDFI Fund or the Fund) would take to develop and implement necessary improvements to the Fund's financial and program management, reporting systems, internal controls, operating procedures, and awards monitoring. I am very pleased to report to the Subcommittee that over the past twelve months we have made great progress in these areas.

In the Fund's financial audit for fiscal years 1995 through 1997, our independent auditors, KPMG Peat Marwick, LLP (KPMG), provided an unqualified opinion, affirming that our financial statements fairly presented the financial position of the Fund as of September 30, 1997, 1996, and 1995. KPMG also confirmed our identification of material weaknesses that we needed to correct.

KPMG recently completed the Fund's fiscal year 1998 audit, and I am pleased to report that we have again received an unqualified opinion. In addition, KPMG verified that we have successfully corrected all material weaknesses identified in last year's audit. They have reported no new material weaknesses for this year's audit.

We are in compliance with the Federal Managers' Financial Integrity Act (FMFIA). Our system of internal management, accounting and administrative control has been strengthened and is operating effectively. Our enhanced policies and procedures ensure that our programs achieve their intended results; our resources continue to be used in a manner that is consistent with our mission; and our programs and resources are protected from waste, fraud, and mismanagement.

As evidenced by our auditor's report, the Fund has taken critical steps to strengthen and build its infrastructure and hire staff. During fiscal year 1998, a Deputy Director for Management/Chief Financial Officer, Awards Manager and Financial Manager were hired—critical positions for ensuring proper internal controls and accountability. In addition, a Deputy Director for Policy and Programs was appointed and program managers for each program were hired. The Fund's legal department was substantially increased and additional staff have been hired to help carry out the Fund's many programs. Our enhanced internal procedures and staff capacity has helped us to deliver more effectively our award dollars to the institutions selected to receive awards. For example, with respect to our Core Component CDFI Program, all of our 1996 awardees have received disbursements and 84 percent of our 1997 awardees has received disbursements. We are currently disbursing the 1998 awards, which were announced in late September of last year. We anticipate disbursing funds to all 1998 awardees by August of this year. Our 1999 awards have not been determined yet.

As I discussed with the Subcommittee last year, the Fund is committed to managing for results. We have undertaken a rigorous review of the Fund's five-year strategic plan, goals, and performance measures. I am happy to report that we have

completed this process and have forwarded to you a draft of our revised strategic plan for your consultation and consideration.

STRENGTHENING COMMUNITIES: PROVIDING ACCESS TO CAPITAL

Overview

The Fund's mission is to promote access to capital and local economic growth by directly investing in and supporting community development financial institutions (CDFIs) and expanding banks' and thrifts' lending, investment, and services within underserved markets.

Currently, the CDFI Fund pursues its mission primarily through five initiatives: the CDFI Program, which includes the Core, Technical Assistance and Intermediary Components; the Bank Enterprise Award (BEA) Program; the Presidential Awards for Excellence in Microenterprise Development; the Native American Lending Study and Action Plan; and our Policy and Research Programs. The CDFI Fund also administers a Certification Program for community development financial institutions.

CDFI Program and Certification

The CDFI Program has three funding components: Core, Intermediary and Technical Assistance. These three components promote the CDFI Fund's goal, articulated in its strategic plan, of strengthening the expertise and the financial and organizational capacity of CDFIs to address the needs of the communities that they serve. CDFIs include community development banks, community development credit unions, non-profit loan funds, micro-enterprise loan funds, and community development venture capital funds.

The Core Component builds the financial capacity of CDFIs by providing equity investments, grants, loans or deposits to enhance the capital base—the underlying financial strength—of these organizations so that they can better address the unmet community development needs of their target markets. In addition, under the Core Component, the Fund provides technical assistance grants in conjunction with loans and investments in order to maximize the community development impact of the Fund's awards.

The Fund selects awardees that clearly demonstrate private sector market discipline and the capacity to positively impact underserved communities. The Core Component leverage encourages additional private and public sector investments into these same organizations through its one-to-one non-federal match requirement.

The Intermediary Component allows the Fund to invest in additional CDFIs indirectly, through intermediary organizations that support CDFIs. These intermediary entities, which are also CDFIs, generally provide intensive financial and technical assistance to small and growing CDFIs, thereby strengthening the industry's financial and institutional capacity.

Since inception, under the Core and Intermediary Components, the Fund has made 123 awards totaling $122 million.

The Technical Assistance (TA) Component of the CDFI Program is the Fund's newest funding program. Introduced in 1998, this component builds the capacity of startup, young and small institutions. The TA Component allows the Fund to direct relatively small amounts of funds to CDFIs that demonstrate significant potential for generating community development impact but whose institutional capacity needs to be strengthened before they can fully realize this potential.

In the first TA Component round held in 1998, the Fund awarded $3 million to 70 institutions.

In 1998, the Fund awarded a total $47 million to 112 institutions through its CDFI Program. In 1998 as in all previous years, demand for CDFI Program funding far exceeded the funding we announced as available. Under the Core and Technical Assistance Components we announced the availability of approximately $45 million. We received requests for more than $176 million.

For 1999, with the help of the $95 million appropriated to the Fund for fiscal year 1999, we anticipate that we will make $62 million in awards to 130 institutions under the CDFI Program. In October, the Fund published the fiscal year 1999 Notice of Funds Availability (NOFA) for both the Core and Intermediary Components, announcing a total of $57.5 million available, $50 million for the Core Component and $7.5 million for the Intermediary Component. We received 153 Core applications requesting a total of $184 million. We anticipate making approximately 55 Core awards. We received eight Intermediary applications requesting a total of $16 million. We anticipate making five Intermediary awards. In January, we published the fiscal year 1999 NOFA for the Technical Assistance Component. With the $5 million available for TA awards, we anticipate making 75 awards.

To date, institutions in 43 states plus Puerto Rico and the District of Columbia have received CDFI Program awards. To encourage applications from a diverse pool of applicants, the Fund is conducting a record number of informational workshops. Among the nineteen Core and Intermediary workshops conducted in 1998, five were located in States that have not had previous Core or Intermediary Awardees. This month the Fund will hold eighteen informational workshops on the Technical Assistance Component around the country, again selecting several regions in which there are no current awardees.

To further our goal of building the institutional capacity of the CDFI field, we provide debriefings to applicants that were not selected for an award. To date in fiscal year 1999, the Fund is responding to 92 requests for debriefings. Applicants are given valuable feedback about strengths and weaknesses of their applications as observed by those community development professionals involved in reviewing their requests for funding. Many of these applicants use the information gathered from the debriefing to build the strength of their operations and to improve their performance.

In addition to our CDFI funding programs, the Fund administers a CDFI Certification Program. CDFI certification increases the credibility of community lending organizations in the eyes of potential funders and investors. An organization that is certified is better able to attract private sector investments from local banks, corporations, foundations, and individuals. To date, we have certified a total of 280 organizations in 45 states, plus the District of Columbia and Puerto Rico. New applications arrive each month. Currently, applications are pending for the Virgin Islands, plus two of the five states that do not currently have any certified CDFIs.

Bank Enterprise Award Program

The Bank Enterprise Award (BEA) Program is the Fund's primary tool for pursuing its strategic plan goal of expanding banks' and thrifts' community development lending and investment activity. By providing incentives to these mainstream financial institutions, the Fund encourages them to increase their investments in underserved communities. These financial institutions do this in two ways: by providing loans, investments and services directly to the communities in need; and indirectly, by investing in local CDFIs or other community development programs, that then provide financial and development services to the communities.

The leveraging involved in this program is impressive. To date, 124 banks and thrifts in 30 states have received $58 million in BEA funding. This $58 million actually translates into investments in underserved communities of $983 million, seventeen times the amount of the CDFI Fund's investment. The awardees have invested $712 million in direct loans, investments and services to the community, and $271 million into CDFI's.

The Fund dramatically increased our BEA awards in 1998 when we made 79 awards totaling $28 million. In 1996, we made 38 awards totaling $13.1 million; in 1997 we made 54 awards totaling $16.5 million. The three-year total for the 171 BEA awards is $57.5 million. For the fiscal year 1999 funding round, we conducted twelve informational workshops around the country and received 139 applications. The Fund anticipates selecting approximately 80 of these institutions to receive awards totaling $25 million.

Presidential Awards for Excellence in Microenterprise Development

The Presidential Awards for Excellence in Microenterprise Development is a nonmonetary program administered by the Fund that recognizes and seeks to bring attention to organizations that have demonstrated excellence in promoting micro-entrepreneurship. By recognizing outstanding microenterprise organizations, the Presidential Awards seek to promote best practices and bring wider public attention to the important role and successes of microenterprise development especially in enhancing economic opportunities among women, low income people and minorities who have historically lacked access to traditional sources of credit. This program is one of the ways that the Fund is promoting performance best practices in the industry.

In February of this year, the President presented awards to six organizations for their work in the microenterprise industry.

Native American Lending Study and Action Plan

Our Native American Lending Study and Action Plan is intended to stimulate private investment on Indian Reservations and other land held in trust by the United States. The first step in accomplishing this goal is identifying the barriers to private financing in these areas. In 1998, we launched an action plan that will examine lending and investment practices on Native American lands, identify lending and investment barriers and their impacts, and make recommendations for removing

them. As part of that plan, we will be holding workshops in 13 cities across the country this year. The workshops will involve the Native American community, financial institutions, state agencies and community development organizations. With the assistance of the participants in these workshops, we anticipate that the study will be completed in fiscal year 2000.

Policy and Research

The Fund is perhaps the largest single source of capital available to the CDFI industry nationwide. It has access to data from hundreds of community development financial institutions nationwide. This includes information about the institutions as well as their target markets. In addition to baseline data derived from the process of certifying or funding applicants, the Fund collects longitudinal data on all of its awardees over at least a five-year period. Our policy and research goals include: measuring and reporting on the performance and outcomes of the Fund and its awardees and seeking to advance the CDFI industry as a whole through involvement in industry-wide research and development efforts.

In 1998, we moved forward on the first of these, measuring and reporting on the performance and outcomes of Fund awardees. As you know, the Fund invests in CDFIs to promote their long-term viability and ability to serve distressed communities. Today, I am pleased to be able to report some preliminary findings of our efforts thus far with respect to the accomplishments of our awardees.

PERFORMANCE AND IMPACT

Surveys

Using surveys, the Fund collected performance and outcome data on 30 of our 31 first-round CDFI Core Component awardees. These awardees were chosen in 1996. We began our evaluation on only first round awardees because they have had at least a year to absorb the Fund's investments and put them to work. Our sample of 30 first round awardees includes six credit unions, fourteen loan funds, three community development banks, three venture capital funds, two microenterprise programs, and two multifaceted CDFIs. Together, they received $34 million in CDFI awards. What has our $34 million helped these institutions to accomplish?

Our preliminary findings demonstrate that these awardees have accomplished significant community development impact over the past three years. For example, they have made $565 million in community development loans and investments. These loans and investments have helped to create or expand 1,895 microenterprises and 1,148 businesses; create or retain 12,412 jobs; develop 8,617 units of affordable housing, 98 childcare centers serving 7,168 children, 17 health care facilities serving 32,723 clients and 170 additional community, cultural, human services and educational facilities. Further, these awardees have provided business training, credit counseling, homebuyer training and other development services to 10,641 individuals.

Based on our sample, 70 percent of the clients of the average 1996 awardees are low-income individuals. Sixty percent are minority individuals. Fifty percent are women. Fifty-three percent live in the inner city. Eleven percent live in rural communities. Thirty-six percent live in suburban areas.

Since receiving their Fund awards, the 1996 awardees in our sample have strengthened their capacities to deliver products and services to their target communities. Their total assets have increased by 122 percent, growing from $473 million in the aggregate before they received their awards to $1.05 billion in the aggregate in 1998.

Case Studies

In addition to the outcomes surveys, the Fund is conducting in-depth case studies of a sample of awardees. The case studies include on site evaluations by the Fund to examine the CDFI's activities within the local economic development context. To date, we have completed three case studies. We anticipate completing several more in the coming year. The three case studies that have been completed thus far have been in Boston, Massachusetts, San Antonio, Texas and Santa Cruz, California. Our initial research suggests how CDFIs are positively affecting their communities.

In Boston, many of the city's poorer neighborhoods did not benefit from the economic growth in the 1980s; their conditions actually worsened during that period. Yet these same neighborhoods have experienced notable improvements in the past 10 years, thanks in no small part to the work of CDFIs such as the Boston Community Loan Fund and the Local Initiatives Support Corporation, two CDFI Fund awardees. These CDFIs have been critical behind-the-scenes actors. They have provided badly needed financial and technical support to two of the city's most effective community development corporations (CDCs), enabling the groups to develop the

scale necessary to carry out affordable housing and commercial projects that have revitalized long-declining communities such as East Boston and Egleston Square. Since the mid-1980s, the CDFIs have provided over $7.5 million to the CDCs, which in turn have: built or rehabbed over 800 units of affordable housing; managed an additional 900 apartments and commercial properties; and operated after-school and other programs for 150 neighborhood youths. The CDFIs have also played a crucial intermediary role, working with bankers, city officials, and corporate and foundation leaders to encourage additional targeted investment in these neighborhoods. A number of bankers view the CDFIs as important partners in their community development work, crediting the CDFIs with effectively serving organizations and individuals that the banks cannot afford to serve.

All around San Antonio, public and private sector institutions recognize the important work of ACCION Texas, a CDFI Fund Awardee. From the city's Economic Development Office to local Chambers of Commerce to banks ranging in size from local independent banks to Chase Manhattan, ACCION is viewed as the source of financial services for a previously neglected—yet significant—segment of the population: the low- and moderate-income micro entrepreneurs who live and work in some of the city's poorest neighborhoods. ACCION is seen as the organization that can get loan capital into the hands of this underserved population—and just as important—get it back. ACCION's 400 clients include plumbers, electricians, seamstresses, independent taxi drivers, and street vendors. They are primarily Hispanic. Without ACCION, they would not have access to credit for their businesses. The stories are by now familiar: these micro entrepreneurs do not have sufficient collateral; they don't have good business records; or they don't need enough money to make them attractive to a bank. With ACCION, they are able to get the financial and technical assistance they need to grow their businesses and to make them more prosperous through better business management. ACCION's success in San Antonio has led it to begin opening offices around the state, in the Rio Grande Valley, Houston, Dallas, Austin, and Fort Worth.

In Santa Cruz county in California, the third largest community credit union in the nation, the Santa Cruz Community Credit Union (SCCCU), offers a wide range of financial products and services designed to meet the financial needs of a predominantly rural low income population. The need is perhaps greatest in Watsonville, where the unemployment rate is 15.8 percent—more than three times the national average. This area has been hard hit by recent plant closings resulting from import competition from Mexico. Adding to the unemployment rate are the once-migrant agricultural workers who are settling in the area in increasing numbers, even though agricultural work remains seasonal. The employment and income figures highlighted the importance of focusing on the Watsonville population. With the help of its CDFI Fund award, the Santa Cruz Community Credit Union opened a branch in Watsonville so that it could ensure credit and banking access for all citizens, especially the Latino population which had historically distrusted traditional banking enterprises due to discrimination and neglect.

THE YEAR AHEAD: FISCAL YEAR 2000

The President's fiscal year 2000 budget requests $125 million in appropriations for the Fund. This request is $30 million above fiscal year 1999 funding levels. The Fund proposes to use $15 million of the increase to enhance its core programs; thus, $110 million will be used to administer the CDFI, BEA, Training, Policy and Research and Secondary Market Programs and the Native American Lending Study and Action Plan. The remaining $15 million will be used to launch a new initiative, the Program for Investment in Microentrepreneurs (PRIME).

In fiscal year 2000 and beyond, the CDFI Program will continue to focus on building the capacity of the CDFI industry to facilitate access to capital in underserved and low-income markets. I believe the Fund will be able to build on its previous years' experience and findings from its first outcomes surveys to inform our practice in identifying organizations that can maximize impact in needy communities. We will also seek to enhance the performance and impact of the industry through our Technical Assistance Program. Through the BEA Program, the Fund will continue its efforts to facilitate community reinvestment by providing incentives for banks and thrifts to reach new markets through partnerships with CDFIs and by targeting lending, investment and services in the most distressed neighborhoods. Finally, the Fund will seek to enhance the effectiveness and impact of CDFIs, banks, thrifts and others engaged in community development finance through its Training Program.

In fiscal year 2000, the Fund will complete its Native American Lending Study. We plan to make recommendations to the President and Congress on needed statu-

tory and regulatory amendments to existing Federal programs and other needed policy changes to improve access to capital for Native Americans.

Based on a feasibility study to be conducted in fiscal year 1999, in fiscal year 2000, the Fund plans to launch a secondary market program for loans made by CDFIs and examine the potential role of the Fund in creating and sustaining these efforts.

I believe one of the most exciting proposals in the President's budget is the creation of the Program for Investment in Microentrepreneurs (PRIME). The $15 million PRIME Act was introduced in the Senate on February 10 of this year. Senator Kennedy introduced the bill. Senators Domenici, Reid, Grassley, Abraham, Robb, Collins, Boxer, Santorum, Sarbanes and Snowe are also sponsors of the bill. The bill was introduced in the House on January 19 of this year by Congressman Bobby Rush. House Banking Chairman James Leach and Ranking Member John LaFalce are among the bill's sponsors.

This program will allow the Fund to meet a growing need that we currently cannot address. This is the need to strengthen organizations that are providing critical training and technical assistance to the most vulnerable population of entrepreneurs: low-income and disadvantaged microentrepreneurs. One of the clearest lessons that has emerged from the first decade of microenterprise development in the United States is that provision of training and technical assistance is a necessary ingredient for building successful entrepreneurs. In the highly developed U.S. economy, starting and running a successful business requires a solid understanding of business regulations, tax issues, record keeping, and marketing. Many of the thousands of people who have started microenterprises to make ends meet do not have these skills.

Many of the organizations that provide training and technical assistance to microentrepreneurs are not currently eligible for Fund assistance because they do not meet our financing entity test under the CDFI Program. PRIME will allow the Fund to reach these organizations. The PRIME Act first, provides training and technical assistance to low income and disadvantaged microentrepreneurs; second, builds the capacity of microenterprise organizations so that they can better serve their low-income clients; and third, supports best practices research and development. I believe that PRIME complements the Fund's existing programs and will be a key tool for creating opportunity for low-income people.

CONCLUSION

Mr. Chairman, Members of the Committee, thank you for giving me the opportunity to provide you with this information on the Fund's current activities and its plans for the future. I look forward to working with you over the course of this year's appropriations process. I would be happy to respond to any questions you may have.

CDFI

Senator BOND. Ms. Lazar, the CDFI has not been authorized; is that correct? There is no legislation by which you can measure the accomplishments of goals because this has been an appropriated program created out of the hip pocket of the Treasury. It has not been reauthorized?

Ms. LAZAR. That is right. The program had been authorized originally in 1994 and the legislation sunsetted last September.

Senator BOND. One of the major concerns we have about the Fund is the ability to measure the impact of the programs. The GAO raised concerns about the impact of the strategic plan, the impact of external factors. How have you been able to measure the impact the CDFI Fund has on the economic development and revitalization of the depressed communities?

Ms. LAZAR. We have done a number of things. Why do I not start and I will ask Mr. Jones to add to it as we go along. The Fund requires each of its awardees to enter into an assistance agreement with us. We set up performance goals with measures for our awardees based on the 5-year business plan that they submit to us with their application. Those goals and measures are in large part

developed between our staff and the awardees after the award is made.

The GAO has suggested, when they came to visit with us last year, they made three recommendations for improvement in those goals and measures. They advised us that we should use greater accomplishment measures, outcome measures, if you will, rather than output measures. We have moved forward with doing that and adding at least one performance measure into the assistance agreements that reflects more of an outcome base.

We also have begun an evaluation system whereby we require all of our awardees to fill out a survey that we have recently pretested, and the data that I read to you earlier came from that survey. The survey will be a requirement to be submitted by all of our awardees on an annual basis. So we have good information that is coming from those surveys about the economic impact of our award.

We also were advised by the GAO to make sure that the measures that we set forth address key aspects of all the goals and we are moving forward with doing that. They also recommended that we provide baseline and target market information in our assistance agreements. And since last July when the GAO recommendations were final, we have been doing that. So we are working hard to make sure that we are consistent with the GAO recommendations.

On the strategic plan side, the GAO reviewed the strategic plan that had been prepared earlier. It was done for our fiscal year 1998 budget submission. We undertook last spring a very intensive process and a very consultative process to redo our strategic plan. That strategic plan has been sent up here to the Hill for consultation, and we look forward to talking with you about the contents of the strategic plan.

CONFLICTS OF INTEREST

Senator BOND. Thank you. We look forward to following up on that. As I mentioned earlier, I do congratulate you on a very effective job of dealing with the Fund's management deficiencies. It is nice to have a contrast where KPMG comes back and says that the financial controls are in place.

There is one serious issue that I must raise with you. It is been brought up by the Inspector General who rated a conflict of interest. I understand that you have taken some steps to address the potentials of conflicts of interest. The Treasury OIG has recently released a report and made some recommendations. They include training and materials for guidelines. What action have you taken to implement the recommendation on the conflicts of interest policy made by the Treasury OIG in their last month's audit?

Mr. JONES. We have undertaken several actions with respect to the OIG's recommendations as well as recommendations that we have received from congressional committees. One thing that we do is we use outside consultants to help us review applications. And all of the outside consultants have to disclose any relationships that they have with an applicant in a pool that they are about to review. We recuse them from that application as well as any other applications of the same category of institution. And so that way,

they are not only not reviewing an applicant with respect to which they have a conflict, they are also not reviewing an applicant that is competing against that application that they have a conflict with.

Internally, we also review all Federal individuals who are reviewing applications, fund staff as well as other Federal people. We get disclosure information from them as well and also recuse them from applications that there is a conflict with. So we are constantly keeping our eye on making sure, one, that there is no conflict of interest and, two, there is no appearance of a conflict of interest. And where there is, we take decisive and quick action to remove those folks from reviewing those applications.

PRIME PROPOSAL

Senator BOND. Thank you very much. Let me ask a question on the microenterprise program. I understand that in 1995 the White House directed the Secretary of the Treasury to take all appropriate actions to coordinate all microenterprise programs administered by the Federal agencies and departments, and the interagency coordinating body was to be chaired by the administrator of CDFI. To what extent has this interagency group been involved in the development of the PRIME proposal? How did the interagency group relate this to existing programs, for example, in the Small Business Administration?

Ms. LAZAR. Let me tell you a little bit about the interagency council, the interagency working group on microenterprise. We formed it in July of this past year, July 1998, and we brought together 12——

Senator BOND. It took 3 years to get that done?

Ms. LAZAR. I am sorry. I would have to say that is how long it took.

Senator BOND. For the immediate release, August 28, 1995. And it got going in 1998. Okay. We appreciate your coming on and taking that on.

Ms. LAZAR. We got started in July and I will say there had been some work done in anticipation of pulling together this working group. The first meeting of the working group took place July 8, 1998. We developed a mission for the group and we established three working committees.

Senator BOND. Without going into the group, did they develop the PRIME proposal?

Ms. LAZAR. No. The PRIME proposal had been developed prior to the group really forming.

Senator BOND. What was the relationship—developing the PRIME proposal, how did that relate to the programs of the Small Business Administration programs on micro loans and microenterprises?

Ms. LAZAR. In developing the PRIME program which was developed up on the Hill with input from us at the Fund, a good deal of time was spent trying to coordinate our efforts with other Federal agencies, trying to understand other Federal programs in this area. What distinguishes the PRIME legislation from other pieces of other programs is that it is really a training-led program rather than a credit-led program.

We are right now putting together a compendium of all the programs in the Federal Government that will be linked together through a Web site. This is part of the work that we have undertaken with the interagency work group. To that end, we are making sure that the programs are not duplicative but rather complementary with one another.

Senator BOND. I do believe the Small Business Administration has a technical assistance and capacity-building program already. And we will confer with our staff over there and submit some further questions because I am a little bit puzzled. It is a good idea but if it is being done once, that does not mean because it is a good idea, it ought to be done twice. We will work with our staffs on the Small Business side and perhaps submit some more questions for the record so I can get a better understanding of how this fills in an area that we are not already covering, or what the deficiencies are in these SBA programs.

I see that my opportunity to turn to other members of the committee for further questioning has deteriorated. At this point, I thank you for your testimony. I congratulate you on the good work that you have done and we will leave the record open.

There will be other questions, I am sure, from other members of the committee. I believe you will want to respond to the points raised by Senator Shelby in his statement for the record. That will be very helpful. And, as I said, we will have some further questions.

ADDITIONAL COMMITTEE QUESTIONS

Ms. LAZAR. Thank you very much, Senator. Thanks for having us.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR BOND

MICROENTERPRISE PROGRAMS

Question. In your fiscal year 2000 budget request, an initial funding of $15 million is being proposed for a new microenterprise technical assistance and capacity building program called "PRIME." It is my understanding that there are already several microenterprise technical assistance and microloan programs throughout the federal government. In 1995, GAO identified seven other federal agencies and 20 specific federal programs that support microenterprise development. For example, SBA has been administering technical assistance and capacity building programs since 1992. The Administration is also proposing an increase to the SBA microenterprise programs to $60 million in fiscal year 2000. I have also heard that some states and private foundations provide support for microenterprise development. I am concerned about creating a duplicative program within the Federal government, especially for an agency that does not have an established track record.

Could you please describe the objectives of "PRIME" and what distinctions this proposed program has from other existing programs?

Answer. The primary purpose of the PRIME Act is to build the institutional strength of microenterprise development organizations and programs and other qualified entities and assist these organizations to effectively meet the training and technical assistance needs of low-income and disadvantaged entrepreneurs. The proposed program would be a competitive grant program under which the Fund would provide funds to microenterprise development organizations, microenterprise development programs, intermediaries or other qualified organizations for the following purposes: (i) to provide training and technical assistance to low-income and disadvantaged entrepreneurs interested in starting or expanding their business; (ii) to

engage in capacity building activities in order to enhance their ability to serve low-income and disadvantaged entrepreneurs; and (iii) to engage in research and development activities aimed at identifying and promoting entrepreneurial training and technical assistance programs that effectively serve low- income and disadvantaged entrepreneurs.

PRIME would allow the Fund to meet a growing need that we currently cannot address. This is the need to strengthen organizations that are providing critical training and technical assistance to the most vulnerable population of entrepreneurs: low-income and disadvantaged microentrepreneurs. Many of the microenterprise development organizations that provide training and technical assistance to microentrepreneurs are not currently eligible for Fund assistance because they do not meet our financing entity test under the CDFI Program.

One of the clearest lessons that has emerged from the first decade of microenterprise development in the United States is that provision of training and technical assistance is a necessary ingredient for building successful entrepreneurs. In the highly developed U.S. economy, starting and running a successful business requires a solid understanding of business regulations, tax issues, record keeping, and marketing. Many of the thousands of people who have started microenterprises to make ends meet do not have these skills. PRIME would address this issue.

As you note, several agencies within the Federal government currently run microenterprise programs, and some states and private foundations provide support for microenterprise development. However, the overwhelming bulk of this support is in the form of loan capital. Support for microenterprise development organizations to meet the training needs of low-income and disadvantaged entrepreneurs has been minimal. PRIME is aimed at meeting such needs.

The SBA's microloan program currently focuses on lending to qualified intermediaries which in turn provide small scale loans to small businesses for working capital, materials, supplies or equipment. The intermediary may also receive grant funds in an amount that is no more than 30 percent of its SBA loan. The grant funds may be used by the intermediary to provide technical assistance to borrowers and prospective borrowers. In addition, SBA makes grants to non-profit entities that provide technical assistance. These technical assistance providers primarily assist clients to access capital by offering them marketing and management help. Finally, SBA offers training to intermediary lenders to enhance these lenders' capacity.

PRIME aims to meet the training and technical assistance needs of low-income entrepreneurs. It is a human capacity development strategy, rather than a credit and finance development strategy. The strategies are complementary, and are necessary to assist low-income people to enter the economic mainstream.

PRIME is targeted to some of our most vulnerable citizens. At least 50 percent of the grants made under the PRIME program must be used to benefit very low-income individuals, those persons with incomes of not more than 150 percent of the poverty line.

MANAGEMENT ISSUES

Question. Ms. Lazar, I am pleased about the progress the Fund has made in its management. It seems that you have been able to hire strong financial management leadership.

Could you please elaborate on how you were able to remedy the Fund's management problems? I would especially like to hear about how critical it has been to have a CFO and other financial management staff to deal with these matters.

Answer. Critical to success in remedying management problems was the Fund's organizational restructuring implemented in the fall of 1997. In addition to the Director, the restructured organization includes two Deputy Directors: a Deputy Director for Policy and Programs, responsible for Fund policy and programs and a Deputy Director for Management and Chief Financial Officer, responsible for management and administration functions. In addition, the Fund's Legal Counsel handles all of the legal matters of the Fund. The External Affairs Officer manages the Fund's outreach activities. This organizational structure enables the Fund to effectively manage its program, finance, management, legal and external affairs matters.

Simultaneously with restructuring, we focused on recruiting, developing and retaining high-caliber staff throughout the Fund. Our goal was to enhance the in-house capacity and expertise of the Fund's staff. Among other hiring, the Fund fully staffed a financial management unit, including a Financial Manager (controller), staff accountant, and budget officer, all critical to successfully performing the full range of federal financial management functions (e.g., planning, budget formulation and execution, accounting, internal controls, and auditing).

We also developed, implemented and completed an aggressive corrective action plan to address quickly the material weaknesses that had been identified by both our new CFO and KPMG during the fiscal year 1997 audit with a goal of achieving a "clean" audit for fiscal year 1998. Throughout the year, there was a constant management team awareness of and support for establishing and maintaining a strong management control environment within the Fund—key to an unqualified audit opinion. In addition, there was complete management involvement and participation in implementing the provisions of the Government Performance and Results Act (GPRA) and the integration of the Fund's new strategic planning, performance planning, and budget processes.

Having a CFO and other financial management staff was critical in helping the Fund to successfully implement its corrective action plan and obtaining a clean audit opinion.

PERFORMANCE MEASURES

Question. Last year you indicated that the Fund, in its reporting process for its awardees, had created a rigorous process to allow you to understand the impact of the CDFIs at the community level and their capacity to sustain themselves over time.

Please provide some detailed results from this new process.

Answer. Since the Fund began making awards, we have required our CDFI awardees to submit quarterly reports, annual reports and financial statements. These reports enable the Fund to monitor the organization and financial condition of the awardees as well as understand the impact of the awardees on the communities that they serve. In 1998, we enhanced our ability to collect data on the impact of our awardees by requiring them to complete and submit an annual survey designed to collect detailed information on the accomplishments of the awardees and their capacity to sustain themselves over time and by conducting on-site, in-depth case study analyses of a number of the awardees and their communities.

In 1998, our survey collected performance and outcome data on 30 of our 31 first-round CDFI Program Core Component awardees. The Core Component is the largest of the CDFI funding programs administered by the Fund. The first-round awardees were chosen in 1996.

We began our evaluation on only first-round awardees because they have had at least a year to absorb the Fund's investments and put them to work. Our sample of 30 first round awardees includes six credit unions, fourteen loan funds, three community development banks, three venture capital funds, two microenterprise programs, and two multifaceted CDFIs. Together, they received $34 million in CDFI awards. What has our $34 million helped these institutions to accomplish?

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10 years, thanks in part to the work of CDFIs such as the Boston Community Loan Fund and the Local Initiatives Support Corporation, two CDFI Fund awardees. These CDFIs have provided financial and technical support to two of the city's most effective community development corporations (CDCs), enabling the groups to develop the scale necessary to carry out affordable housing and commercial projects that have revitalized long-declining communities such as East Boston and Egleston Square. Since the mid- 1980s, the CDFIs have provided over $7.5 million to the CDCs, which in turn have: built or rehabilitated over 800 units of affordable housing; managed an additional 900 apartments and commercial properties; and operated after-school and other programs for 150 neighborhood youths. The CDFIs have also played a crucial intermediary role, working with bankers, city officials, and corporate and foundation leaders to encourage additional targeted investment in these neighborhoods. A number of bankers view the CDFIs as important partners in their community development work, crediting the CDFIs with effectively serving organizations and individuals that the banks cannot afford to serve.

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SUBCOMMITTEE RECESS

Senator BOND. The hearing is recessed. Thank you.

[Whereupon, at 11:25 a.m., Thursday, March 11, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT AND INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2000

THURSDAY, MARCH 18, 1999

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:32 a.m., in room SD–192, Dirksen Senate Office Building, Hon. Christopher S. Bond (chairman) presiding.

Present: Senators Bond, Burns, and Mikulski.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

STATEMENT OF HON. DANIEL S. GOLDIN, ADMINISTRATOR

ACCOMPANIED BY:

MALCOLM PETERSON, COMPTROLLER
LEE HOLCOMB, CHIEF INFORMATION OFFICER
ARNOLD G. HOLZ, CHIEF FINANCIAL OFFICER
JOHN D. SCHUMACHER, ASSOCIATE ADMINISTRATOR FOR EXTERNAL RELATIONS
EDWARD HEFFERNAN, ASSOCIATE ADMINISTRATOR FOR LEGISLATIVE AFFAIRS
JOSEPH H. ROTHENBERG, ASSOCIATE ADMINISTRATOR FOR SPACE FLIGHT
SPENCE M. ARMSTRONG, ASSOCIATE ADMINISTRATOR FOR AEROSPACE TECHNOLOGY
EDWARD J. WEILER, ASSOCIATE ADMINISTRATOR FOR SPACE SCIENCE
ARNAULD E. NICOGOSSIAN, ASSOCIATE ADMINISTRATOR FOR LIFE AND MICROGRAVITY SCIENCES AND APPLICATIONS
ROBERTA GROSS, INSPECTOR GENERAL
GHASSEM ASRAR, ASSOCIATE ADMINISTRATOR FOR EARTH SCIENCE

OPENING STATEMENT OF CHRISTOPHER S. BOND

Senator BOND. Good morning.

The hearing of the Senate's VA–HUD-Independent Agencies Subcommittee will come to order.

This subcommittee meets today to review the fiscal year 2000 budget request of the National Aeronautics and Space Administration, or NASA.

We welcome Dan Goldin, NASA's Administrator and his staff.

I am always excited by what NASA does—the awe-inspiring visions which allow us to picture the far reaches of the universe, to see the birth of stars and galaxies, and to imagine the possibility of life existing throughout the universe.

This past year has continued that excitement, probably most emphatically with the return to space of Senator John Glenn and the successful launch of the first two elements of the International Space Station, which included the successful assembly of the Russian Zarya module and the U.S. Unity pressurized node.

I am optimistic, despite the many challenges facing NASA in the coming year, that NASA will have another exciting year of achievement and success. In addition, the administration's budget request for fiscal year 2000 has attempted to establish a more honest NASA budget. Over the last few years, the administration has failed NASA and the Congress by requesting budgets that underfunded priorities and pitted the escalating costs associated with the Space Station with the costs associated with Space and Earth Science Programs.

Nevertheless, with strong concerns voiced by both the ranking member, Senator Mikulski, my good friend and colleague, and me, the administration, at least within the NASA account, has begun to provide a more balanced and rational budget request by proposing some $13.58 billion for NASA in the year 2000. While this is a decrease of $86 million from the fiscal year 1999 appropriations, the President's budget does commit an additional $180 million in fiscal year 2000 for the continued construction of the Space Station while providing balanced funding for the Space and Earth Sciences. Nevertheless, I expect this to be another very difficult year for funding decisions for the VA–HUD Appropriations Subcommittee.

Mr. Goldin, those who have been to previous hearings have heard this sad story. You should be no exception. I need to let everybody know what a tough year we expect to have, especially since the budget submitted by the President raises expectations by not structuring spending decisions according to fiscal requirements and program needs. We have significant funding needs that we must address in this subcommittee, ranging from medical care and increased costs of medical care for veterans, to climbing costs associated with housing for low-income Americans, to relief for victims of disasters.

We are not far enough along in the budget process to have an allocation for the subcommittee. So it is premature to discuss what levels of funding might be available to NASA. But you can be sure, with all of these pressures coming in other parts of our subcommittee's jurisdiction, it is going to be a tight year for allocations.

Moreover, we did not get the budget deficit under control by inventing new programs and priorities. The budget surplus belongs to the American taxpayers and, ultimately, priorities such as Social Security are going to have to be addressed first.

As we have learned, Federal spending must be responsible spending. NASA, as well as every agency, department, and office within the jurisdiction of this subcommittee, will have to justify fully its funding requests.

NASA's biggest priority remains the International Space Station. Despite the retirement of our good friend Dale Bumpers, the continuing escalating costs of the International Space Station, from $17.9 billion to some $24 billion, and likely more, at completion, will remain a point of controversy and concern.

Somebody will take up the cudgel, I am sure, to lead the opposition.

The problem is compounded by significant and continuing concerns certainly that I have and that others have expressed over Russia's ability to meet its financial commitment as a partner, coupled with questions over its ability to meet schedule and hardware commitments.

In addition, I have been very concerned that every year the funding for the Shuttle is reduced to continue to pay for the shortfalls and overruns of the International Space Station. And every year NASA assures us that safety issues for the Shuttle are not being short-changed.

For example, in fiscal year 2000, the Shuttle account will receive about $20 million less than fiscal year 1999's appropriation.

Shuttle safety, the safety of the men and women who venture so heroically into space, must remain our highest priority. In addition, the next major issue of program debate in NASA is the future of space transportation, with additional investment in the Shuttle pitted against the development of Reusable Launch Vehicles, including the development of a Crew Return Vehicle for the ISS.

NASA is currently working with industry to develop a Reusable Launch Vehicle, or RLV, Program, that would be considered as a replacement program for the Shuttle, with a decision on the status of the RLV and the Shuttle due before the end of this century.

As we all know, the purpose of the RLV is to develop the next generation Reusable Space Transportation Systems, such as the Single Stage to Orbit, or SSTO, concept, under which a rocket attains orbit with only one stage, instead of the two which is more common today, carrying a cargo or crew. The purpose is to have a vehicle capable of returning to Earth, being serviced quickly, and flying again in a very short time.

Proponents believe the success of RLV will result in dramatically lower costs in accessing space, perhaps from the current $12,000 per pound associated with the current Shuttle, to as low as $1,000 per pound if our hopes and projections come out right on the Reusable Launch Vehicle.

But for the cost of going into space, the critical component of the success of a commercial space program, we need to insure that this debate begins now. With the exploding costs of the ISS as a reminder of the costs of exploring space, we need to find ways to justify the costs of these new technologies and have the private sector as a partner in developing these technologies.

Finally, I am very concerned about how NASA prioritizes programs and funding. We have been informed that a Hubble Telescope repair mission may be scheduled for the near future and that, because of failures of the gyroscopes, Hubble could stop being operational during this year.

Hubble is clearly one of the crown jewels of NASA, and the loss of its use for even a day would be more than unfortunate. Never-

theless, I understand that NASA is struggling with budgeting a repair mission in large part because it has used Hubble reserves for other program shortfalls.

I understand the risk of failure with the space mission because it is often cutting edge science. Nevertheless, NASA needs to budget its programs to anticipate needs like those of Hubble. We cannot continue robbing Peter to pay Paul. That is not an appropriate way to do business.

We clearly need to understand how NASA prioritizes its missions and activities and how funding decisions are made.

Finally, I conclude by applauding, once again, NASA on its many successes. I can assure you that I, and I believe all the members of this subcommittee and our staff look forward to working with NASA on its budget and programs.

Having said that, I now, with pleasure, turn to my colleague and ranking member, Senator Mikulski, for her statement and comments.

STATEMENT OF SENATOR BARBARA MIKULSKI

Senator MIKULSKI. Thank you very much, Senator Bond.

I am going to welcome you, Dr. Goldin, and the entire NASA team here as we consider our appropriations.

I am going to have a rather brief opening statement so that we can get right into the hearing. We have a vote on at 11:00.

I also want to acknowledge and express my appreciation to Senator Conrad Burns, who is actually on the Commerce Committee, which is the authorizer for NASA. Therefore, this is quite a lineup that you have here this morning, with authorizing and appropriating members here.

I really want to associate myself with many of the issues raised by Chairman Bond. But I will not elaborate on them in great detail until we get to the questions.

I am glad to see that the administration has funded NASA in a 5 year approach.

I am going to thank you, Dr. Goldin, for your work to insure that the out-year funding for NASA does not dip to a level that hollows out NASA programs. As you know, I have been deeply concerned about that.

Now with a stable request over 5 years, we need to take a look at what we are going to do.

I share Senator Bond's belief that we need to fund Social Security first, make sure that we set aside money for Medicare, because those two could really gobble up so much of our effort. But I do, I think, respectfully disagree with the other party that the money we are gathering in general revenues should not go for new tax cuts when we need to stabilize and modernize our programs. I'm not talking about new starts. But we have such a backlog of what we need to do to catch up in work, maintenance, and so on that I think "no new starts, no new tax cuts" might be a nice mantra.

Having said that, then, I want to say that not only are we looking for stable funding, but we are also looking for stability and safety in our programs.

We are pleased that NASA has included funding for the upgrades in the Shuttle's safety because it continues to be a top priority.

We also know that we are deeply concerned about the issue of the whole Space Telescope endeavor; for one, not only the funds for a new, next generation telescope, but I am very much concerned about Hubble.

We want to hear about the Hubble telescope. We want to hear about the mission that you are going to be doing, how it is going to be paid for and, once we do it, do we then truly extend the life of Hubble in a way that is reliable and sustainable. We will go into those questions.

The other continues to be—I see the flashing yellow light on my time—the other is the continued escalating cost of the Space Station. We now know that we are moving to assemble and we are dazzled by the pictures. But we are concerned, once again, about Russia as a partner in this.

As you know, Senator Bond and I asked you for a report on whether there should be new approaches. We had hoped to have that report in December so we could talk with the administration and so on. We want to hear from you on the report and why, quite frankly, it took you so long to give us the report so that we have it only a few days before the hearing, where we really could not give it the proper scrutiny.

But I know it will be the source of other conversations, some of which might be classified.

In terms of the Russians, I continue to be concerned about their missile transfer approaches and, therefore, their hand-to-hand complicit cooperation in the proliferation of the potential to deliver weapons of mass destruction.

There are many other issues that we want to talk about, and, of course, I will always be interested in the Goddard budget. But we are really interested in space science and Earth science because that truly is really why we are really here with NASA.

I could elaborate on this, but I would prefer to do it through the questions, knowing that Senator Burns will want to make some statements as well.

So we are glad to have your budget. We need to know how we are going to sustain it. We are also interested in the fact that I truly believe that, because of the situation in which we have been and the escalating costs of the Station, you have had to—I don't want to say "rob Peter to pay Paul," but you have certainly borrowed heavily. And if you have mortgaged the family farm, I think this is a good time to talk about it.

Having said that, I thought I would use an agricultural analogy in deference to you, Senator.

Senator BOND. Well, I'll tell you what—that dog will hunt. [Laughter.]

We need to block those metaphors and see if we can't avoid space interference from metaphors. [Laughter.]

With that, as Senator Mikulski said, we are very pleased to have the head of the authorizing team in the Senate, a member of this subcommittee, Senator Conrad Burns.

Senator Burns.

STATEMENT OF SENATOR CONRAD BURNS

Senator BURNS. Mr. Chairman, thank you. I have no statement, prepared statement. Because we are going to have a vote at 11:00, we should get Administrator Goldin and his directors' presentations this morning.

I share some of the same concerns that both of you have expressed.

However, Senator, we have changed the view of some folks on wools. So if you need some wools down in Missouri, why we know where to get them, how to transport them, and so on.

Senator BOND. You are putting them in the Space Shuttles, right? [Laughter.]

Senator BURNS. We want to send some to Missouri, don't we now?

Senator BOND. Are we on the same wavelength?

Senator MIKULSKI. I'm not going to jump in here. [Laughter.]

Senator BOND. I think we will not go there any further.

Thank you, Senator.

Dr. Goldin, we have your wonderful statement of about 25 pages in very small type. This is going to be great reading for us today. We will study it carefully.

I would appreciate it if perhaps you could summarize it for us in 10 minutes so that we will all get several rounds of questions before we get to our vote.

STATEMENT OF DANIEL S. GOLDIN

Mr. GOLDIN. Good morning, Mr. Chairman and members of the subcommittee. I am pleased to appear before you today to present the President's budget request for fiscal year 2000. And I am really pleased. For the first time in many years, NASA has a projected out-year budget that is higher than the budget year request.

I want to thank both the chairman and the ranking member for the support you have given this agency in working with the administration on this issue.

Funding has been added to the International Space Station's, Space Science and Future Launch. I am gratified by the administration's alignment of NASA priorities with the out-year NASA budget.

Nonetheless, the request of approximately $13.6 billion for the fiscal year 2000 budget can be appropriately characterized as lean. It is below the fiscal year 1999 enacted levels and so tightly constructed that there are several areas where concerns have been raised and I heard a few of them.

Senator MIKULSKI. Was it deliberate that we turned out the lights?

Mr. GOLDIN. Yes.

Senator MIKULSKI. Is this because of a sun spot? [Laughter.]

Senator BURNS. It's Y2K. [Laughter.]

Mr. GOLDIN. It is not a Y2K bug. We were going to give you a multi-media presentation as I speak.

Senator BOND. Fantastic. Thank you.

[A video presentation was shown.]

Mr. GOLDIN. We will be glad to enter into a dialogue with the subcommittee today to address concerns you may have about our funding levels for aeronautics, academic programs, space launch and technology investments, or any other area in which you have concerns.

Mr. Chairman, we are proud of our accomplishments. Our agenda is ambitious, but it is achievable.

Last year, a new star appeared on the horizon. It is called "The International Space Station." With our international partners, we have begun to build this research center, which will be as big as the U.S. Capitol on orbit. The launches of Zarya and Unity and the spectacular EVA's to connect them mark the beginning of this next great human adventure in space.

NASA is more than about space. We are about life on Earth. Our technology enriches people's lives, like this child (indicating), who is wearing a suit to protect him from sunlight. You are seeing the first flower this child has ever picked.

Our Space Science Program is producing fantastic results as we keep driving down mission costs. We are in the middle of an intense launch period of 10 launches in 9 months.

Lunar Prospector, which cost only $60 million for the entire mission, found indications of water ice on the moon, a still controversial finding.

Deep Space I is testing advanced technologies such as electric propulsion. Stardust will return samples of primordial material from a comet in interstellar space. Chandra will be our third great observatory in orbit. It will explore highly energetic bodies, like black holes and quasars.

Our Earth Science Program is experiencing the most ambitious year ever and is providing down to Earth benefits. We have a very ambitious program with almost a launch a month for the rest of the year.

For instance, our data helps improve agricultural management by identifying disease susceptibility, assessing soil moisture, and helping farmers determine how much fertilizer to use and where.

This year is very exciting as we launch Landsat 7. It will have many applications in agriculture, forestry, and regional planning. Terra will provide daily global measurements of ocean color and Earth's biosphere, key data for resolving unknowns in the global carbon cycle.

Quikscat, developed in just 12 months, will use ocean winds data to track movement of storm systems. This should lead to a significant advance in weather prediction.

In aeronautics, we are breaking through boundaries of flight. The solar powered, remotely piloted aircraft flew at a record breaking height of over 80,000 feet. The revolutionary X–33 is the flagship of our Reusable Launch Vehicle Program. You could see the oxygen tanks and the entire structure being built and the Aerospike engine being tested.

NASA is doing more with less.

This committee has had concerns about the International Space Station hurting other programs. This chart (indicating) shows that by 2001, the Space Science budget alone will be greater than the International Space Station.

We have crossed over in fiscal year 1999 with a total science budget greater than that for the entire human space flight program. Recognizing this trend, the administration has included $10 million for next decade planning in this budget to insure an appropriate vision for the future that integrates robotic and human exploration.

With funding for fiscal years 1999 and 2000, we are also continuing our Space Transportation Architecture studies to develop an investment strategy for reducing the cost of access to space by using commercial capabilities, Mr. Chairman.

Now I would like to share NASA's future plans with you. New challenges will require revolutionary approaches. We have embarked on a NASA-wide program to establish an intelligence synthesis environment. Our goal is to enable scientists and engineers who are in geographically dispersed areas to work together as a team in a totally immersive, controlled, real-time, virtual environment for end-to-end space design, development, test, manufacturing, and operation.

This will lower costs, accelerate development time, and increase mission success in times of ever decreasing budgets.

We will look forward to completing the construction of the International Space Station with our partners. This research center in space will include over 100 major pieces of hardware from 16 countries. These pieces will be delivered by 6 different vehicles from 4 different launch complexes around the world.

The availability of this lab in space will create new opportunities for long-term research. For example, biotechnology facilities will enable us to uniquely grow and study cellular structures, including living tissue and protein crystals.

The requirements of keeping a crew healthy in space so that we will be able to go to other planets in our solar system will lead to a whole new variety of medical technologies, including telemedicine techniques, that will have applications around the world.

One goal of our Space Science Program is to establish a virtual presence throughout our solar system, sending fleets of small spacecraft, rather than single large missions. This will include a sample return mission from Mars in the next decade. We will rendezvous with comets.

The next generation Space Telescope will build on Hubble's marvelous results. It should cost about one-fifth of what Hubble cost but be about 3 times bigger and 10 times more powerful. It will explore much longer wavelengths of key scientific interest.

In the future, NASA will have spacecraft, rovers, and probes in orbit around various planets and the moon, in their atmospheres around their surfaces, and burrowing underneath their surfaces.

We will require an inter-planetary internet to assemble and send back to Earth the tremendous amount of information that will be generated by these robotic emissaries. The first step at Mars is in this year's presidential budget.

Future Earth science will help us better understand our own planet. We will be able to see the Earth through different lenses showing water vapor, the biosphere, global cloud cover, ocean temperature, and crystal dynamics. Collectively, these views show us how the planet works as a system.

In the future, we will integrate detailed measurements at the global, regional, and local levels and combine them with predictive modeling. We hope to be able to understand and predict weather and climate on a seasonal, annual, and, ultimately, decadal basis.

Commercial applications will include agriculture, urban planning, disaster mitigation, environmental compliance, highway and pipeline siting, and resources management. A whole new industry is growing based on this work.

NASA will continue to push the frontiers of flight from general aviation to space access. We are developing aeronautics technology to help reduce the fatal accident rate by a factor of 5 in 10 years and a factor of 10 in 20 years.

For example, we are working advanced true interfaces that will make it easier for pilots to understand what is happening in and around the aircraft. We are working at putting air traffic control technologies in the cockpit to give pilots the ability to optimize their costs based on weather, traffic, and other factors.

With synthetic vision, pilots will be able to see the landscape no matter what the weather, day or night, decreasing the likelihood of accidents. This technology has applications for civil and military, commercial and private, large and small aircraft.

A new Ultra-Efficient Engine Technology program will push the state of the art in high temperature materials and combustion to lower fuel consumption and improve performance. We are looking to the future when there will no longer be a distinction between air and space travel. The X–43 is a flight experiment that will, for the first time in history, test a SCRAMjet at speeds of up to MACH 10.

Another concept we are studying is the rocket based combined cycle with magnetic levitation launch. This is not science fiction.

The revolutionary Reusable Launch Vehicle Program, a partnership with industry, is demonstrating technologies that could dramatically reduce the cost of launching a payload to orbit from today's roughly $10,000 a pound to $1,000 a pound while, at the same time, improving safety by a factor of 10.

Because NASA does not think small, because we plan for the long-term, not the short-term, this budget is not designed for the next decade. It is an investment in the next millennium.

PREPARED STATEMENT

NASA is proud to lead the way. This program is not for the faint of heart. NASA boldly pushes forward and performs to make America better. I am very proud and honored to lead the NASA team as we serve our country.

Here you are seeing a plane that will fly on Mars in 2003.

[The statement follows:]

PREPARED STATEMENT OF DANIEL S. GOLDIN

Mr. Chairman and Members of the Subcommittee: I am pleased to be here to present to you NASA's budget request for fiscal year 2000. It is a great time at NASA. This budget is the first budget for the 21st Century, a century in which humans will live permanently in space, on the International Space Station, and later perhaps beyond. Before we look ahead to the bright future, I want to lay the foundation by looking at the past. Our achievements, and yes, our problems, have prepared us for the future.

While the fiscal year 2000 request represents a decrease from the fiscal year 1999 enacted level, it is the first budget in five years which reflects an increase in the outyears. NASA has undertaken the challenge of the past five years by becoming more efficient. By prioritizing and, as required, cutting programs whose cost estimates were unrealistically low, schedules unacceptably long, or objectives no longer relevant to our mission, we saved valuable resources. With those savings, we started 9 new programs, like Origins, which could help us to answer fundamental questions about life in the universe, and Advanced Space Transportation, which could revolutionize space travel. The percentage of our budget devoted to science and technology has increased from 31 percent in fiscal year 1991 to 41 percent today, and is planned to grow to 45 percent in fiscal year 2004. At the same time, the percentage of our budget devoted to human spaceflight has declined from 48 percent in fiscal year 1991 to 40 percent today, and is projected to decline to 35 percent by fiscal year 2004. As a result, our budget is much more balanced.

We have made difficult choices to enable us to move toward an ambitious, but achievable, future.

We are managing our programs in a fiscally responsible manner. In 1992, a General Accounting Office survey of our major programs identified an average cost growth of 77 percent. We aggressively attacked the problem, and through management oversight, cost-cutting efficiencies and identifying the problems, have created positive results. Cassini, Mars Global Surveyor, Mars 1998 Orbiter, Mars 1998 Lander, Stardust, NEAR, ACE, and Mars Pathfinder have all been launched on time and within budget.

We continue to find efficiencies in operations while we improve safety; from fiscal year 1993 to fiscal year 1998, the annual Shuttle budget is down 29 percent, while the measures of Shuttle safety and performance have improved dramatically. I am proud of the NASA-contractor team that made this happen. Over the same time period, we have improved the manifest lead time by 28 percent, and increased the maximum lift capacity to the International Space Station by 71 percent.

Some of my favorite metrics are associated with science spacecraft design and development. In the early 1990s, the average cost of spacecraft development was $590 million. From fiscal year 1995 to fiscal year 1999, it is $205 million, and our goal for fiscal year 2000 to fiscal year 2004 is $79 million. Development time has come down dramatically. In the early 1990s, the average development time for spacecraft was eight years. From fiscal year 1995 to fiscal year 1999, it is five years, and for fiscal year 2000 to fiscal year 2004 our goal is four years. Our annual flight rate went from two in the early 1990s to seven in fiscal year 1995–1999, and we plan on fourteen flights a year on average from fiscal year 2000 to fiscal year 2004. The missions are exciting, as attested to by extensive media coverage and hits on NASA's World Wide Web site, and scientifically sound.

We're not just talking about improvements, we're implementing them. Our Discovery series of spacecraft must be developed in less than three years and for less than $150 million (FY 1992 dollars). Stardust, launched this month to gather and return samples from a comet, took 27 months to develop and cost $120 million. We have 11 planetary spacecraft that, together, cost the same as the single Galileo spacecraft.

We have changed NASA as an institution. In 1995 we conducted a Zero Base Review (ZBR) which created Lead Centers and Centers of Excellence. This led to the elimination of redundant capability at our Centers and allows each Center to focus on what it does best. We redefined the role of Headquarters to define "what" NASA should do, and leave it to the Centers to figure out "how" to make it happen. We met our goal of cutting the total Government/contractor workforce at Headquarters by a factor of three, including cutting the civil servant staff in half. The total NASA workforce has come down from about 25,000 in fiscal year 1993 to 18,545 for fiscal year 1999 without a reduction-in-force.

We established a Program Management Council to catch cost overruns and schedule problems, and it is working in programs like Chandra, Clark, and X–33/RLV. Our new approach to contracting, holding contractors accountable for delivering on budget and on schedule, is working in programs like SFOC, CSOC and the TDRS-Hughes contract.

Within NASA, I have established safety as our most important core value. The safety ethic will permeate all NASA activities, on the ground, in the air and in space. Our current program is good; however, we can and will do better. I am working to ensure that all NASA managers understand what is expected of them when it comes to safety and health. Our managers and employees are stepping up to the challenge and working to identify and correct any deficiencies in safety and health as these are identified. No compromises shall be made when lives are at stake.

We at NASA are proud of our Strategic Plan. We have a vision for the Agency and roadmaps to get there. We look forward to working with this committee and others in the coming year as we revise and refine our Strategic Plan. Our fiscal year 2000 Performance Plan, which will be sent to you shortly, will include interim adjustments to our 1998 Strategic Plan. These changes reflect a special emphasis on safety and changes we have made in the NASA organization. Under the Government Performance and Results Act (GPRA), a fully updated Strategic Plan must be submitted by September 30, 2000. We intend to get an early start and will be working with you to enable the Committee's full participation in this process. GPRA, through its requirements for strategic and performance plans, has provided a structure for NASA to prove to the American taxpayer that we do what we say, and that what we do matters.

In order to assure that NASA can implement its Strategic Plan, we have underway a Core Capabilities Assessment, led by the Chief Engineer. The purpose of the assessment is to identify the physical and human assets required to deliver on the established Mission Areas and Center of Excellence assignments identified in the Strategic Plan. We will use the results of the assessment in formulating the fiscal year 2001 budget.

We had a very exciting year in 1998, full of new discoveries and heroes, and a celebration to commemorate our 40th anniversary. The sun rose on the International Space Station with the launch of the first element, Zarya (Sunrise), in November, and the world watched as our astronauts connected the U.S. Unity node to it in December. John Glenn returned to space in October for a nine-day research mission. We now have images of the faintest galaxies ever seen. We launched the Mars Climate Orbiter, the third mission to that planet in as many years. The Tropical Rainfall Measuring Mission, a cooperative mission with Japan launched last year, will revolutionize our knowledge of how storms and hurricanes form and dissipate and enable new weather forecasting methods. The U.S.-Canadian Radarsat created the first detailed radar map of Antarctica. We took atmospheric flight to new heights as the remotely piloted Pathfinder aircraft surpassed 80,000 feet. We continued to push the technology to lower space launch costs, making the first selection under the new Future-X program, which is the next step in the space access revolution. This is just a sampling; I will discuss in more detail the achievements of NASA's Enterprises later in the statement.

We see where we have been; where are we going from here?

In five years, the International Space Station (ISS) will be complete and serving as an outpost for humans to develop, use, and explore the space frontier. The ISS will greatly expand research opportunities, leading to exploration breakthroughs, scientific discoveries, technology development and new space products. We will continue to safely fly the Space Shuttle—the workhorse to support assembly for the Space Station. While we do this, we will make fundamental decisions on the long-range strategy for sustaining human access to space through upgrades to the Space Shuttle, or through replacement of the Space Shuttle. We will stay on the road to commercializing space operations, including space transportation, space communications, and the International Space Station. As we transition from operations to core R&D functions, we will lay the groundwork for decisions on extending human presence beyond Earth orbit.

In Space Science, we are poised on the edge of a new undertaking aimed at helping us answer some very old questions: What is our place in the cosmos? How did we get here? Are we alone? You first heard about the Origins program a few years ago. It is time to turn Origins into a reality. In the not-too-distant future, we will move from the planning stages to actual launch and operations of a number of Origins missions. These missions include powerful telescopes to find the earliest structure in the universe, to search for planets around other stars, and to look for potential evidence of life on these newly discovered planets. They also include robotic probes to Mars, Europa, and other targets in the search for the beginnings of life in the backyard of our own solar system. The data gathered from these new missions combined with what we continue to learn about the mysteries of the deep universe and our own Sun from ongoing missions should help us begin to unravel the answers to these questions that are as old as humankind itself. Our goal is simple—to do what no generation before us has been able to—understand our place in the cosmos.

Closer to home, through the Earth Science Enterprise (ESE) we will develop a comprehensive understanding of the total Earth system and the effects of natural and human-induced changes on the global environment. To accomplish this, we are drastically shrinking the size, cost and development time for missions in the next decade. But NASA is not going to stop with just smaller, cheaper versions of today's science satellites or be confined to low-Earth orbit. The state-of-the-art in instru-

ment and spacecraft technologies points to the near future when present-day thousand kilogram, cubic meter satellites are replaced by constellations of micro and nano-satellites with instruments on chips. These advanced satellites will not operate independently of each other—they will be intelligent constellations working together to provide the views having the temporal and spatial resolutions users want. They will be capable of on-board data processing and direct downlink of information to users' desktop computers in near real time at the cost of long distance telephone calls. While accomplishing our science objectives, these advanced satellites will enable the next great advances in weather and climate prediction, improve agricultural productivity, and advance the growth of the U.S. commercial remote sensing industry.

With the Aero-Space Technology Enterprise, NASA seeks nothing less than to revolutionize the way we travel to neighboring cities, countries and planets. The benefits of the communication revolution we are living through today will only be fully realized when it is accompanied by a transportation revolution. In a "wired" economy, we need to move people and goods more safely, more quickly, more efficiently, and with less environmental impact. Today, NASA is concentrating on these public goods issues in partnership with the aviation community. Working with the Federal Aviation Administration (FAA), airlines and industry, we are going to create a commercial aviation system that is safer, more efficient and friendlier to our communities and our globe. And while we are revolutionizing aviation, by significantly reducing the cost and increasing the reliability of space transportation, we will open space to human endeavor. Think of the science missions we do today, and then imagine space transportation systems that support faster missions with three or four times the amount of science at lower cost. Imagine the commercial opportunities that will develop in earth orbit for communications, materials science and pharmaceuticals, space-based power and other applications when the cost is one tenth or even one hundredth of today's costs. That is what we are working for.

We understand the road ahead presents challenges. First among these is keeping our promises on key programs such as International Space Station and the Earth Observing System. This will require in the first case flexibility and determination, and in the second case new information technologies and management approaches. Another challenge is within NASA itself: the design of the NASA organization, the skills of our workforce, the availability of research and technical facilities, the evolution of existing assets, and our interactions with customers, partners, and suppliers must reflect and support the changing nature of our programs. For instance, the emergence of "virtual" structures—collaborative and geographically dispersed teams—to conduct work requires new concepts of organization and management. And our emphasis on commercializing operations while focusing on R&D requires new ways of dealing with customers, partners and suppliers. The third major challenge I see for NASA is that of "continued relevance." Fundamentally, NASA needs to continue to benefit the taxpayers who foot the bill for a vibrant aeronautics and space program. To meet this challenge, we need to remain focused on our ultimate customer, the taxpayer, while doing a better job communicating the outcomes and benefits of our programs. Mr. Chairman, I believe NASA is poised to meet these challenges and achieve our vision for the future.

FISCAL YEAR 2000 BUDGET

This budget is another important step on NASA's path back to its roots in research and development, an important step towards achieving the vision I just laid out. The fiscal year 2000 budget provides stability in the outyears, and strikes a balance between upholding our commitment to the International Space Station (ISS) and advancing research and technology.

All of you are aware of the challenges facing us and our International Partners on the ISS program. This budget reflects an Administration policy decision to reduce the level of risk to the ISS with a net increase of $1.4 billion over the next five years, including $349 million more for fiscal year 2000 alone. We have enhanced Station budget reserves, are developing a robust Russian Contingency Plan, which includes use of the Shuttle for ISS reboost, development of a U.S. propulsion module, and additional Shuttle launches for logistics support. While advancing the ISS, we have preserved NASA's other core research activities and are investing in new technology initiatives that will provide robust options for exciting NASA missions in the next decade.

As ISS brightens the sky, so will many, many science missions funded in this budget. We are in the middle of launching ten Space Science missions in nine months. With the funds provided by the Administration in this budget, we will be developing Self-Sustaining Robotic Networks. Building on the enormous success of

Mars Pathfinder, these self-tasking, self-repairing, evolvable networks of small, highly mobile machines will give us the permanent "virtual presence" outposts we need to achieve high priority Origins science objectives on Mars, Europa, Titan, Callisto and other key points throughout the solar system. Thanks to Administration investments, we will also be developing the other end of the spacecraft technology spectrum in Gossamer Spacecraft. These are lightweight, large-scale, deployable spacecraft that will enable revolutionary, light-gathering capabilities for solar sails, telescopes, and power collection. Through Mars Micro-Missions and a Mars Network, the Administration is also supporting enhancements to the baseline Mars Surveyor program that greatly increase the quality and quantity of the Program's science return and the Program's opportunities in public education and exploration.

In recent days, I have accepted a recommendation from my senior management that NASA revise its previous plan for the next Hubble Space Telescope (HST) servicing mission (SM–3), to undertake an expedited servicing mission in October 1999, and a second servicing mission as soon as operationally feasible. The need for a mission to ensure continued HST science operations has arisen suddenly because two of the remaining five operational gyroscopes in the telescope's guidance system have malfunctioned in the past six months. Although the loss of gryoscopes is expected over time, the recent loss of two, in rapid succession, leaves the Telescope one failure away from a total shutdown of science operations. The spacecraft is not in danger, and will remain safe until a repair mission can be launched. However, a shutdown in science operations would be a severe blow to the scientific community, as Hubble is arguably the most productive, and certainly the best-known, astronomical science facility in the world. Developing and executing this servicing mission within seven months is a challenge, and would not have been possible if it were not for the fact that training has been ongoing for the previously planned servicing mission. Furthermore, the HST replacement hardware required for this expedited servicing mission has been budgeted for in the fiscal year 1999 and prior budgets. We are in the process of identifying offsets to accommodate the costs of this expedited mission, and will submit a revision to our fiscal year 1999 Operating Plan to the Committee in the near future.

We will launch eight Earth Science missions this year, including the first two Earth Observing System missions. NASA will continue to contribute to the "Digital Earth" effort, by fusing Earth Science data, socio-economic data, and other data sets that can be "geo-referenced" and used to communicate a tremendous amount of information to scientists and non-scientists.

A broad new technology initiative I am particularly excited about is the Intelligent Synthesis Environment (ISE) that will revolutionize the way NASA conceives, plans, and develops its missions. In today's engineering environment, we and industry take too long to develop our missions and effectively commit about 90 percent of cost very early in the development cycle when we only have about 10 percent of total design knowledge. Over the next five years NASA will research, develop, and implement the tools and processes to dramatically reduce spacecraft development time while creating much higher confidence in performance and total life cycle cost estimates. ISE will exploit emerging advances in ultra-high speed computing, advanced communication networks and totally new analysis methods; it will allow us to "virtually" build and test vehicles and systems before we spend money on expensive hardware. When fully deployed, ISE will enable geographically dispersed scientists and engineers to function as an integrated, collaborative team with the understanding and knowledge necessary to develop complex missions faster, with better- understood risk and much lower life-cycle costs.

We are continuing to focus on high-priority aeronautics research, aggressively pursuing our goals in aviation safety and systems capacity as well as next-generation design tools. And our pursuit of cheaper, more reliable space transportation for the next century continues with our Reusable Launch Vehicle technology program and the ongoing, industry-led Space Transportation Architecture Study (STAS). This Study was initiated last year to help us develop an investment strategy for reducing the cost of access to space by using commercial capabilities. The study is assessing: (1) if the Space Shuttle should be replaced; (2) if so, when the replacement should take place and how the transition should be implemented; and (3) if not, what upgrades should be made to continue safe and affordable flight of the Space Shuttle. We awarded study contracts to the Boeing Corporation, Kelly Space and Technology, Lockheed Martin Corporation, Orbital Sciences Corporation, and Space Access—representing the entire spectrum of players in the launch vehicle business—to solicit their assessments of future options to that could feasibly commercialize NASA's space launch requirements. The industry teams gave NASA their final reports in late January. These results are being independently assessed and will be integrated

by an in-house team into space transportation architecture options. Over the next few months, additional work will be tasked to refine and further develop some of these options. NASA has set aside a portion of its outyear budget to provide resources for achieving a reduction in future launch costs, while funding the Space Shuttle Program at levels which accommodate essential safety obsolescence mitigation. The STAS will help us understand how we can make investments to leverage commercial launch capabilities that transition us away from owning and operating space transportation systems and toward private sector competition for NASA's launch requirements. From these options, the NASA Space Transportation Council will make recommendations this summer to me concerning a future space transportation investment strategy. We expect to continue to invest in critical technologies that reduce financial and technical risks for competing concepts leading to a competitive selection of a preferred approach or approaches in the 2002–2005 timeframe. I will make recommendations in this regard to the Administration this fall as part of the fiscal year 2001 budget process.

We have taken aggressive actions to ensure that our missions, systems, and supporting infrastructure and facilities are not disrupted by the transition to the year 2000. As of March 15, 1999, 93 percent of our 158 mission critical systems are, or have been made to be Y2K compliant. NASA has completed renovation and validation on all but one of the 101 mission critical systems we are repairing (Y2K work on the SOHO ground system has been deferred until full recovery is complete). We will complete implementation of planned repairs and replacements for mission critical systems by the end of March. In addition, we have repaired almost 350 non-mission critical systems, validated over 6000 commercial products, and tested over 52,000 workstations and servers. No significant Agency asset has been untouched.

While these accomplishments are noteworthy, NASA is going beyond stated requirements to ensure our missions and programs are ready for the new millennium. During the remainder of 1999, NASA will conduct a suite of extensive end-to-end tests that include interfaces to external infrastructure outside NASA control (e.g. electric power grid) to validate our Y2K operational readiness. For example, we will be executing a series of end-to-end tests, culminating in a Space Shuttle pad test, to verify that all aspects of the Space Shuttle program will be functional in the Year 2000. As part of this test, we will run a pre-launch countdown (to L+5 seconds) with a vehicle physically on the pad and all supporting systems in a Y2K configuration. For the International Space Stations, we are conducting an end-to-end test with Mission Control Center-Houston, Mission Control Center Moscow, and the supporting networks. We are also conducting a series of twelve end-to-end tests to demonstrate the readiness of command, tracking, telemetry, and data services supporting all NASA missions, including NASA's Deep Space Network, Ground Network, Space Network, and NASA Integrated Services Network. We will continue to conduct end-to-end tests for Space and Earth Science missions similar to the recently completed Cassini test. This test demonstrated end-to-end compliance by flowing data in a Y2K environment from a Deep Space Network facility at the Goldstone complex all the way to two end user sites at John Hopkins University and in England. In addition to ensuring compatibility between NASA's systems and external infrastructure, these end-to-end tests will provide added confidence regarding the operations of internal NASA systems.

As a further assurance, each NASA Enterprise and field Center is preparing business continuity/contingency plans to provide an acceptable level of NASA functions in the event of failures of internal or external assets or services due to Y2K anomalies. During the rollover weekend, we will have additional "Response Center" staff on-site at each field Center and Headquarters. We are also establishing strategies for all missions for the selective quiescence of facilities and systems, including restriction of spacecraft commands during the rollover. NASA is committed to ensure that the Agency transitions safely to the new millennium with zero failures or significant malfunctions and that any unforeseen discrepancies are resolved with minimal impact on normal operations.

We are excited about what the future holds for NASA. The fiscal year 2000 budget of $13.6 billion provides not only continuity and stability, but also a moderate investment in far-term technologies and planning. This vote of confidence from the President that we are ready and energized to tackle new challenges in the new millennium is a challenge we proudly accept.

NASA'S ENTERPRISES

Human Exploration and Development of Space Enterprise

International Space Station.—The International Space Station (ISS) has become a reality. The foundation, befittingly named Zarya, for it marks the dawn of a new

era, was lifted to orbit aboard a Russian Proton launch vehicle last November. A month later, Unity was carried to orbit aboard Shuttle Endeavour and berthed with the Zarya module. Before long, passageways from Unity will link to other chambers such as: Destiny, the U.S. laboratory; the Russian Service Module; and the airlock.

Astronauts James Newman and Jerry Ross made it look easy, connecting umbilicals providing power and communication links from Zarya to Unity, bringing Unity's on-board systems to life. This is the first time ever that two such complex international spacecraft—built 10,000 miles apart, and assembled permanently in orbit over a period of a few short days—has been accomplished. We understood that the complex, international nature of this venture would present unprecedented challenges, because we would not be able to perform integrated testing of all international elements on the ground. The Zarya/Unity mating was truly an outstanding effort by the NASA/RSA team. Many challenges were overcome to reach that moment, and we know that many formidable tasks lay ahead. Since the beginning of the International Space Station Program, we have worked through many questions and uncertainties with our partners to achieve definite, measurable, and notable forward progress. In 1994, we were moving out of the design phase and into manufacturing. By 1997, we began to see major subsystems and elements take shape as we entered into test and validation activities. We began to integrate these systems with the Shuttle fleet. Today, while the Boeing developmental effort is over 80 percent complete, we continue to have elements in all phases of development, and operational elements on orbit. The International Team has demonstrated that it is fully committed to working together to overcome new challenges as they arise, to assure safe design and operations and to make the ISS a reality.

RUSSIA

When provided with adequate resources, the Russian Space Agency (RSA) has demonstrated worthy performance. However, despite a high level of commitment by RSA, Russia's fiscal realities continue to impede RSA's ability to deliver its substantial contributions to the ISS in a timely manner. Those contributions include propulsive attitude control, reboost, early crew quarters and life support, crew rescue, and command and control during the early assembly period. NASA has plans for U.S. capabilities in all these areas, which provide backup and in the long-term make ISS operationally more robust. But the costs of delaying the assembly until these U.S. capabilities are available would be significant; the prudent course is to continue to seek Russia's contributions.

NASA's approach to contingency planning has been to incrementally fund activities that permit station development to continue to move forward, although not as originally planned, should the planned contributions of our ISS partners not be delivered as scheduled. Our Contingency Plan to mitigate the financial and schedule risk from potential shortfalls in Russian contributions consists of: (1) building up U.S. capabilities as backup to protect against possible Russian shortfalls, which will also make the ISS more robust; and, (2) potential purchases from RSA in specific areas where Russian goods and services are of value to the United States.

In October 1998, to provide funding stability to RSA, NASA purchased for $60 million valuable crew research time and stowage space in Russian elements of the ISS. To mitigate further schedule disruptions and cost growth, NASA is considering plans to continue contracting with RSA for additional goods and services of value to the U.S. We are carefully monitoring three areas before we make decisions regarding any follow-on contract with RSA for goods and services: (1) confidence in the Service Module launch schedule, based on successful testing, shipment to Baikonur, and funding flow; (2) clarity on the Russian Government plans for the future of the Mir, specifically including validation that any extension of Mir operations will cause no interference with Russian Government funding for their commitments; (3) clear understanding from RSA that other Russian hardware and vehicles they have committed for ISS are being produced. NASA has budgeted $100 million in fiscal year 1999 to procure goods and services, which could include a Soyuz vehicle needed by the United States to enable a 6-person ISS crew prior to the deployment of a U.S. crew return capability. However, this budget includes no provision for purchases from Russia in fiscal year 2000 and beyond. We will continue to monitor the overall Russian situation in this regard.

The Interim Control Module (ICM), another element of NASA's contingency plan, can provide propulsion and attitude control capability. Through innovative Shuttle flight planning, NASA has developed an "each flight" reboost capability, under which NASA could, if necessary, offset as much as a 30 percent shortfall in Russian Progress vehicle propellant logistics. We are modifying the Orbiter fleet to enhance this Shuttle reboost capability to both increase flexibility of reboost as well as in-

crease the propellant shortfall offset to at least 50 percent. When coupled with the ICM's capabilities, Shuttle reboosts will provide needed contingency protection to safely maintain elements already in orbit, and allow us to continue ISS assembly in the event of Russian shortfalls until a U.S. permanent propulsion module can be deployed. As a result of our review of the Propulsion Module requirements and implementation plan on February 17, we have authorized the contractor to proceed with procurement of the next set of long-lead parts, and to prepare for a Systems Requirements Review later this month. Delivery of the Propulsion Module could be as early as fiscal year 2002.

Relative to the Service Module, Mr. Koptev, RSA's Director, informed me last month that despite running Service Module (SM) integration tests around the clock and on weekends, some schedule slippage has occurred due to normal technical difficulties. Our ISS management team will be traveling to in Russia for a General Designers Review and Service Module roll out prior to shipment to the launch site next month. At this meeting we will gain better insight into the progress of the SM, allowing the partners to evaluate a revised launch date for the Service Module. During our assessment last April, we knew that the July 1999 schedule for SM launch was aggressive and that a September date was possible. This slippage does not impact the elements already in orbit.

MIR SPACE STATION

Over the last six months, Russian news media have been reporting on the possibility of extending the life of the Mir space station. RSA has repeatedly made clear that the Russian Government's top priority for human space flight is the ISS. Any potential extension of the Mir program would require private funding and must not in any way impact Russia's ability to meet its commitment to the ISS program. In mid-January, Russian Prime Minister Primakov signed a decree outlining the conditions under which Mir could be extended on orbit on a commercial basis. RSA indicated that a final decision on a potential extension of Mir would be made in the Spring timeframe, depending on the success of finding a commercial investor. Assuming no investors come forward, RSA has stated that it intends to deorbit Mir in late summer. RSA has publicly stated that, currently, there are no investors coming forward. NASA is working closely with RSA to understand the status of their Mir deorbit plans, and related implications to their ISS commitments.

ISS BUDGET

Last year, the Committee heard from an outside task force of independent experts on the projected U.S. cost for the ISS. The Task Force report specifically highlighted the extraordinary level of complexity inherent in the ISS and concluded that the Program had made "notable and reasonable progress over the past four years" and faced no extraordinary or programmatic "show-stoppers." Nonetheless, the report concluded that Program cost and schedule projections were optimistic given the challenges ahead, partially due to domestic cost increases and partially due to the uncertain status of the Russian contributions.

We recognize the validity of findings of this Task Force, particularly in the resources needed for increased risk mitigation, schedule protection, and crew return capability. In my October 7, 1998, testimony before the Committee on Science, I stated that the Agency would require additional resources to continue forward with this valuable laboratory in space. I am happy to report that the President's fiscal year 2000 budget request provides an additional $349 million in fiscal year 2000, and a total net augmentation of $1.4 billion over five years, reconfirming the Administration's strong support of the ISS. We also recognize the recommendations of the Task Force in a number of management areas, and recognize our fiscal responsibility to the American taxpayer to balance all aspects of this program and manage within the resources available. The Administration has highlighted this responsibility by establishing the management of risks in development of the ISS as one of the Administration's Priority Management Objectives in the President's fiscal year 2000 Budget. We have already begun to make management improvements, including the initiation of a new management review process for those activities not under the prime contract, and are committed to making continued improvements. We are also making schedule adjustments and rephasing some content to limit the financial augmentation required.

DEVELOPMENT STATUS

In 1999, development activities are phasing down, while operations and research utilization activities are escalating. The fiscal year 1999 vehicle development budget is nearly $600 million below fiscal year 1998, and the number of contractors sup-

porting the program is several thousand less than at the peak of the development effort. This trend will continue this year, with several thousand additional contractors transitioning to other tasks, such as sustaining engineering or other non-ISS work. ISS operations planning is now well underway. In fact, NASA is already working plans for operations that will occur in fiscal year 2001. Mission Control Center-Houston is already operational, and has overall authority and responsibility for the safety and operations of the ISS and crew. Mission Control Center-Moscow is currently performing the actual uplink of commands, and will continue to do so until U.S. communications and control systems become fully operational with the U.S. Laboratory delivery to orbit in fiscal year 2000.

Near-term, high visibility activities this year include the flight of critical ISS spares and an external Russian cargo crane to be flown in May 1999. This flight will be followed by the launch of the Russian Service Module, providing the early crew quarters and ISS propulsion systems. Next, another Shuttle logistics flight is scheduled, followed by Shuttle flights to assemble some of the U.S. external framework, electronics, communications, attitude control and thermal systems prior to flight of the first crew in early 2000.

Near-term hardware development activities are focused on completion and delivery of the U.S. airlock. The ISS involves many systems which entail multiple, identical elements, such as the photovoltaic arrays, of which four are planned. For the most part, the high-risk, first elements of these systems have been delivered to KSC. This year will begin the delivery to KSC of many of the subsequent, identical items. We will continue Multi-Element Integration Testing (MEIT) effort on the next complement of U.S. elements: the initial truss segment, the early thermal control system, the first Photovoltaic Arrays, the Canadian-built ISS robotic arm and the U.S. Laboratory, Destiny.

In 2000, we will launch the first ISS crew to orbit, as the launch of the first Soyuz to ISS enables permanent crew capability for three people. Microgravity research capability will be available in the spring of 2000, with the outfitting of the U.S. laboratory, Destiny. When Phase II of ISS is complete in late fiscal year 2000, the Station configuration will include Unity, Destiny, pressurized mating adapters, power, airlock, and Multi-Purpose Logistics Module (MPLM); Zarya, the Russian Service Module and Soyuz; and the Space Station remote manipulator system (SSRMS) provided by Canada. By early 2003, the ISS configuration will also include the second U.S. node, truss segments, three solar arrays, the Japanese Experiment Module (JEM) and resupply/support vehicles. In 2004, U.S. Station development efforts will near completion, with the delivery of a six-crew capability on orbit.

INTERNATIONAL PARTNERS

The work of NASA's other international partners on the ISS program is proceeding well and according to plan. All of the partners have stated their commitment to do whatever possible to help Russia fulfill its obligations to the ISS program and to ensure that the program remains on track.

NASA is also working aggressively with all of its partners to ensure that all ISS components are fully Y2K compliant. When I attended the historic launch of Zarya from Baikonur on November 20, 1998, I had the opportunity to meet with the head of each partner agency on the Year 2000 issue. Each agency gave an in-depth presentation on their work to ensure full Y2K compliance, and reiterated the commitment to achieve compliance early this year. Although I have received Y2K assurances from each international partner, I do, however, remain concerned about the health and welfare of their critical infrastructure (e.g. power, telecommunications), and how it may potentially affect ISS activity. As described above, our business continuity/contingency plans are intended to ensure an acceptable level of NASA functions in the event of failures of external infrastructure in any of the partner countries.

The various international components of the ISS are progressing nicely. The Canadian Space Station Remote Manipulator System, or "Robotic Arm," will be shipped to Kennedy Space Center in April, after stringent testing. The European Laboratory development is on schedule and NASA is continuing discussions with the European Space Agency (ESA) about the possibility of ESA providing critical crew rescue vehicle components. The second Multi-Purpose Logistics Module (MPLM), built by Italy, is scheduled for delivery to Kennedy Space Center in August. The Japanese Experiment Module and Centrifuge Accommodations Module (CAM) development is on schedule. Finally, the Brazilian Space Agency has selected its prime contractor and is proceeding with its hardware contributions.

RESEARCH UTILIZATION

We are continuing to make progress on ISS research planning and facilities development. However, because of schedule delays and the need to bolster development reserves, we have slowed the development of research equipment. Assuming that the Service Module is launched by September 1999, we estimate that the Russian-driven delay to the assembly sequence already has slipped utilization flights on average 6–8 months. The research funding for ISS is still growing and will, in fact, double by fiscal year 2001 over fiscal year 1998 levels, but the rate of growth is slower than previously planned. As a result, some funding for research facility development has been rephased from fiscal year 2000–2003 into fiscal year 2004 and beyond.

We are focused on developing most of the permanent research facilities, while leaving adequate margin in the research utilization budgets for some investigation-specific hardware. Our approach is to: protect research facility hardware deployment and schedules; maintain multi-use hardware schedules (EXPRESS Racks and Pallets, Window Observation Research Facility); maintain planned flight investigation buildup rate to the maximum extent possible, fund research utilization (experiment unique hardware and support), sub-rack integration at approximately 70 percent of that previously planned; and fund payload operations and integration (analytical integration, operations facilities, training) at approximately 85 percent of that previously planned. The ISS program will continue to emphasize the early research program by utilizing recently added Shuttle logistics flights, accelerating the Human Research Facility, and adding two EXPRESS racks to assembly flights 5A.1 and 6A in fiscal year 2000.

ISS COMMERCIALIZATION

We were pleased with the passage of the Commercial Space Act of 1998 (Public Law 105–303). This visionary step will serve the American people well by demonstrating our government's commitment to the economic development of space. NASA is dedicated to continuing its leadership in this important area. In conjunction with the Act, we released our draft Commercial Development Plan for the International Space Station last November. The ISS represents a platform in space of unprecedented capability. We envision that it will become a seed for emerging commercial activity in the coming decade and we are moving ahead to ensure this outcome.

Our goal is to serve as a marketplace foundation and stimulate a national economy for space products and service in low-Earth orbit, where both demand and supply area dominated by the private sector. In partnership with the private sector, we plan to initiate a series of pathfinder activities that could lead to businesses with profitable operations over the long run and that become self-sustaining without public funding. One area we are examining closely is the provision of ISS resupply and servicing by multiple commercial competitors. Our draft Commercial Development Plan provides a summary of both our overall strategy and potential tactics we intend to pursue in the coming years. It will also benefit from a private sector review, now underway, and the independent market studies and cost analyses which we have recently initiated. We look forward to reporting our progress as we open the path for 21st century economic expansion in space.

X–38 AND CRV

The Crew Return Vehicle (CRV) will provide a seven-person crew return capability for the ISS, beginning no earlier than 2004. The Space Transportation Architecture Studies (STAS) are assessing the role of systems that provide not only return, but also delivery of humans to orbit in a range of potential future architectures. Based on the STAS architecture concepts, NASA is evaluating the potential of a CRV to evolve to serving a dual-purpose role, or evolve to a Crew Transfer Vehicle (CTV) that can deliver and return humans. NASA will finalize the CRV requirements and issue a draft Request for Proposals (FP) for comment before finalizing the plan for the CRV. The results of the STAS and the potential role of a CRV/CTV in potential future architectures will be integrated into the final CRV plan.

Space Shuttle

The Space Shuttle Program successfully completed its four assigned flights in fiscal year 1998. Fiscal year 1999 began successfully with STS–95 in October, the mission on which Senator John Glenn returned to flight. Most recently, STS–88 opened a new era for the Space Shuttle—support of the assembly operations for the International Space Station. No longer just a research platform, the Shuttle is now fulfilling its original objectives, as the workhorse that will carry equipment, supplies

and the personnel required to assemble the International Space Station during the next several years.

During 1998, the Super Lightweight Tank was successfully flight demonstrated, increasing payload capacity to ISS by over 7000 lbs. The SSME Block IIA improvements, which improved the reliability on ascent, clearly demonstrate that NASA's investment in safety and supportability initiatives have dramatically improved the performance and reliability of the fleet.

In 1998, the Space Shuttle Programs principal operational contract, the Space Flight Operations Contract (SFOC), now in its third year, made great strides. All of the Phase I contracts have been successfully incorporated and the first of the Phase II production contracts, the Solid Rocket Booster project, transitioned to SFOC in July 1998. The External Tank project is scheduled to move under SFOC in fiscal year 2000. The smooth transition of other projects to the SFOC is expected to occur as major development activities are completed.

This year, the Shuttle will support ISS logistics and assembly flights and a number of research objectives. In addition to setting the stage to begin ISS utilization, the Shuttle Program is prepared to launch the Advanced X-ray Facility (AXAF), now called Chandra, a Hubble Space Telescope repair mission, and the Shuttle Radar Topography mission (SRTM) for the National Imagery and Mapping Agency (NIMA).

When the Orbiter Atlantis returns to flight later this year, after its recently completed Orbiter Maintenance Down Period and installation of major modifications, it will take advantage of numerous other upgrades. Examples are:

—The Multifunction Electronic Display System (MEDS), a state-of-the-art integrated display system used in the cockpit of the orbiter. Pioneered by NASA and in use as the standard for commercial and military aircraft the world over.

—The Micro-meteoroid and orbital debris (MMOD) protection system for the Orbiter radiators and wings, increases protection of the vehicle from the potential damage to critical systems while in orbit.

—Solid Rocket Booster aft skirt improvements reduce risk during initial seconds after main engine ignition.

NASA continues to place the highest priority on the safe launch, operation and return of the Space Shuttle and crew, while continuing to seek efficiencies in the Space Shuttle Program. The fiscal year 2000 budget of $2,986.2 million will enable the system to successfully meet its goals: (1) fly safely; (2) meet the flight manifest serving diverse customers; (3) improve supportability; and (4) continuously improve the system. The Space Shuttle Program's fiscal year 2000 budget remains essentially constant, with a slight decrease of $12 million from fiscal year 1999. We continue to seek efficiencies in the Space Shuttle Program. The Space Shuttle manifest currently reflects eight missions scheduled to fly during fiscal year 2000—an emergent HST servicing mission to replace science critical gyros and five ISS assembly flights and two ISS logistics missions.

Space Shuttle Operations ($2,547.4 million) includes sustaining engineering, hardware production, ground processing, launch and landing, mission operations, flight crew operations, training, and logistics.

Funding for Safety and Performance Upgrades ($438.8 million) provides for modifications and improvements to the flight elements and ground facilities including expansion of safety and operating margins. This budget also includes supportability and obsolescence mitigation efforts, which will be used to develop systems to combat obsolescence of vehicle and ground systems in order to maintain the program's viability well into the next century.

This budget will enable the enhancement of the Space Shuttle vehicle capabilities as well as the replacement of obsolete systems and components. We will address vendor loss, aging components, high repair cost of Shuttle-specific devices, and negative environmental impacts of some out-dated technologies.

The Space Shuttle continues to prove itself as the most versatile, robust, and reliable space vehicle in use today. Since 1992, Shuttle program costs have already decreased by about 37 percent (factoring in inflation), while significantly improving flight safety. As we continue to look for efficiencies, we will also look for opportunities to improve the system, including reducing the standard manifest time period and simplifying the payload review process to allow flexibility for the science community.

Consolidated Space Operations Contract (CSOC)

On September 25, 1998, NASA awarded the Consolidated Space Operations Contract (CSOC) to a team led by Lockheed Martin. This contract (base period of five years, and an option period of five years) began on January 1, 1999, when five current space operations contracts transitioned to CSOC. During the remainder of the CSOC program, 10 other existing space operations contracts will transition to

CSOC. The CSOC contract provides a new approach to space flight operations, consolidating and privatizing operations facilities under a single contract. Over the potential 10-year life of the contract, CSOC is expected to provide cost savings to the taxpayer of $1.4B in the conduct of Space Communications and Mission Operations for NASA Missions.

The major features of the CSOC Integrated Operations Architecture (IOA) that define the implementation are:

—Consolidation of mission and data services;
—Application of architectural changes, based on commercially developed technology;
—Centralization & automation; and
—Conversion to commercial providers.

NASA has applied a 25 percent small business goal to the CSOC contract. Lockheed Martin and its teammates, Allied Signal and CSC, propose to meet this target and are in the process of implementing the necessary actions to meet the goal.

Inherent in the successful implementation of CSOC are reductions in the contractor work force supporting space operations at five NASA Centers over the 10-year period of performance. There will be initial reductions to the work force at the beginning of the CSOC program, and these reductions are currently being implemented. Following this transition, work force impact is, on average, slightly less than 100 jobs per year in total at all five NASA centers. The CSOC contractor team expects to absorb these out-year-staffing reductions based on natural attrition and reassignment of employees to other non-CSOC programs.

Life and Microgravity Sciences and Applications

NASA's Office of Life and Microgravity Sciences and Applications (OLMSA) is eagerly looking forward to the remarkable new opportunities that will be available on the ISS. Our ISS Phase I Program and scientific experiments on Spacelab gave us tremendous insight into the possibilities as well as the challenges we will encounter as the ISS becomes fully operational.

Our past successes provide the foundation upon which future research will be based. In fiscal year 1998, NASA supported a total of 850 ongoing, peer-reviewed investigations. Preliminary analysis suggests that the commercial cost share investment with NASA in space products and service development for fiscal year 1998 was approximately $45M. Twenty-one new industry partners joined OLMSA's Commercial Space Centers. The organizational merger of our basic science and commercial research elements is beginning to show synergies and efficiencies as the two groups work together to solve common problems and to use common hardware.

We look forward to increased commercial applications of NASA research. Understanding the structure of a virus is key to understanding its behavior. Dr. Alex MacPherson published a structure of the satellite tobacco mosaic virus at far greater resolution (1.8 Angstrom) than has ever been published before. Mosaic virus crystals grown in space increased by a factor of four over crystals grown on the ground. Basic discoveries in this field may hold great potential for supporting near-term commercial applications. For example, Biocryst Pharmaceuticals, Inc. and Johnson & Johnson have agreed to collaborate on the development of a drug (neuraminidase) to treat influenza. BioCryst used data from protein crystals grown on Earth and in space to develop four lead product candidates that have performed strongly in preclinical trials against both influenza A and B.

NASA flight research in protein crystal growth has established a hypothesis to account for the increases in purity found in space grown crystals. Crystals grown in space are believed to be surrounded by a diffusion-zone that acts as a filter to remove impurities. The resulting pure solution accounts, in part, for the higher structural resolution. This unique zone surrounding the space crystals is prevented by convection when these crystals are grown on the ground.

We had two exciting science flights last year. The Neurolab Mission in April 1998, a NASA contribution to the "Decade of the Brain," helped to expand understanding of how the nervous system develops, functions in, and adapts to a microgravity environment. We performed 26 peer-reviewed investigations and collected a wide range of physiological and behavior data in-flight and post-flight. STS–95, in October 1998, flew a SpaceHab module dedicated to multidisciplinary research. This mission marked the first space flight collaboration between NASA and the National Institute on Aging. It carried 26 commercial research experiments sponsored through NASA's Commercial Space Centers. Senator John Glenn's involvement highlighted health care and healthy aging. The wealth of scientific data accumulated during this flight will help validate apparent symptomatic similarities between the effects of space flight and aging.

In fiscal year 1999, preparation for use of the ISS will continue. In order to maximize return on the ISS investment, we will continue to build up and maintain a community of over 900 experienced principal investigators. We are committed to continue this buildup in fiscal year 2000. The Commercial Space Centers plan to add 9 new industry affiliates and 10 new university affiliates in 1999. To enhance science and technology development activities in an era of constrained budgets, NASA continues to leverage resources through partnerships and cooperative ventures.

The fiscal year 2000 budget request for OLMSA, $256.2 million, will support a variety of activities on ISS, the Space Shuttle, and on the ground. Early in the assembly phase of the ISS, research will concentrate on small-scale investigations, an approach that has been successfully demonstrated on both the Space Shuttle and on the Russian Mir space station. We will study the environment, habitability, and safety. To help maintain NASA's research communities during the ISS build-up, NASA plans to add a SpaceHab research mission (STS–107) in early fiscal year 2001. Increased Shuttle middeck locker opportunities using both the utilization and assembly flights have been part of ISS planning. In addition, we are developing a plan for a stand-by research mission which can be inserted into the Shuttle Manifest should the opportunity arise.

Research opportunities aboard the ISS will start in earnest with the arrival of the crew and the Human Research Facility (HRF) in early 2000. The HRF will help us understand the basic mechanisms of adaptation to microgravity and help develop and validate countermeasures to maintain crew health on orbit. NASA will continue to augment its efforts in validating countermeasures with research carried out by the National Space Biomedical Research Institute (NSBRI), and ground-based research and technology programs. One of the major concerns is the biological impact to the crews of the effects of radiation. NASA, through peer-reviewed research and in cooperation with organizations such as Loma Linda University, Brookhaven National Laboratories, and NIH, is developing countermeasures to increase predictability of biological damage and lower risk to crew health.

We will continue to pursue innovative sensor technologies. We plan to create an Environmental Systems Commercial Space Center to foster commercial interest and participation in research and technology development for recycling air and water and monitoring the spacecraft cabin environment.

Gravitational Biology and Ecology flight experiments in fiscal year 2000 will provide information on the effects of microgravity on plant growth and development, and the effects of gravity on plant photosynthesis and respiration. Research will begin in evolutionary biology with participation of at least five research institutions. Flight research on the effects of microgravity on avian development will be carried out and research proposals on biologically inspired technologies will be implemented. Microgravity Research flight experiments in fiscal year 2000 in the area of colloid physics will help refine the technologies required for photonic devices used in optical communications and computing.

Space Science Enterprise

NASA's Space Science program is scientifically robust and more ambitious than ever. It is also more streamlined, effective, and cost-efficient to the U.S. taxpayer. Beginning with the launch of the Deep Space 1 mission on October 24, 1998, the Space Science Enterprise entered a nine-month period in which it will have ten launches. Six missions have already been launched successfully: DS–1; two Mars 1998 Surveyors and the piggyback DS–2 microprobes; four payloads on STS–95; the Submillimeter Wave Astronomy Satellite; and Stardust, a comet sample-return mission.

On March 4, 1999, the Wide Field Infrared Explorer (WIRE) was launched from Vandenberg Air Force Base. Unfortunately, shortly after launch, WIRE experienced technical problems that exhausted all of the cryogen used to keep the science instrument cold. The mission will not be able to deliver any science. However, we hope to recover some of the WIRE science with SIRTF and SOFIA. In April, we will launch the Tomographic Experiment using Radiative Recombinative Ionospheric Extreme Ultra-Violet and Radio Sources (TERRIERS) spacecraft. In late May, we will launch the Far Ultraviolet Spectroscopic Explorer (FUSE) aboard a Delta rocket. In recent months, technical problems with circuit boards identical to those in AXAF, recently renamed Chandra X-ray Observatory, were discovered in a non-NASA satellite. Testing of the circuit boards on the Chandra observatory was conducted and a number of faulty circuit boards were replaced. Chandra has been shipped to the Kennedy Space Center and will be launched July 9, 1999 aboard STS–93.

But this intense launch schedule is only part of the story, because the existing Space Science programs and missions continue to deliver a wealth of new scientific data and insight.

Results from the Mars Global Surveyor (MGS) and Mars Pathfinder spacecraft show mineralogical and topographic evidence confirming earlier indications that Mars had abundant water and thermal activity in its early history. Measurements from the spectrometer aboard MGS show a remarkable accumulation of the mineral hematite, well-crystallized grains of ferric oxide that typically originate from thermal activity and standing bodies of water. Measurements by the Mars Orbiter Laser Altimeter (MOLA) aboard MGS are providing striking new views of Mars' north pole and the processes that have shaped it. MOLA data reveal that the 750-mile-diameter polar ice cap has a maximum thickness of 1.8 miles. The cap is cut by canyons and troughs that scientists believe were carved by wind and evaporation of ice.

Closer to home, the Discovery program's Lunar Prospector spacecraft has provided further indications of water ice at the Moon's poles, which remains under scientific debate. The spacecraft has recently entered a lower lunar orbit for even more precise mapping activities. Although its orbital capture has been delayed by about a year, the Near Earth Asteroid Rendezvous mission performed a swingby of its target asteroid, Eros, adding to our still small inventory of in-situ data on small bodies.

Further out in the Solar System, the Galileo spacecraft continues to provide insights into the mysteries of Jupiter and its moons. Last year, I reported that Galileo found very strong evidence of a subsurface liquid ocean on the Jovian moon Europa. Recent data from Galileo suggest that Callisto, another moon of Jupiter, may also have a liquid ocean under its icy, cratered crust. The common evidence for past or present liquid water on Mars, Europa, and Callisto provides a key initial step in our Origins program. Galileo images have also shown how Jupiter's intricate, swirling ring system is formed by dust kicked up as interplanetary meteoroids smash into the giant planet's four small inner moons.

The Hubble Space Telescope (HST) continued its impressive performance. This year, Hubble observations made a watershed event in astronomy—the first potential direct image of a planet outside our solar system—another key initial step for Origins. A "long exposure" infrared image taken with the NICMOS camera has allowed astronomers to peer into a previously unseen realm of the universe and uncover the faintest galaxies ever seen. The Hubble Space Telescope has brought us unprecedented new science discoveries and continues to revolutionize our understanding of the universe. However, in January 1999 HST lost the use a third, redundant gyroscope. This has caused us to plan an accelerated Hubble servicing mission in October of this year to replace the gyroscopes and several other items which were planned for the 2000 Hubble servicing mission.

Last year we confirmed the existence of a special class of neutron stars, now dubbed "magnetars." Magnetars are dense balls of super-heavy matter, no larger than a city, but weighing more than the Sun. They have the greatest magnetic field known in the Universe, so intense that it powers a steady glow of X-rays from the star's surface, often punctuated by brief, intense gamma-ray flashes, and occasionally by cataclysmic flares like the one observed on August 27, 1998. Our own star provided surprises as the Solar and Heliospheric Observatory (SOHO) team dramatically recovered from what was thought to be a lost mission, and obtained the first evidence of long-theorized quakes on the surface of the Sun. Another important first for NASA Space Science is the ongoing demonstration of ion main propulsion and other new technologies on the Deep Space 1 technology validation spacecraft.

We have learned some fascinating new things about our own star, the Sun, as well. Last May, the first images from NASA's Transition Region and Coronal Explorer spacecraft revealed activity in the solar atmosphere in stunning detail and included the first detailed observations of a magnetic energy release, called a magnetic reconnection. Less than a month later, SOHO, a NASA/European Space Agency mission, revealed a rare celestial spectacle: two comets plunging into the Sun's atmosphere in close succession. In July, scientists confirmed for the first time that solar flares produce seismic waves in the Sun's interior that resemble those created by earthquakes. (Enough energy was released from that quake to power the United States for 20 years at its current level of consumption.)

This year has certainly been impressive, but we are very excited about what is ahead as well. The proposed budget of $2.197 billion, an increase of $77 million over last year's budget, continues to support a strong and well balanced Space Science program that will allow us to carry on research of the Sun, the Solar System, and the Universe. It maintains support for the Origins Initiative to search for planets around other stars, to study galaxies and stars as they are born, and to look for evidence of life elsewhere in the solar system and the universe. The fiscal year 2000 budget also maintains support for a multitude of ongoing missions.

The budget request features five new items in the Space Science Enterprise. Two new program elements are funded in the Mars Surveyor program beginning in fiscal year 2000: Mars Network and Micromissions. Mars Network will develop communications capability to provide a substantial increase in bandwidth and connectivity from Mars to Earth, thus greatly improving the scientific and educational return for this ongoing program. Mars Micromissions will provide low-cost capability for delivering small payloads, including telecommunications elements of the Mars network. Competitively selected Micromissions will deliver up to a 50-kg science payload to Mars to collect high-priority scientific data. The first planned Mars Micromission is the "Mars Airplane," which will commemorate the 100th anniversary the Wright brothers' historic first flight in 2003.

Also in the fiscal year 2000 request, the Cross-Enterprise Technology program budget is augmented to include funding for three initiatives: Self-Sustaining Robotic Networks; Gossamer Spacecraft; and Next Decade Planning. Self-Sustaining Robotic Networks will build on the success of Mars Pathfinder. This initiative's goal is to extend ongoing advances in spacecraft automation and miniaturization technologies to produce self-tasking, self-repairing mobile robots for permanent, "virtual presence" planetary science and exploration outposts in challenging environments. The Gossamer Spacecraft initiative provides additional funding to develop and demonstrate the deployment, control, and utility of ultra-lightweight deployable structures. These structures can be used as sun shields, ultra-large telescopes, solar arrays, antennas, or solar sails, and will revolutionize a wide variety of missions, including those of other agencies such as NOAA and the Air Force. Next Decade Planning will support an improved, Agency-wide planning process to develop and refine concepts and technologies for a robust menu of potential future civil space programs.

As we continue to explore our Universe, we bring scientific benefit not only to the space science community, but to America's taxpayers and citizens of the world. Our Space Science program is exciting and relevant, as attested to by numerous front-page stories and magazine covers, and by World Wide Web interest in this field in the past few years. NASA has made countless scientific discoveries and advances over its 40-year history, but stay tuned—there is much more to come.

Earth Science Enterprise

Since its creation in 1958, NASA has been studying the Earth and its changing environment by observing the atmosphere, oceans, and land, and their influence on climate and weather. The perspective afforded since the beginning of the space age planted a growing seed of knowledge—we now understand that the key to gaining a better understanding of the global environment is exploring how the Earth's systems of air, land, water, and life interact with each other. This approach, called Earth System Science, integrates fields like meteorology, oceanography, biology, geology, and atmospheric sciences.

The Earth Science Enterprise continued to make great progress through 1998. We have recently revealed evidence to suggest that the 1997–98 El Nino event may have been a major contributor to the average global sea level rising about eight-tenths of an inch before it returned to normal levels, according to scientists studying TOPEX/Poseidon satellite measurements of sea surface height. While NASA can accurately measure global sea level rise today, we really need a decade or more of sustained research before we can say with certainty whether there is a definitive link between sea level variation and climate change. The SeaWiFS instrument on Orbview-2, a commercial satellite launched in 1997, is providing data on ocean biological productivity for NASA research, and the firm is marketing these same data to the commercial fishing, oil, and shipping industries. The data are being procured by NASA as a "data buy" from the commercial supplier.

NASA has also begun to measure rainfall in the tropics and sub-tropics. Approximately two-thirds of the global rainfall occurs within the tropics, directly influencing our day-to-day weather, according to scientists studying measurements of sea surface height from the US/French TOPEX/Poseidon mission. The Tropical Rainfall Measuring Mission (TRMM), a joint endeavor with Japan which was launched in 1997, is for the first time delivering accurate measurements of precipitation over the global tropical oceans, a critical indicator of climate patterns over the whole world.

Polar regions also have a major influence on moderating the Earth's climate. Until the fall of 1997, Antarctica, a region the size of Canada and Alaska combined, had never been fully mapped at high spatial resolutions. The Antarctic Mapping Mission (AMM) is accomplishing this mapping using data from the Canadian Radarsat satellite in which NASA is a partner.

While 1998 was an outstanding year for Earth Science results, missions launched in 1999 and beyond promise to increase our fundamental understanding of the Earth system. We have 30 Earth Science launches scheduled over the next five

years. The President's budget request for Earth Science for fiscal year 2000 is $1.459 billion.

The Earth Observing System (EOS), the largest element of NASA's Earth Science Enterprise ($663.2 Million for fiscal year 2000), is a program of multiple spacecraft designed to provide measurements of the key, multi-disciplinary parameters needed to understand global climate change. The first EOS spacecraft—EOS AM–1 and Landsat-7—represent 2 of the 8 missions the Earth Science Enterprise will launch this year. These missions, plus the EOS PM–1 and Chemistry–1 missions, will help achieve the fundamental EOS measurements, which will begin our understanding of the Earth system. PM–1 and Chemistry–1 remain on track for launch in 2000 and 2002, respectively. The EOS program also includes several small spacecraft such as the U.S.-French TOPEX/Poseidon follow-on mission known as Jason–1, QuikScat, Ice, Cloud and Land Elevation Satellite (ICESAT), Solstice, and the Active Cavity Radiometer Irradiance Monitor (ACRIM) satellite.

The Earth Probes program ($138.2 Million for fiscal year 2000) addresses specific, highly focused Earth science questions that are new or complementary with other parts of NASA's Earth Science enterprise. It also has the flexibility to take advantage of new opportunities in international cooperation or technical innovation. Currently approved Earth Probes include the Total Ozone Mapping Spectrometer-EP and the Earth System Science Pathfinder missions (the Vegetation Canopy Lidar and the Gravity Recovery and Climate Experiment). A new US/French ESSP mission called PICASSO–CENA was selected in December 1998 to study the Earth's atmosphere in tandem with the EOS–PM–1 satellite.

A parallel series of New Millennium program missions is being developed to validate advanced technology for future Earth Science spacecraft. The Earth Orbiter–1 mission will demonstrate an advanced land imaging system with a hyperspectral and multispectral capability starting in 1999. The Space-Readiness Coherent Lidar Experiment will fly in the cargo bay of a Space Shuttle in 2001 to test whether a space-based sensor can accurately measure atmospheric winds from the surface to a height of ten miles. Atmospheric winds determine the transport of energy and chemical constituents across the Earth—hence an important parameter for weather prediction. Recognizing the high value of ocean winds data, we have rapidly developed a replacement mission for the failed NSCAT mission called QuikScat, which was ready for launch in November 1998—only 18 months after the loss of NSCAT. Safety concerns with the QuikScat's launch vehicle will push the launch into the spring of 1999. We are also purchasing ocean wind vector data during this interim period between NSCAT and QuikScat.

The EOS Data Information System (EOSDIS $231.5 Million for fiscal year 2000) has been serving thousands of users by providing available data and information from NASA-sponsored programs since September 1995. EOSDIS will operate the EOS spacecraft, and acquire and distribute the basic data gathered by them. An essential element of EOSDIS, the Flight Operations Segment (FOS) was to provide command and control of EOS spacecraft including the upcoming launch of EOS–AM–1. FOS experienced serious schedule and performance problems throughout 1998, which resulted in replacement of an essential element of FOS with a commercial, off-the-shelf system developed by Raytheon. This new system has enabled EOSDIS to progress toward the goal of meeting all ESE mission needs from now through 2002. Command and control of the EOS–AM–1 mission is currently on schedule for meeting the July 1999 launch date. In addition, EOSDIS is also on track to support operations of the PM–1 (12/00), ICESat (7/01) and Chemistry (11/02) spacecraft.

The Triana mission is an Earth observation spacecraft to be located at the Earth-Sun LaGrange-1 point providing a near-term real time, continuous high definition color view of the full Sun-lit disc of the Earth. This mission will carry three major scientific experiments to make the first direct measurements of the solar radiant power reflected by the Earth, to make global aerosol and ozone measurements, and to observe solar wind. A selection was made in October 1998 for the Scripps Institution of Oceanography to conduct the Triana mission with the Goddard Space Flight Center. Launch is scheduled for December 2000.

Along with basic Earth Science research, we also conduct Applications Research to help universities and State & local governments apply remote sensing data and science to practical problems. We have established five Regional Earth Science Applications Centers (RESACs) to target efforts on specific regional issues. The Commercial Remote Sensing Program (CRSP) at the Stennis Space Center works with industry to extend the utility of ESE's science data within the broader U.S. economy. Through partnerships with CRSP, companies gain assistance in product development and in validation of new remote sensing instruments.

In 1992, CRSP, along with KPMG Peat Marwick, performed a study that valued the remote sensing and geospatial market at $850 million annually, using airborne platforms. In 1998, due to NASA's strides in Earth Observations satellite R&D and corporate commitments, the market was valued at $2 billion. With the anticipated operations of commercial, space-based, high-resolution systems, low-cost positioning data from GPS, enhanced internet access to data and value-added information, underpinned by low-cost, high-performance work stations, industry is projecting a conservative estimate of $4 billion in private investment by 2005.

CRSP's data buy program has been active and robust. In September 1998, NASA awarded five contracts for Phase II of the $50 million Scientific Data Purchase. NASA is developing plans for the next data buy as the commercial remote sensing market matures. Also last year, NASA's CRSP entered into a five-year Joint Sponsored Research Agreement with Mississippi for the purpose of developing commercial remote sensing through collaborative research and public-private partnerships. This year, CRSP will establish at least 75 commercial partnerships in "value-added" remote sensing product development, an increase from 37 in fiscal year 1997. In addition, CRSP will establish at least 20 agreements with industry in support of other federal agency needs. In fiscal year 2000, the CRSP will focus Earth Observing Commercial Applications Program (EOCAP) joint commercial applications research to develop 20 new-market commercial products.

The Earth Science Enterprise balances funding across observations, research and data analysis, applications and commercial remote sensing, information systems, and advanced satellite technologies to ensure the Nation has the tools to answer scientific questions about the Earth, and to put these answers to work for the benefit of society. Earth science is science in the national interest, and NASA is committed to its success.

Aero-Space Technology Enterprise

The Aero-Space Technology Enterprise is working in an exciting and challenging time as we revolutionize the science and technology that powers U.S. civil aeronautics and space transportation. Last year we presented to you an Enterprise program focused on three "Pillars" for success—Global Civil Aviation, Revolutionary Technology Leaps, and Access to Space—and a set of ten goals to address current and future National needs. By developing high technical risk technologies, we contribute to aviation safety, increase air system capacity, enhance environmental compatibility, and open new opportunities in space. Within the past year this Enterprise has had to make some hard choices. Budget pressures, along with shifting industry and market conditions, made it impossible to pursue with excellence all our ambitions. Rather than spread the pain and do a little less of everything, we established a set of priorities among the goals, and are pursuing our top priorities as coordinated with our customers and stakeholders. Our priority goals are aviation safety, aviation systems capacity, next-generation design tools, ultra-efficient engine technology, general aviation, experimental aircraft and access to space. We have dramatically reduced our support to the high-speed civil transport and affordability goals, canceling the High Speed Research and Advanced Subsonic Technology Programs.

We have worked hard over the last year to take advantage of synergies between aeronautics and space transportation activities and are increasing funding in the latter. We have made significant progress in defining the contribution of our existing projects and programs to the goals. We believe these goals will help us better manage our research activities while fostering a better understanding of these activities for the American people. The President's proposed budget for fiscal year 2000 of $1.0065 billion is focused on maximizing a return to our highest priority goals.

Aeronautics

We are proud of our past accomplishments in two focused programs, High Speed Research (HSR) and Advanced Subsonic Technology (AST). Although dramatic advances were made against the original HSR program goals, our industry partners indicated that product development would be significantly delayed, which led to the decision to terminate this program in fiscal year 1999. The need to refocus our technology efforts from industrial competitiveness issues to a broader, more public policy-oriented emphasis resulted in the decision to terminate the AST program at the end of fiscal year 1999.

The aeronautics budget request, $620.1 million, enables us to pursue a new focused program, Aviation Safety, as our top aeronautics priority. As global GDP expands over the next decade by an annual rate of 3 to 4-percent, demand for air travel will dramatically increase—it is expected to triple within 20 years. Great strides

have been made over the last 40 years to make flying the safest of all major modes of transportation. However, even today's low accident rate is not good enough and if air traffic triples as predicted, this rate will be totally unacceptable. The national goal is to reduce the aircraft accident rate by a factor of five within 10 years, and by a factor of 10 within 20 years. In addition to accident rate reduction, we will work to decrease injuries and fatalities when accidents do occur. We are also working on aviation system technologies that could support pilots and air traffic controllers. Safety is also a top priority of the FAA. We are working closely with FAA, manufacturers and airlines to prioritize technology efforts and to ensure their rapid implementation in order to meet our aggressive safety goal. FAA is responsible for the operation and near-term research and development of the National Air Traffic System, while NASA conducts the longer-term, higher-risk research and development. Last October, we signed an MOA with the FAA to solidify our cooperation in this area.

Our fiscal year 2000 budget also support the Aviation Systems Capacity (ASC) Program, which builds on research we have conducted over the past few years in the Advanced Subsonic Technology program. Our goal in capacity is "while maintaining safety, triple the aviation system throughput, in all weather conditions, within 10 years." This is absolutely required if the aviation system is to keep up with demand and allow the predicted growth in air travel to occur. The ASC program is looking at modernization and improvements in the Air Traffic Management System and the introduction of new vehicle classes which can potentially reduce congestion. Efficient and flexible routing, scheduling and sequencing of aircraft in all weather conditions are critical to meeting capacity demands. As in safety, we are working closely with FAA on this program.

I am very excited about our work in experimental aircraft. On August 6, 1998, the solar-powered Pathfinder Remotely Piloted Aircraft broke its own world altitude record for a solar-powered aircraft by almost 10,000 feet, and established a world record for propeller driven aircraft of 80,201 feet. This flight was another step in meeting the challenge of flying a solar powered aircraft at 100,000 feet. In another first, an international cooperative project with the Russian Central Institute of Aviation Motors achieved the first extended supersonic combustion in flight using a scramjet flown to Mach 6. The X–43 (HYPER–X) research vehicle, which is an air-breathing, dual-mode scramjet-powered plane capable of speeds up to Mach 10, will be delivered this year and will have its first powered flight (to Mach 7) in fiscal year 2000. Experimental aircraft such as these are invaluable tools for exploring new concepts and for complementing and strengthening laboratory research. In the very demanding environment of flight, X-planes are used to test innovative, high-risk concepts, accelerating their development into design and technology applications.

We are pioneering a new safe and efficient general aviation air transportation system that will allow us to travel up to four times faster than we can by car from doorstep to destination, even if that doorstep or destination is a small community many miles from a large hub airport. To make this possible, NASA has been working and will continue to work on advances in propulsion and avionics that will make general aviation affordable and safe.

Our fiscal year 2000 budget includes the Ultra Efficient Engine Technology Program and REVCON, or revolutionary concepts. The Ultra Efficient Engine Technology Program will enable the next breakthroughs in propulsion systems that will spawn a new generation of high-performance, operationally efficient, economically viable and environmentally compatible U.S. aircraft. We will develop and demonstrate breakthrough technologies in propulsion component and high-temperature engine materials which can create future commercial and military propulsion systems which are simpler, achieve higher performance, and do less damage to the environment. REVCON is a process that will develop concepts that are a revolutionary departure from traditional approaches to aeronautical design. We will fully utilize the next-generation design tools we are developing to produce substantial benefits in concept development. REVCON will change fundamentally the way systems are designed and accelerate the transition of high-risk/high-payoff technology from the laboratory to flight.

Advanced Space Transportation Technology

The Advanced Space Transportation Technology program supports our "Access to Space" pillar. Our goal is to completely revitalize access to space by reducing launch costs dramatically over the next decade, increasing the safety and reliability of current and next generation launch vehicles, and establishing new plateaus of performance for in-space propulsion while reducing cost and weight. We are committed to developing technology that will reduce the payload cost to low-Earth orbit by an

order of magnitude, from $10,000 to $1,000 per pound, within 10 years. The budget request, $254 million, fully supports this goal.

NASA's Reusable Launch Vehicle (RLV) Program includes both ground-based technology development and flight demonstrators (X–33, X–34, Future-X Pathfinder vehicles) to validate key component technologies, prove that the technologies can be integrated into a functional vehicle, and demonstrate the required operability to make low-cost access to space a reality. Once demonstrated, we expect that these technologies will be used by private industry to build next-generation launch vehicles that will meet government and commercial needs at dramatically reduced costs.

Early last year the X–33's first major flight component, the liquid oxygen tank, was placed in the vehicle's assembly structure. The X–33 launch site at Edwards Air Force Base is nearly complete. The technologies we are developing are risky, and development problems are not unexpected. In fact, the landing gear is the only piece of existing hardware on the X–33. All other components require advanced development. Recently, the X–33 program has experienced some manufacturing and technical problems that have led to a slip in the first flight to July 2000. We are working with the industry team to resolve these problems and expect no additional cost to the government. The X–34 also has experienced some manufacturing difficulties that will delay the first unpowered flight four months to September 1999; the first powered flight is currently scheduled for February 2000. We are confident that these problems will be overcome and these programs will provide valuable technology for application to future space launch vehicles.

In fiscal year 1999, we initiated the Future-X program which includes "Pathfinder" flight experiments for demonstrations of technologies which can further reduce the cost and increase the reliability of reusable space launch and orbital transportation systems. We are particularly pleased with the selection of the Advanced Technology Vehicle (ATV), the first contract award under Future-X. The ATV includes cost-sharing by industry and possibly the Air Force. We are working closely with the Air Force on this program to ensure it will meet defense as well as civil space needs. We are strengthening the links between the Advanced Space Transportation Program, which is a technology development program, and Future-X flight validation; we want to make more transparent the decision-making mechanism for determining if an ASTP technology truly requires flight validation in Future-X. ASTP will continue to push the state-of-the-art technologies that will be flown under the Future-X program if required for validation prior to implementation in commercial, DOD or civil transportation systems.

We have restructured the Small-Payload Focused Project (Bantam). Its goal is to develop and demonstrate unique technologies that will enable the development of a reusable launch system that will launch 200- to 300-pound payloads for $1-to-$1.5 million per flight by 2004/2005. The ground technology program, commercial market, and provider developments will support decisions on whether to pursue a Future-X flight demonstration of the most promising vehicle concept. Concepts currently under study include multi-stage rockets, air-breathing combined-cycle vehicles, magnetic levitation launch assist, and beamed-energy laser-powered vehicles—to name a few. In fiscal year 2000, the results of these technology demonstrations and system level analyses of multiple concepts will support concept down-selection. As we proceed with this program, we will periodically solicit proposals from industry to supply such a launch vehicle for this payload class and as with all NASA technology programs, industry will have access to the technology as we develop it.

Commercial Technology

Since its inception in 1958, NASA has been charged with ensuring that NASA-developed technology is transferred to the U.S. industrial community to improve its competitive position in world markets. The fiscal year 2000 budget request of $132.5 million continues this important aspect of our mission. Our commercialization effort encompasses all technologies created at NASA centers by civil servants as well as innovations from NASA contractors. The technology commercialization program conducts a continuous inventory of newly developed NASA technologies, maintains an internet-based database of this inventory, assesses the commercial value of each technology, establishes R&D partnerships with industry for dual use of the technology, disseminates knowledge of these NASA technology opportunities to the private sector, and supports an efficient system for licensing NASA technologies to private companies. The amount requested for NASA commercialization efforts includes $97.5 million to carry out the provisions of the Small Business Innovation Research (SBIR) Act, which requires a set-aside of 2.5 percent of NASA's total extramural R&D spending for small business research grants, along with an additional set-aside for the Small Business Technology Transfer (STTR) Program of 0.15 percent of NASA's total extramural R&D spending. The NASA SBIR program has contributed

to the U.S. economy by fostering the establishment and growth of over 1,100 small, high technology businesses.

CONCLUSION

Mr. Chairman, I am proud of NASA and I am pleased with this budget. It gives us the stability we need to continue the construction of the ISS and to conduct cutting-edge research in science and technology. There is no question that the ISS partnership will continue to face challenges. But if the successes of the last few months are any indication of our ability to jointly overcome difficulties and succeed, I look forward to the coming year with great enthusiasm. While we are building this magnificent international laboratory in space, we already are studying how we can make this facility a seed for commercial space activity for the early part of the next century, and for opening the space frontier for human activity beyond low-Earth orbit. Like the railroads, the Government will build it, and it will create entirely new opportunities for private enterprise. To get there, we will continue to fly the Shuttle safely while developing new technologies that could make space launch more affordable and reliable. We look forward to a robust competition for NASA's launch business among several providers in the next decade. We will not just be going to low-Earth orbit, as NASA will continue to push the frontiers of knowledge about our planet, our Solar System, and our Universe. Micro-rovers will look for signs of ancient life on Mars, and perhaps existing life on the moons of Jupiter and Saturn, while we continue to search for planets in nearby solar systems that could also harbor life today. This budget is the beginning of a new era in vehicle and mission design, as we create an Integrated Synthesis Environment that will dramatically lower costs and reduce development times, allowing us to do even more exciting science and technology.

NASA remains committed to providing the American taxpayer with the best possible space and aeronautics program in the world. Our accomplishments demonstrate we are capable of that. We are determined to continue that tradition. I truly believe the best is yet to come.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION FISCAL YEAR 2000 ESTIMATES

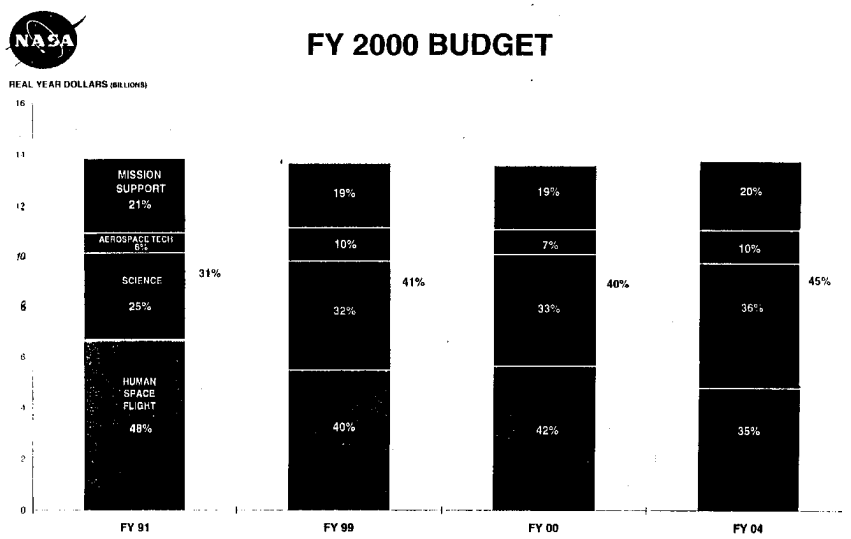
[In millions of real year dollars]

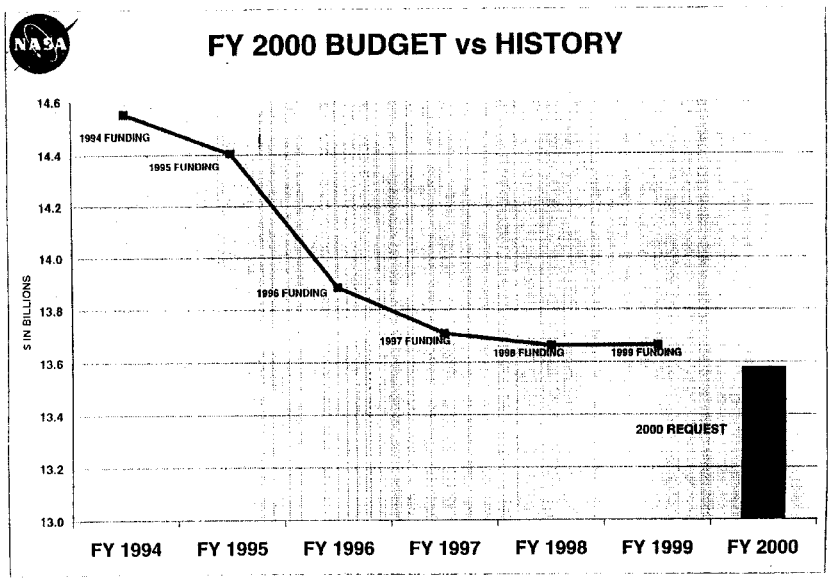
	Fiscal year		
	1998 OPPLAN 9/29/98	1999 OPPLAN 12/22/98	2000 PRES BUDGET
SPACE STATION	2331.3	2304.7	.....
RUSSIAN PROGRAM ASSURANCE	110.0	(53.0)	.....
SPACE SHUTTLE	2912.8	2998.3	.....
PAYLOAD AND UTILIZATION OPERATIONS	205.4	177.0	.....
HUMAN SPACE FLIGHT	5569.5	5480.0	.....
INTERNATIONAL SPACE STATION	.....	.....	2482.7
SPACE SHUTTLE	.....	.....	2986.2
PAYLOAD AND UTILIZATION OPERATIONS	.....	.....	169.1
LAUNCH VEHICLES AND PAYLOAD OPERATIONS	.....	.....	3155.3
SPACE SCIENCE	2043.8	2119.2	2196.6
LIFE AND MICROGRAVITY SCIENCES AND APPLICATIONS	214.2	263.5	256.2
EARTH SCIENCE	1417.3	1413.8	1459.1
AERO–SPACE TECHNOLOGY	1483.9	1338.9	1006.5
MISSION COMMUNICATION SERVICES	400.8	380.0	406.3
ACADEMIC PROGRAMS	130.0	138.5	100.0
SCIENCE. AERONAUTICS AND TECHNOLOGY	5690.0	56553.9	5424.7

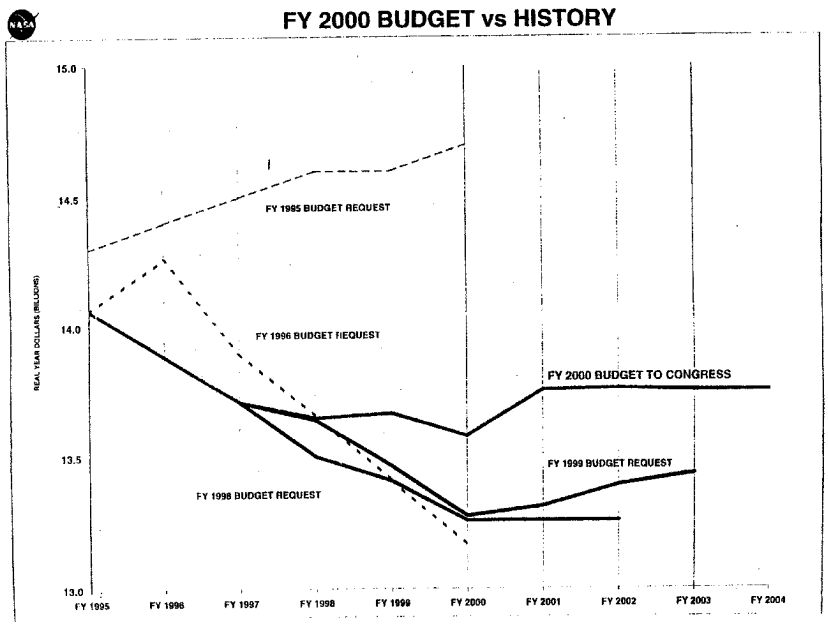
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION FISCAL YEAR 2000 ESTIMATES—Continued

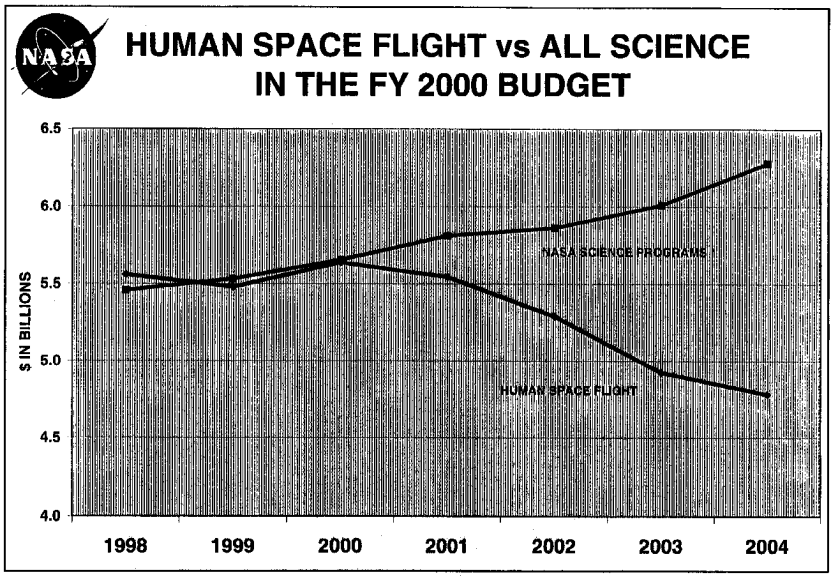
[In millions of real year dollars]

	Fiscal year		
	1998 OPPLAN 9/29/98	1999 OPPLAN 12/22/98	2000 PRES BUDGET
SAFETY, MISSION ASSURANCE, ENGINEERING, AND ADVANCED CONCEPTS	37.8	35.6	43.0
SPACE COMMUNICATION SERVICES	194.2	185.8	89.7
RESEARCH AND PROGRAM MANAGEMENT	2025.6	2121.2	2181.2
CONSTRUCTION OF FACILITIES	122.4	168.5	181.0
MISSION SUPPORT	2380.0	2511.1	2494.9
INSPECTOR GENERAL	18.2	20.0	20.8
TOTAL BUDGET AUTHORITY	13,647.7	13,665.0	13,578.4
TOTAL OUTLAYS	14,206.2	14,043.0	13,356.8



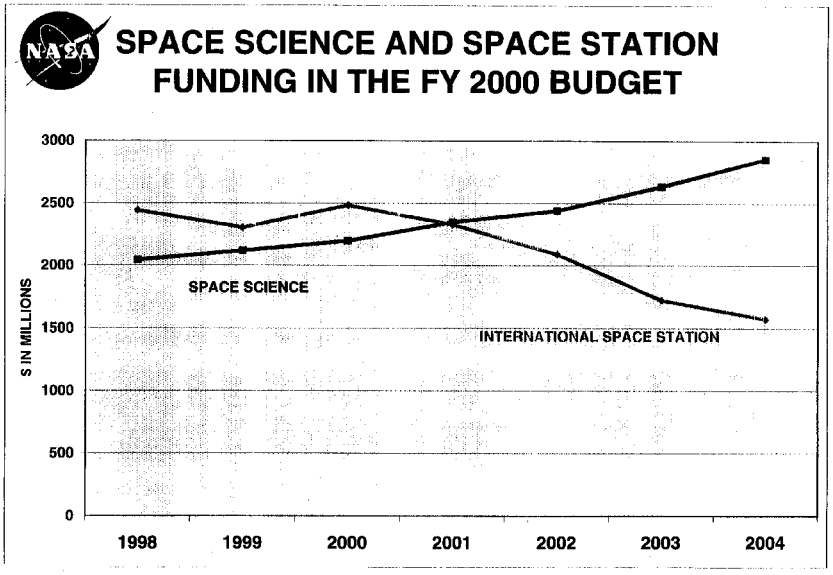

FY 2000 BUDGET vs HISTORY
14.6
14.4
14.2
14.0
13.8
13.6
13.4
13.2
13.0
$ IN BILLIONS
1994 FUNDING
1995 FUNDING
1996 FUNDING
1997 FUNDING
1998 FUNDING
1999 FUNDING
2000 REQUEST
FY 1994
FY 1995
FY 1996
FY 1997
FY 1998
FY 1999
FY 2000


FY 2000 BUDGET vs HISTORY
15.0
14.5
14.0
13.5
13.0
REAL YEAR DOLLARS (BILLIONS)
FY 1995 BUDGET REQUEST
FY 1996 BUDGET REQUEST
FY 1998 BUDGET REQUEST
FY 2000 BUDGET TO CONGRESS
FY 1999 BUDGET REQUEST
FY 1995
FY 1996
FY 1997
FY 1998
FY 1999
FY 2000
FY 2001
FY 2002
FY 2003
FY 2004

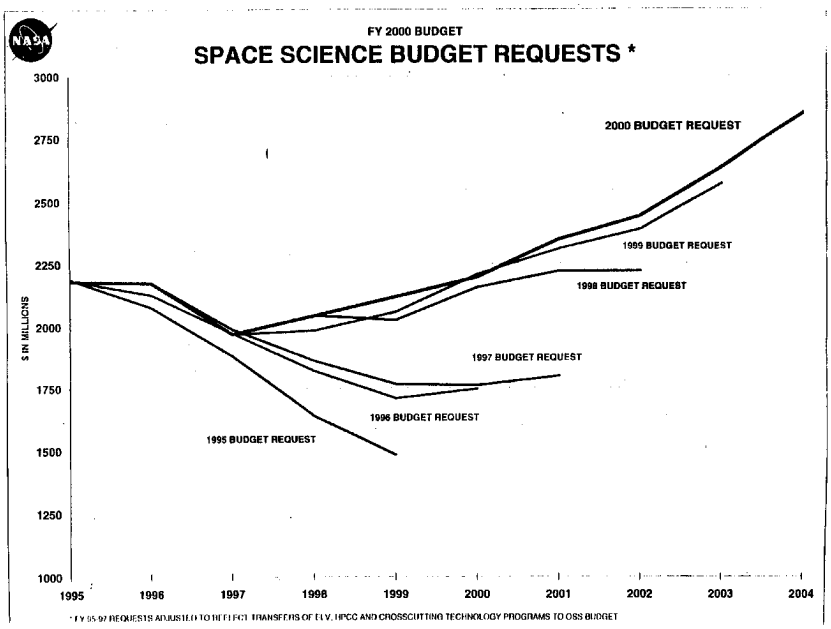


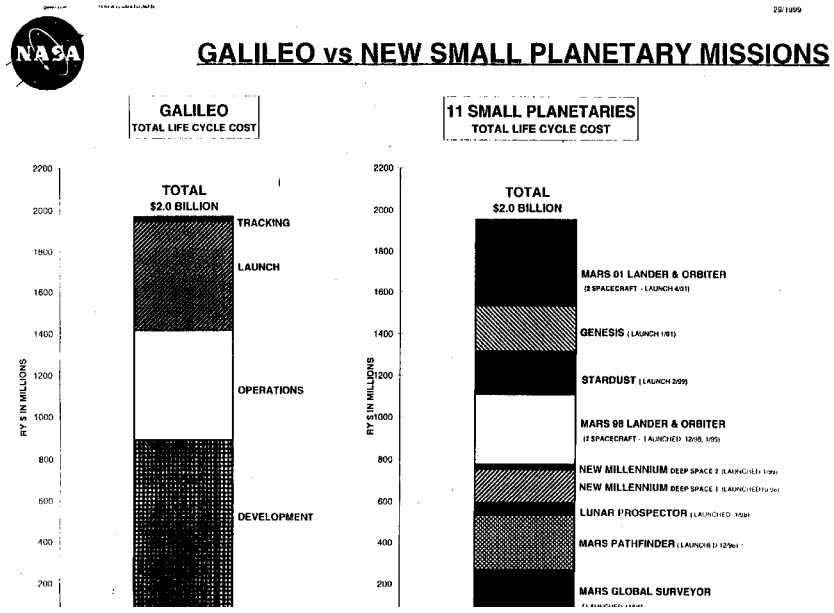
* NASA Science programs include Space Science, Earth Science and Life Microgravity Science

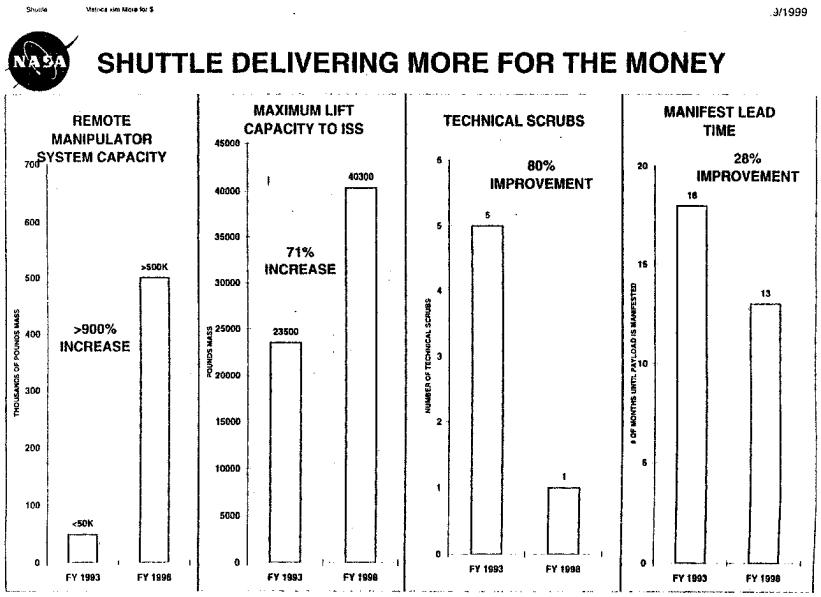
ALL SCIENCE VS HSF Chart 1

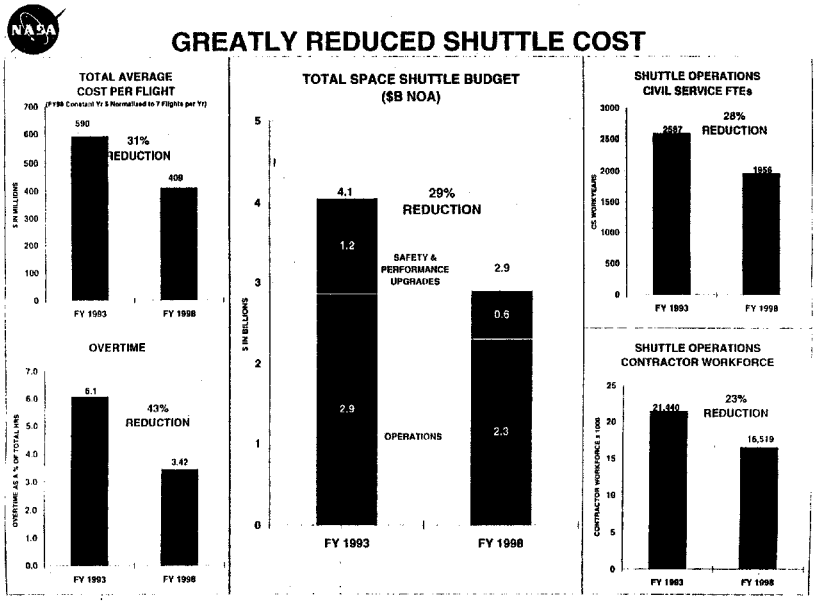


Space Science vs ISS Chart 1


FY 2000 BUDGET
SPACE SCIENCE BUDGET REQUESTS *
$ IN MILLIONS
3000
2750
2500
2250
2000
1750
1500
1250
1000
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2000 BUDGET REQUEST
1999 BUDGET REQUEST
1998 BUDGET REQUEST
1997 BUDGET REQUEST
1996 BUDGET REQUEST
1995 BUDGET REQUEST
* FY 95-97 REQUESTS ADJUSTED TO REFLECT TRANSFERS OF ELV, HPCC AND CROSSCUTTING TECHNOLOGY PROGRAMS TO OSS BUDGET


GALILEO vs NEW SMALL PLANETARY MISSIONS
GALILEO
TOTAL LIFE CYCLE COST
11 SMALL PLANETARIES
TOTAL LIFE CYCLE COST
RY $ IN MILLIONS
2200
2000
1800
1600
1400
1200
1000
800
600
400
200
TOTAL
$2.0 BILLION
TRACKING
LAUNCH
OPERATIONS
DEVELOPMENT
TOTAL
$2.0 BILLION
MARS 01 LANDER & ORBITER
GENESIS
STARDUST
MARS 98 LANDER & ORBITER
NEW MILLENNIUM
NEW MILLENNIUM
LUNAR PROSPECTOR
MARS PATHFINDER
MARS GLOBAL SURVEYOR





Senator BOND. Thank you, Dr. Goldin.

FLOOD PLANE MAPPING PROGRAM

Before I get into the questions I have prepared, it struck me when you mentioned disaster mitigation that our friends in FEMA, who also come within the jurisdiction of this subcommittee, have

been having tremendous problems trying to find the resources to do flood mapping and other things.

I trust you have been having discussions with James Lee Witt on the potential application of your capabilities to their needs?

Mr. GOLDIN. Yes, sir. We are standing by to support FEMA and we are working on a joint program right now, the planning for that program, to do that flood plain mapping.

Senator BOND. How long or to what extent do you think you can meet their needs?

Mr. GOLDIN. I think we could make a significant contribution in cutting their costs. Instead of using conventional techniques whenever you send people out into the field, by using our aircraft and spacecraft technologies, I think we could cut their costs significantly. We are in the process of performing the analysis to substantiate that right now.

Senator BOND. Any idea of how much that might cost?

Mr. GOLDIN. No. We are in that process now.

Senator BOND. Well look carefully because every dollar we have to give to them is probably a dollar that comes out of NASA.

Mr. GOLDIN. Oh, we will look very carefully, sir. [Laughter.]

Senator BOND. This is what I call the incentive means of assuring that we all work together.

As this goes forward, would you please do that.

Mr. GOLDIN. Dr. Ghassem Asrar can speak to this.

Dr. ASRAR. Good morning.

We have three pilot projects with the objective of identifying what are their requirements and what are the costs associated with them. We are also bringing the private sector in to work with us in a partnership because we want to make sure that once we demonstrate the utility of our technology, there is a means for FEMA to obtain those services routinely.

The pilot projects, two of them are on the West Coast, one is in the Midwest, and we are in the process of mapping them, combining the observations with the model to give them the decision-making tools that FEMA needs.

SETTING GOALS FOR THE CIVILIAN SPACE PROGRAM

Senator BOND. I appreciate that. That will be of continued interest to this subcommittee and I would ask that you keep us advised on that.

I would like to ask a sort of general question about the setting of goals for the civilian space program. Does NASA have plans that either go to the White House and Congress, or does the White House set the plans, or do you get approval from Congress? To what extent does the scientific community have input—people and places like the National Academy of Sciences? I would like for you to address that in terms of the next major manned mission to be. What are your discussions that are going on? Are you looking at manned flight or even the establishment of a man based on Mars or the Moon?

How do you set those priorities? What are your long-term goals?

Mr. GOLDIN. First, let me say that we spend a lot of time consulting with all the people who have a vested interest in NASA. My staff spends a lot of time at the White House. I spend time going

to each of your offices. My staff talks to your staff. We have people who have outreached different groups in the country. We work very closely with the National Academy of Engineering, the National Academy of Sciences, and we integrate all that input. We do this routinely, day in and day out.

Senator BOND. We are very interested. But our knowledge is that of a mustard seed when it comes to these areas.

I hope that you are getting the National Academy of Engineering and the National Academy of Sciences to really help direct your work. The peer review scientific decisionmaking would be of most interest to me.

Mr. GOLDIN. I was just honored by being nominated—and I accepted—to the National Academy. I am a member of that organization now.

I cannot participate in my capacity as NASA Administrator, but I certainly am very sensitive to that. We, NASA, fund many, many studies at the National Academy.

There is one point I would like to make. We intend to get the Space Station done before we come back to this Congress and this administration and ask for more money for another human expedition beyond Earth orbit.

The administration has put $10 million in this year's budget for future planning. As part of that, we intend to look to all of the scientific community, the Congress, the administration, and citizens groups to figure out what is the right thing to do for NASA next.

Over the next 2 years, we will be doing studies and share those studies with this committee and other committees of the Congress so that everyone knows what we are doing.

Senator BOND. What is the scientific community telling you would be the most productive use? Have you gotten any word back yet?

Mr. GOLDIN. There are many different opinions. But there seems to be an opinion swelling up which says instead of just having robotic missions and missions with people, we ought to be able to integrate the two and perhaps build things like robotic colonies in advance so that before we send people, we build up an infrastructure, rather than trying to put everything in one big vehicle and going off and doing it.

SPACE STATION OVERRUNS

Senator BOND. Let me talk now about the Space Station. The estimated cost has grown from $17.4 billion to more than $23.4 billion.

Depending upon how you look at it, the Space Station overruns are anywhere from $6 billion to $8.3 billion, depending on which estimates are correct. What have you learned that can be applied to the next major large space project or even any other government initiative in the scientific field?

What can we learn from these overruns?

Mr. GOLDIN. There are a couple of issues.

First, NASA has not built a major human space flight activity in over 25 years. That was a very big problem. In the space science area, and in the Earth Science area, we are able to do things many, many times.

One thing is clear: the engineering tools we have are inadequate. In this year's budget, we have a significant activity to develop better engineering tools. We have worked on this with the engineering community.

Senator BOND. What do you mean by engineering tools? Can you give us some idea of what you mean by that?

Mr. GOLDIN. Yes.

When we commit to a major new program, whether it is Boeing building the 777 or NASA building a Space Station, whether GM is building a car or General Electric is building a refrigerator, you commit roughly 90 percent of your money when you have about 10 percent design knowledge on building something new.

We intend to develop a set of tools that will allow us to completely simulate in virtual space the design, operation, and maintenance of these activities before you have to go and cut any hardware and commit money.

I feel this has been a major problem in engineering in this country.

Senator BOND. Well, NASP was out in the forefront of development. I saw the computer models for NASP. But that may not be a good example.

Mr. GOLDIN. NASP had the problem of not being able to predict how we could build materials that could handle the incredible heat load. For that reason, we were never able to make NASP work after spending some billions of dollars.

That is precisely the issue. They had tools that showed how it operated, but it did not simulate the physics of the details of the system and how you could build it up. That was the problem.

Senator BOND. Let me turn now to Senator Mikulski.

HUBBLE SPACE TELESCOPE

Senator MIKULSKI. Thank you, Mr. Chairman.

I would like to get right to the issues around the Hubble Telescope, the Space Telescope.

Dr. Goldin, could you tell us what is really now the status of the Hubble Space Telescope? We know, we understand that some of the gyroscopes are failing. You had wanted some help in an emergency supplemental now that you are going to be doing it differently.

Could you tell us the operational status of Hubble, number two, what you are going to do to correct it, and, number three, does this really extend the life of Hubble in a reliable way or has this just been one more contract failure at Hubble? You know, first it was the mirror; now the gyroscopes, I think three of them, have failed.

Mr. GOLDIN. Yes. Yes.

Senator MIKULSKI. Why don't you try to tell us the Hubble story and then the implication of the cost of fixing Hubble on the rest of the NASA budget?

Mr. GOLDIN. Okay.

First, so everyone knows what I am talking about, that [indicating] is the Hubble Space Telescope. It is about 30 feet long. Next to the Hubble Telescope [indicating] is a gyro. This piece [indicating] is so everyone would know about what a gyro looks like in size. If you look into this element here, you can see the wires that failed. They are 1/1000th an inch by 1/6000th an inch. There is a

white surface and over the white surface you will see two small wires. This gyroscope is the state of the art. You can buy no better in the world than this gyroscope. The Hubble has the most rigid requirements for stability, and this gyroscope tells us exactly where the Hubble is so that we can operate the control system.

At the present time, there are three operating gyros on the Hubble. Three of them have failed. We are very concerned that, if we lose one more gyro, we lose science on Hubble, which is perhaps one of the most productive scientific instruments that NASA has, if not one of the most productive instruments in the world. We cannot afford to lose the science on Hubble.

Senator MIKULSKI. I agree. But if three have failed, are you saying—what are you saying?

Mr. GOLDIN. Now let me tell you our understanding of that.

Senator MIKULSKI. I am not trying to finger-point here. I am trying to pin-point the problem. If we come back with the same gyroscopes, will then others fail again?

Hubble can only get so many rescue missions before the Congress tires of it.

Mr. GOLDIN. Yes. We have planned servicing missions to the Hubble. When we first went up and launched the Hubble, we had a series of gyroscopes on board and three of the six failed. Two failed for electronic reasons which were fixed. One failed because this little wire that you saw eventually wore out because it is immersed in what is called a viscous damping fluid.

We then replaced four of those gyroscopes on the first servicing mission and then they all lasted. The expected life of these gyros is about 12 years. So we thought we had the problem in hand. We did not have any failures, and when we went up for the second servicing mission, we did not replace them. Then they failed. We had three of them fail.

We are prepared to replace four to six gyros on this next mission. We believe we have good gyros. No one in industry is incompetent. This is the best technology available. There is one change being made to the gyros which pertains to the chemistry, by packing them instead of with an oxygen pressurant, which could eat up the wire, with an inert one.

Senator MIKULSKI. In my limited time, I don't need to know that kind of detail.

Mr. GOLDIN. Okay. In any case, we will replace these gyros. We will be going up in another 12 to 18 months and, at that time, we will assess whether we will keep those gyros or make another replacement so that we will not have to have an emergency mission.

Senator MIKULSKI. You are planning a Hubble servicing mission in October 1999, is that correct?

Mr. GOLDIN. Yes.

Senator MIKULSKI. That is to deliver six new gyros, is that right?

Mr. GOLDIN. Yes. Then we will also replace a computer and some other equipment which we checked out on the John Glenn flight.

Senator MIKULSKI. Now how long do you think this will extend the life of Hubble?

Mr. GOLDIN. We believe that these gyros have an expected lifetime of 6 to 12 years.

Senator MIKULSKI. And what is the expected life of Hubble?

Mr. GOLDIN. Hubble, if we continue to service it, will be good perhaps to the end of the first decade of the next century.

Senator MIKULSKI. So it is worth the investment to make these repairs?

Mr. GOLDIN. It is among our highest priority to make these repairs.

SERVICING MISSION COST FOR HUBBLE

Senator MIKULSKI. Now how much will this servicing mission cost and how will this impact on the rest of the NASA budget?

Mr. GOLDIN. The servicing mission will cost about $75 million in fiscal year 1999 and fiscal year 2000, and when we replace all of the equipment for the Shuttle, to replace the equipment we used, the total cost will be about $136.6 million through 2003.

Of that, $26.3 million is for the science package; $26.3 million is for operational activity; and $84 million is to replace the expendable pieces of the Shuttle equipment.

We intend, for fiscal year 1999, to absorb within our existing budgets in the Human Space Flight Account, $45.5 million, which is what we need for fiscal year 1999 to get this going.

We are presently working with the administration to see where we might reprogram in fiscal year 2000 through fiscal year 2003.

Senator MIKULSKI. Dr. Goldin, as you know, we need to have the Hubble repaired for all the reasons you talked about—its scientific accomplishment, it will be a good investment to keep an existing program going that is bringing us a tremendous amount of scientific knowledge. However, you said that the budget is lean. Therefore, this is now a new $75 million hit that was unexpected and unanticipated. Therefore, we look at the Hubble and, therefore, look at how we are going to work this appropriation and how we work with the administration who, essentially, I know said to you "eat it." I mean, that is what they said. You are trying to swallow it while we are trying to do other things.

My question to you is will there be negative consequences on other programs that we need to take into consideration as we work both with you and the administration and among ourselves?

Mr. GOLDIN. There is no doubt that there will be negative impact on other programs. Our budget has come down for 6 years and we have to do things. The only way we could fix it is by not doing something else. That is the level of discussion we are having with the administration.

Senator MIKULSKI. Do you now know what you will not do because of it?

Mr. GOLDIN. Not yet. But we will know before your markup and we are committed to getting you that data before your markup.

RUSSIAN REPORT

Senator MIKULSKI. I see that I have a yellow light. Hubble took a lot of time.

Could you tell us where we are now? You did this Russian report. As you know, we are very concerned about the continued unreliability of the Russians to deliver what they promised.

You then have to fund a redundancy program to support them. We asked for a report that said are there other ways where we

could honor our international relationship with them but essentially get a dollar's worth of guaranteed value for a guaranteed American taxpayer dollar. This is with full knowledge that it is the Soviet, the Russian, scientists that are competent, but the political and bureaucratic situation there is not as reliable as the Hubble gyroscopes.

Mr. GOLDIN. First let me say the reason the report was late was we wanted to be thorough. So we contacted a number of companies who had been doing business in Russia. We contacted 10 different elements of the Department of Defense and other activities.

We wanted to know how did they do business. There was one common theme: set a fixed set of requirements, negotiate a firm fixed price contract, have measurable milestones, and have the ability to do audits and traceability. That was the common theme that came out of all of it.

We then analyzed that data and proposed that this is the right way to go.

Should I keep going, Mr. Chairman? I see the red light.

Senator BOND. Please finish. Finish the answer because we are going to be back and forth on this subject.

Mr. GOLDIN. It is our assessment at the present time that this is the right way to do business. We have brought in Arthur Andersen to audit the work that we are doing. The GAO and the IG, has audited the approach we have been using with the Russians. So far we have an ability to trace when we send dollars there, to trace it through the system.

Senator MIKULSKI. Dr. Goldin, my time is up. I am trying to get a dollar's worth of value for a dollar's worth of taxpayer dollars and that we don't have to go to a redundancy system because we are already foraging for funds in important programs.

So where are we and where are we going?

If we want to go to Senator Burns and get back to me on this, that's fine. But I am continually frustrated by this Russian endeavor.

Mr. GOLDIN. That report dealt specifically with if we bought goods and services from Russia, how would we do it to assure taxpayer value. I believe we have answered that question and we can assure the taxpayers for every dollar spent that we are getting a dollar's value.

The broader question you are asking is how can we deal with a Russian Government that does not pay its bills to the Russian Space Agency. That is a broader question. That is a question of great concern to me. The Russian Space Agency, when they have been given dollars by their government, performs superbly.

Senator MIKULSKI. So we are still back to the political problem that we had some months ago?

Mr. GOLDIN. Yes. There will be a meeting next week between the Vice President and Mr. Primakov. This will be the only significant subject that I have to bring up at that meeting, about the ability of the Russian Government to do what it says it is going to do.

Senator MIKULSKI. I know my time is up.

Will you then really press firmly?

Mr. GOLDIN. Oh, yes.

Senator MIKULSKI. I don't want to take any more of the Senator's time.

Senator BOND. We will come back to it. We want to come back to that subject.

I want to give Senator Burns an opportunity to get in here, too.

Senator BURNS. Thank you, Mr. Chairman. I just have a couple of comments.

I think Senator Mikulski has pretty well covered this. There is still a lot of concern about the Russian situation.

I just want to bring the committee's attention to a couple of areas which I think are very important.

PREPARED STATEMENT

By the way, I have a statement and, if I may, I would put that into the record.

Senator BOND. Without objection, we would be happy to have it. Thank you.

[The statement follows:]

PREPARED STATEMENT OF SENATOR CONRAD BURNS

Thank you Mr. Chairman, I would like to begin by saying that NASA has been the Administration's shining star in this decade and I am very confident in saying Dan Goldin is the reason for that success.

I think very highly of the Administrator's abilities. I also find it difficult to believe that year after year NASA is punished for it's abilities to save American tax dollars. The research conducted by NASA is research that has unbelievable returns and applications in the private sector. NASA has retained the mission of our federal government to conduct R&D to be disseminated to our nation's economy.

NASA's current budget request is $87 million below the fiscal year 1999 appropriated level. Considering NASA's investment into the International Space Station (ISS), this is a substantial decrease in the agency's budget. Granted, the Space Station has hit its share of speed bumps. However, it is my opinion that the Space Station is back on the right track.

Mr. Chairman, I would like to encourage you to consider increasing NASA's budget and reaffirming Congressional support for NASA. A $500 million dollar targeted increase in NASA's budget would be one of the best investments this nation could make.

NASA is an investment in America's future. Recently, a NASA astronaut volunteered to visit a couple of high schools in Montana. Students in Whitehall and Bozeman had an opportunity to visit with NASA astronaut Robert Curbeam and discuss his recent space shuttle mission.

These kids and communities are still talking about this visit. The impression Mr. Curbeam had on these children will not be forgotten soon. He is a very valuable asset to the nation's space program.

We cannot continue to penalize NASA for the agency's cost efficiency. Each time the agency reduces its costs, they find they are also reducing their budget levels. It's time to recognize that NASA's return on the dollar to the taxpayer is positive in terms of our federal budget.

I am also very supportive of Administrator Goldin's "three pillars of success":

First, Global Civil Aviation—The goals of this objective is to reduce the aircraft accident rate by a factor of five within 10 years, and a factor of 10 within 25 years.

Additionally, this research will reduce emissions and noise levels to give general aviation a place in the future of everyday transportation in our nation. That means commuting for many of us in rural states. I applaud Administrator Goldin for his work in this area.

Additionally, I would like to suggest that much of the work at the FAA in terms of general aviation may be better suited in NASA. Safe and affordable general aviation is an objective we need to continue to pursue.

In 1998, we did not have a major commercial passenger jet accident in our nation. However, major commercial aviation accident rates globally have been nearly constant over the past two decades. While the rate is very low, increasing traffic over the years has raised concerns in the potential for these accident rates increasing.

NASA's research and technology development will address accidents involving hazardous weather, controlled flight into terrain, human-error-caused accidents and incident, and mechanical or software malfunctions.

Pillar two: Revolutionary Technology Leaps.

NASA's vision to reduce airline travel time and increase the production of affordable general aviation aircraft will ensure the future of alternative travel methods in our future. Rather than driving into D.C. on a bottlenecked I–395 or Route 66, workers can safely commute in small, efficient planes.

NASA's third pillar for success is one I am certainly interested. Affordable access to space. The opportunity we have before us today in this field will save the taxpayer millions and reinvest those dollars into the nation's economy. NASA is best suited for R&D. Taking the operations expense out of NASA's budget and putting those funds toward hard R&D in cooperation with our nation's universities will be the best thing we can do for our nation.

This third pillar reduces the payload cost to low-Earth orbit from $10,000 to $1,000 per pound and does this within ten years. In Montana, we are very excited about the Future X program. The X–33 is scheduled to land in Montana on test flights from Edwards Air Force Base in California late next year.

The Future X program has been extremely successful—continuation of programs like X–33 and X–34 will result in further development in the private sector. I am awed by the technologies developed by NASA and later applied in the private sector. This is the definition of what our government is about—Research and Development.

Montanans are also very excited about the future of space launch development. We are convinced it is only a matter of time that the shift of space launch and landing operations move from NASA to the private sector. We have vast sparsely-populated areas in our state that are very conducive to space launch criteria. We are especially excited to work with both NASA and private sector aerospace companies to expose Montana's benefits as a viable spaceport state.

Lastly, I encourage the Administrator to continue his work in new propulsion technologies. The Ultra Efficient Engine Technology Program will create a new generation of high performance, operationally efficient and economical, reliable and environmentally compatible U.S. air and spacecraft.

I am confident in NASA's abilities and I would like to further explore the opportunity for NASA to take on an additional role in the area of general and commercial aviation. That is the direction we are headed—eventually, it is my vision to see NASA as the primary agency overseeing not only our nation's space activities, but also our nation's airspace activities.

Thank you, Mr. Chairman.

Senator BURNS. There are a certain amount of things that Americans have benefitted from with the space program that get very little attention. I think our work in civilian and international aviation is important.

I think I mentioned this to you, Mr. Administrator, the last time, that I would like to see some more propulsion work being done. I know our new airplane for high speed civilian application has been sort of put on hold. But I don't think we should be letting slide new engines and materials—in other words, in our propulsion work. I want to continue that and also what we are doing as far as learning things about our own Earth.

I think up in Montana you heard from some people when you were up there on a recent visit about how we can serve those people and the valuation of lands, forests, and this type of thing. It has great environmental overtones to it and would help us become better managers.

That is all I wanted to say, basically, because these two, here, will get the final appropriation. But I do not think this is a time we should start to cut back on R&D as far as what we are doing in space and what we are doing as far as space serves this country and this planet.

We do not hear much about that, but we know it is very, very significant. So we appreciate that.

I am just going to make the plea not only for our reusables but also for what we are doing with education and our R&D into the application to civilian and commercial aircraft here in this country and abroad.

I appreciate your good work.

I saw your good friend this morning. He is adjusting to the private sector very well.

That is all I have.

Senator BOND. Was there a question in that?

Senator BURNS. No, there was not a question. There was a statement.

Senator BOND. We appreciate very much your participation.

Senator BURNS. Ever since I got married I quit asking questions. [Laughter.]

Senator BURNS. I won't do that again. [Laughter.]

Senator BOND. Okay.

Senator BURNS. You will figure that out. Better stand up. Some of these are going over your head.

Senator BOND. Well, I have a hole in my glove. They are going just right straight through the webbing. [Laughter.]

RUSSIAN DELIVERY OF SPACE STATION HARDWARE AND SERVICES

I want to go back to some of the questions that Senator Mikulski began.

Considering the difficulty Russia has had funding the Service Module, do you think that Russia can make timely delivery of Space Station hardware and services? Why would you think that they can? If not, in any event, what are your contingency plans?

Mr. GOLDIN. First, let me say that there is a real value added technically for Russia. I leave the political issues to the foreign policy of this country. One of the major reasons we went forward with the Russians on the Space Station is we only have the Shuttle. We have a multi-$10 billion investment that will be up in space and we wanted to have assured access to that. The Russians have the Proton, the Soyuz, and the Progress. To us, that was absolutely essential and still is essential. So in some way, shape, or form, we believe the Russians should be in the program.

Second, the Russians, when they have the money, they do perform. When we got them that $60 million, it was the difference between day and night. As we speak, the Service Module is being packed, readied for shipment into the Baikonur Cosmodrome, and it should be shipped somewhere around April 12. At that time, we will send a team to Russia to go through the schedule on the launch preparations at Baikonur. At the present time, the Russians say they could launch by September 20. We think it is more realistic that they will launch by November. But, even at that, it fits within our capacity to accommodate it. It will also allow us to have a permanent presence by astronauts early next year. So we think we are on the right path.

Now, am I frustrated? I am darn frustrated. I come from a world where people do what they say they are going to do. It makes a tremendous disruption.

One of the other lessons we learned is I think we may have done better negotiating with the Russians because we treated the Rus-

sian culture like the American culture. Had we known up front, I think we would have done it a little bit differently in terms of our contingency planning.

MONIES PAID TO THE RUSSIAN SPACE AGENCY

Senator BOND. I want to get back to this. But one of the things that Senator Mikulski and I talked about last year that I believe you are doing is trying to find ways to get money to bypass what we would call the bureaucracy; to get money and put our cash right on the barrelhead, where the work is being done.

Now this $60 million, is that one of your first monies?

Mr. GOLDIN. It was right on the money. That $60 million made all the difference.

Senator BOND. To whom did you pay that?

Mr. GOLDIN. We paid it to the Russian Space Agency. But we did it with a firm fixed price contract, with very set milestones, with an auditing capability, and we gave them milestone payments. So they did not get paid until we saw results occurring.

This is what we learned in our discussions at the request of Senator Mikulski and a number of other members on how we should contract. It was a very fruitful contracting approach and it made a significant difference in getting results.

Senator BOND. Well, I'll tell you. Speaking of that $60 million, we have heard some Russian officials say that with that $60 million, we have purchased 25 percent of the research time. Others say we have purchased 75 percent of the research time.

What did we get?

Mr. GOLDIN. We got 4,000 hours of research time, which will allow us to do a significant increase in research as we are building the Space Station. We also got a significant amount of on-orbit storage, which is crucial for us to place critical spares and other equipment for servicing the system.

So we got $60 million in value back for the $60 million we paid to get this thing off dead center.

Senator BOND. All right.

As a bottom line, what is your estimate on how much more funding we are going to have to provide the Russians?

Mr. GOLDIN. We have $100 million in the fiscal year 1999 budget. We initially had thoughts that we might put in $150 million a year for the next 4 years into the out-year budgets.

But on second thought, we reflected and said this would be a disincentive for the Russian Government to pay their bills to the Russian Space Agency. So, in preparing the fiscal year 2000 plan, we just left $100 million in fiscal year 1999 to give us some latitude should we need to make purchases. We will clearly monitor what is going on and if we do need additional funds, request it.

But putting the money down there, all it does is the Russians have a tendency to say the money is there and then we have to pay less money to the Russian Space Agency. We felt that would be very, very wrong.

Senator BOND. So we need to continue to figure out ways to make sure that that money goes to the Space Agency. Can we do that with any future payments?

Mr. GOLDIN. We are going to be very frugal in any future payment to get specific goods and services in return for the money that we spend in Russia.

Senator BOND. Be frugal versus is the money going to go to the Space Agency?

Senator MIKULSKI. That's the question.

Mr. GOLDIN. The answer is we believe we have a method for assuring that. We have audited that and we have records for the monies we sent. We trace the monies from bank to bank, to the agencies, to the people that get it. We go down on the floor. We have people in Russia watching how that money is spent.

Senator BOND. But are you sending it to the Russian Government and then following it? Or do you have a mechanism for sending it to the bank?

Senator MIKULSKI. Or agency?

Mr. GOLDIN. We don't send it to the Russian Government.

Senator BOND. That's a start.

Mr. GOLDIN. We send it to the Russian Space Agency.

Senator BOND. Okay. All right. So your future money will be going not to central government?

Mr. GOLDIN. Not to the Russian central government. It will go to the Russian Space Agency.

Senator MIKULSKI. If I might follow up, this is the crux of what we were trying to get at in our report.

So, instead of now it going government to government, we want to draw the distinction that it is going agency to agency.

Mr. GOLDIN. Agency to agency.

Senator MIKULSKI. Is this, then, new?

Mr. GOLDIN. It is not new. The other thing we do in specific cases is sometimes corporation to corporation.

Senator MIKULSKI. Is this new with the Russians?

Mr. GOLDIN. Is this new with the Russians?

Senator MIKULSKI. Yes.

Mr. GOLDIN. No.

Senator MIKULSKI. Then I don't get it. I thought the problem was that it was going to the government.

Mr. GOLDIN. There was desire a number of times to have it go to the Russian Government, and we have resisted those times.

Senator BOND. What happened? I thought the problem was that the money went to the Russian Government and never got to the Space Agency.

Senator MIKULSKI. That was my understanding, too, Mr. Chairman.

Mr. GOLDIN. No. We never sent money to the Russian Government.

Senator BOND. Well, you had two of us fooled.

Mr. GOLDIN. We resisted that. We resisted that. And, in fact, when we surveyed the other agencies in the Federal Government and other corporations on how we were doing it, we felt that we had the right approach to doing that.

Senator BOND. Well, I'll tell you.

Senator MIKULSKI. Why don't you continue with your questions, Mr. Chairman, and extend this if you wish. Your questions were mine on that issue.

Senator BOND. Well, I am about to finish up on the Russian side. I will then turn it back to you, Senator Mikulski.

I did want to say that Senator Hutchison has been detained on the floor. She is working on the supplemental appropriations, which is where Senator Mikulski and I ought to be. Senator Hutchison does obviously have a very deep interest in this whole area of operation, and she is going to be following up with post-hearing questions. I know that you were looking around. Normally, we would expect to see her here.

I guess my final question is this. Maybe we are just missing something, but the Russian Space Agency in some ways is the government. Where did we find the problems that money did not get to the scientists?

It seemed to me that the money was not getting down to the people who were doing the job. What happened there?

Mr. GOLDIN. First let me say that the Russian Space Agency is not like NASA. The companies, they own interest in the companies that they do business with. It is not like they give them contracts.

I know that there are some people from Russian industry who came to America and said we are not getting the money. That is where it came from. I know some of those gentlemen. Some of those gentlemen would love to get their hands on the money and we, NASA, are not interested in giving the money to those gentlemen because those gentlemen have not demonstrated the commitment we would like to see.

I think that is where it came from. There was a lot of self-interest of Russian corporations coming to America——

Senator MIKULSKI. I think I need a shot of vodka right now. [Laughter.]

Mr. GOLDIN. They'd come and they'd talk to members of Congress. They'd make statements that they cannot defend.

We were not pleased with some of the things they said because we did not agree with them.

Senator BOND. I might just ask, has the Inspector General looked at any of these things? Have you had any comments on this?

Ms. GROSS. We originally were looking at the monies following from the Johnson Space Center and how they would do it. But we do not have access rights into Russia. I am very interested to hear about these access rights because I do want to follow up on what access rights they are and who has them. I hope it is the Inspector General, among others, that has those rights.

Our exposure to that came more in the MIR setting, where we did a series of reviews, for the MIR. Part of the problem we had which impacted on the safety of the MIR missions for Americans had to do with payments by the Russian Government to its employees, or the RSA to its employees.

The issue was not so much about the American money, but it was more that the Russian Government was not keeping its commitments.

Senator BOND. Okay.

Mr. GOLDIN. What I am trying to say is with the money that we send, we track the goods and services we buy. I have the same problem that the Inspector General has, and I plan to discuss that with the delegation coming, that the Russian Government keeps

saying it is going to pay their people and then they don't pay their people. That has an impact on 16 countries that are working on the Station. That, in my mind, is the problem. The Russian employees of the Russian Space Agency and their contractors do not get paid at times. That is the issue. It is not American money—NASA money, I should say. There are other issues, but with the NASA money, we try to track it to the best of our ability so that we are sure we get value for it.

It is the Russian money that is not coming and it is this Russian money not coming that is creating the problems that we have.

Senator BOND. Senator Mikulski.

MEETING WITH PRIMAKOV

Senator MIKULSKI. This, then, takes me to another issue. I think the chairman has pursued this to the extent that we can do it here.

The meeting with Primakov is when, Dr. Goldin?

Mr. GOLDIN. It's next week.

Senator MIKULSKI. I would like to ask if you think appropriate in this setting what you intend to press at the meeting. Number two, I have another question related to the proliferation issue and what I would like to recommend that we press.

Mr. GOLDIN. The details of the discussion I think might be inappropriate, but as for the general concern, we have one specific concern. For the last few years, the Duma appropriates a budget for the Russian Space Agency and that budget does not get passed down in full value to the Russian Space Agency. When it does get passed down, it comes a half-year to 9 months late. It is very difficult for my counterpart in Russia to do adequate planning. That is the single biggest problem we have.

Senator MIKULSKI. So, therefore, the issue is not our money getting to the Space Agency, it is the question of their money getting to their Space Agency?

Mr. GOLDIN. That is what has caused all the problems, and caused us to undertake contingency plans. In this year's budget, the Administration has programmed $600 million to spend in America to get contingencies against the Russians not performing.

The issue comes back to the Russian Government appropriating money and not having it passed on to the Russian Space Agency. That is our single biggest concern.

Senator MIKULSKI. What I am going to suggest is that the chairman and I write a joint letter to Vice President Gore to show a spirit of bipartisanship, asking that this also be pressed at the meeting so that it is clear that we are interested in essentially a partisan-free zone for you to also be further empowered to press this. I think it has very significant questions.

Let me now, therefore, then go to the proliferation.

Mr. GOLDIN. Before you come to proliferation, there is one point I again want to make which is a very important one. Every time the Russian Space Agency gets the resources, they have performed superbly.

Senator MIKULSKI. We understand that.

Mr. GOLDIN. They have the ability to do it. It is the government not supporting their own space program that is the problem.

RUSSIAN PROLIFERATION ACTIVITIES

Senator MIKULSKI. In January, the State Department sanctioned three more Russian entities for sending technology to Iran. I don't know if any of those entities are directly or indirectly involved in the Space Station endeavor. I find Mr. Primakov a very fascinating individual. He could be a very important personality in terms of our larger foreign policy, both in Iran and Iraq.

As a former KGB agent of the Eastern region, he, therefore, knows the leaders of those countries intimately—up close, and personal. He has then recycled himself through Gorbachev, Yeltsin, after and around Yeltsin and back to Yeltsin, and I believe he is a significant figure in Russian and global policy.

Therefore, are we going to be talking with Mr. Primakov at this meeting about enlisting their support—one, to make sure the Russians themselves are not participating in this proliferation, and, two, to get some assistance perhaps in these very troublesome areas of Iran and Iraq?

Mr. GOLDIN. We, NASA, are a civil space agency, and it is crucial for us that we work with other space agencies in other countries that abide by the rules of nonproliferation of weapons of mass destruction.

Senator MIKULSKI. That is why we went to Russia in the first place.

Mr. GOLDIN. It is.

Senator MIKULSKI. It's better for them to work with us on the Space Station than to be working with Iran or such countries.

Mr. GOLDIN. We constantly consult with the foreign community.

Senator MIKULSKI. Is this going to come up as part of the NASA deal? I mean, this was part of the NASA deal.

Mr. GOLDIN. We rely on the foreign affairs community within the government to advise us on what we should do. We await direction from the administration and the foreign service activity within that administration to give us guidance in this area.

Senator MIKULSKI. Then let me ask this question. The State Department sanctioned three more Russian entities for sending technology to Iran. Were those entities directly or indirectly involved with the space cooperation with the United States?

Mr. GOLDIN. To the best of my knowledge, none of those institutions was involved in NASA activity.

Senator MIKULSKI. Has NASA, as part of a civilian agency, been involved with the State Department, essentially been an advisor to the State Department, on how perhaps to help deal with the Russian proliferation activities?

Mr. GOLDIN. First, we always cooperate with the State Department.

Senator MIKULSKI. Cooperation is one thing. Being an advisor is another.

Mr. GOLDIN. We can't advise on proliferation. That is not our area. But we certainly can advise on the things we do and the fact that we cannot operate with agencies that are in this area.

I want to point out something. Every time I meet with Koptec, every time I meet with the Russian Ambassador, every time I meet

with a senior official of the Russian Government I tell them the following: NASA is a civil space agency.

Senator MIKULSKI. I appreciate all that. But the fact is that NASA is a civil space agency, but we are involved in a great deal of international effort. And for part of our international effort, one was a way of allies to participate in bold scientific endeavors. The other was to involve the Russians.

So these are not exactly sharp distinctions.

You—meaning NASA—have a great deal of experience because what does spread proliferation but the ability to launch. This is why we are having meetings today on China. This is why we are going to be having other meetings. It goes to the fact that other countries now have the capacity to launch.

We don't know what got leaked to China. We don't know what Russia is selling. At the same time, of course, presumably we do know—or I hope we know.

My question is because of your capacity, are you involved in being an advisor on how we can help the Russians stay between the white lines and not proliferate?

Mr. GOLDIN. I communicate with the highest levels of the foreign affairs community in this country.

Senator MIKULSKI. I don't know what that means. Are you talking about Secretary Albright? I mean, I go to the Baltimore community. That's different, between being at Jimmy's Diner and the Mayor.

Mr. GOLDIN. My staff attends all appropriate meetings that take place on the subject.

Senator MIKULSKI. Are we in a situation where in this conversation you don't want to be specific for reasons that are not cranking with the question?

Mr. GOLDIN. There are things I do not feel comfortable saying in this open environment that would be a problem.

Senator MIKULSKI. Then that is a better way than me to continue to try to pressure you.

My time is up. I have other questions, but I would return now to the chairman.

COMMERCIALIZING THE SPACE STATION

Senator BOND. I would want to open up another area—commercialization of space or commercializing the Space Station. That all sounds really great. But I am not sure everybody knows exactly what we mean.

When you talk about it as head of NASA, you talk about the commercial use of the Space Station or turning the keys over to the private sector.

Can you give us a sort of explanation of what you expect would happen and when it would happen?

Mr. GOLDIN. First, when I talk about commercialization, I don't talk about people who provide commercial services where NASA is the only customer. There are some entrepreneurs who do not understand that concept. It is not commercialization if NASA is the only customer.

We are interested in people who want to commercialize space where NASA is one of a multiplicity of customers and the overhead can then be amortized across a broader base.

There are people who come to me and say Mr. Goldin, all I need is the first $100 million. Then I could send robots and astronauts to the moon. That is not commercialization because the first money ought to come from the commercial sector.

We are now looking at running a competition for nongovernment organizations to run the utilization of the utilization of the Space Station. We, NASA, would then work with that organization to purchase some of the utilization time. We would like to do that so there could be a broad base of companies spending money in addition to NASA. We don't know how successful that would be, but that is our first attempt on the Space Station. We are preparing the documents now. We are talking to the community about that subject. Our intent is that commercial activity be real commercial activity and not shuffling of Uncle Same's money from one pocket to another.

Senator BOND. I guess I am still not clear. I understand better what it is not. To what extent do you see commercial operations taking over and supplanting the efforts which this committee funds to assure space exploration?

Is there an extent to which some of your tasks now being performed with money that we appropriate to you will be performed by, more and more by the commercial sector on the basis of the profit potential that those would entail?

Mr. GOLDIN. We have set a goal of 30 percent for commercial usage of the utilization time on the Space Station and have indicated that, if there are more commercial pressures, we would cut back on our government time up to 50 percent or more.

I do not anticipate that that activity will kick in in less than 5 years. And then, once the Space Station is up and operating and once we could establish user costs and user fees, and schedule it, we will then be in a better condition. So for the next 5 years we don't see it.

However, right now, there are about $45 million a year of commercial money going into utilization of activities that could be put on the Space Station. That is a far cry from the 30 percent I am talking about of the total utilization of the Space Station.

Senator BOND. I could assume that if the private sector were paying 35 percent, or were taking 30 percent of the utilization, they would pay their allocable share of that particular operation?

Mr. GOLDIN. I would hope so. Right now, I don't think we will have problems with the utilization of the Space Station. The biggest problem we will have is getting the costs of access to the Space Station down. I think that is the single biggest deterrent to commercial utilization of the Space Station.

It is $10,000 a pound to get up there and that is a very stiff fee. Toward this end, we are working with a number of different launch vehicle suppliers to see if they could get lower cost access to that Space Station, which would then make it more commercially viable for people to use it.

SPACE STATION COMPLETION

Senator BOND. What is your current expected schedule for completion of the Space Station? How much slippage in both the schedule and the cost do you expect?

Are you comfortable with the numbers you can give us now?

Mr. GOLDIN. Well, I will tell you that we are keeping a very tight schedule because one of the other lessons we find is whenever we put in too much schedule reserve, it gets used up by our NASA employees and industrial partners and contractors. So we are holding a very tight schedule which says completion of development will occur in September of 2003. That is when we will put 6 people on board the International Space Station.

We have a 1 year assessment of how much slippage could occur. This is in rough agreement with the Chabrow report. So our best assessment today is we could slip about another year beyond that. That is the best knowledge we have at this point in time.

Senator BOND. What about costs?

Mr. GOLDIN. By the way, there is one other point. Assembly completion, which would be when we brought the habitation module up, and the centrifuge facility would be July, 2004. If you put that 1 year slip, it would take it to a year later.

The best estimate of development complete is $22.1 billion to $23.7 billion, and the assembly complete is $23.4 billion to $25.3 billion. Those are the best estimates we have to date of those numbers.

SPACE STATION OPERATION COST

Senator BOND. What about the operation costs after it is completed?

Mr. GOLDIN. The operation cost is estimated to be $1.3 billion a year. And it is in 5 to 10 years from now that we hope to get commercial utilization of that Space Station. But it is not 100 percent of that. Our initial goal is 30 percent of that. That hinges on the ability to bring down the access costs to getting up there.

UPGRADES TO THE SHUTTLE OR REUSABLE LAUNCH VEHICLES

Senator BOND. I have a number of questions that we are going to submit for the record. There is one last one that I want to discuss here because it is of interest to me, as well as are all these others.

You at one point said you would make a decision by the end of the decade on whether to make a major upgrade to the Space Shuttle or to rely on the private sector to build a new, Reusable Launch Vehicle, like the Venture Star. Where are we on that timeframe? What is the status? What are you seeing? What do you project?

Mr. GOLDIN. As part of the 2001 budget process, we will have a firm position on it. Where do we stand now? When we started the Reusable Launch Vehicle Program, the leaders of the corporations working with us were very optimistic. They thought that by 2000 they would be ready to reduce the technical risk of developing that system and go commercial.

We now have been at it with two different companies, two different vehicles, and we think it is much tougher—we, NASA, and

the corporations. We also thought that if we flew successfully the X–33, that would retire enough of the risk.

When we talked to the financial community 3 and 4 years ago, before it was a reality there was a sense that that would be okay. We are hearing now that we will have to retire much more technical risk before the financial community is willing to take on the business risk. They don't want to take both of them on.

We think there is going to have to be some more technical risk reduction and that it will probably be another 3 to 4 years before we could really get at a hard decision. But in that, another wonderful thing is happening.

The people who have worked on the Shuttle for decades and felt no competition, and always handed us ever increasing cost estimates for making upgrades and making changes suddenly feel the heat of competition. I think this is wonderful. They are now acting, the USA Corporation is very serious, performing very well, and they are taking a look at upgrades that we could make to the Shuttle to keep it safe.

I also want to point out that we are spending a half billion dollars a year on Shuttle upgrades today and we have been continually improving the safety. We believe it will be very worthwhile over the next 2 to 4 years to continue upgrades to the shuttle—not multi-billion upgrades but upgrades measured in hundreds of millions of dollars, which are sensible things to do—and keep the spirit of competition going, keeping investment from the USA Corporation, from Lockheed-Martin and Boeing, in the different activities. I think the government will benefit from this.

In addition, there are new concepts coming to the marketplace and it gives other people an opportunity to compete.

So my sense is that we are going to conclude that we need another 2 to 4 years. Keep the competition going.

Senator BOND. How much are you going to be investing in the Shuttle in that period of time?

Mr. GOLDIN. Although the contractors might be interested in billions, we will be talking of hundreds of millions. Those hundreds of millions could do some very sensible things. Again, this has not been worked out with the administration, but I think some investments measured in hundreds of millions of dollars over a 3 to 4 year period could do some very significant safety upgrades to the Shuttle, very significant productivity upgrades to the Shuttle. It also keeps the competitive stress going.

But I do not think we should commit to a $5 billion or $10 billion liquid flyback booster at this time because we would then give one contractor an opportunity to think they have a sole source position and that would not be healthy for the agency or the country.

Senator BOND. Thank you very much, Dr. Goldin. I will submit the rest of my questions for the record.

Now I would like to turn to my ranking member for such time as she may require.

Y2K

Senator MIKULSKI. Thank you, Mr. Chairman. I know that we are in the final minutes before a very important vote.

First of all, Dr. Goldin, I would like to thank you and all of NASA on your hard work on the Y2K problem. Last year, when we had our appropriations hearing, GAO gave NASA a "D", which, given the fact that you were one of the leading technology agencies, was distressing.

I understand that that report now gives you a "B", which puts you far ahead of many of the other agencies. I know that was the result of a tremendous amount of determination and extra costs that the agency did. So I want to thank you for that.

Mr. GOLDIN. You helped inspire me, Senator.

Senator MIKULSKI. Oh, that makes me feel good, Dr. Goldin. [Laughter.]

HUBBLE FOLLOW-UP

There are two issues in writing that I would like to follow up on. One that we talked about was the follow-up on Hubble and the impact on other programs so that we have this information as we work on this—again, together with the administration and with you.

[The information follows:]

If NASA does not receive supplemental funding for the Hubble Servicing Mission 3A, the added mission will proceed as now planned and we will have to find the means to accommodate added requirements within our current funding level, most likely at the expense of other activities. We have not yet determined what would be cut to fund SM3A, but should that become a necessity, we will of course inform the committee in a timely manner. Consistent with Senate direction, we are preparing a comprehensive report regarding the HST accelerated servicing mission, which we hope to deliver on or about July 1.

SPACE HOPE INSTRUCTIONAL PROGRAM

Senator MIKULSKI. The other thing in writing is I note that there continues to be a program under discussion at Goddard called the Space Hope Instructional Program. That was to establish that information technology facility in Baltimore.

I still do not kind of know what it is, where it is, what does it mean. Does it mean dislocation of NASA employees and relocation? Could you give me in writing an actual description of the real program, not noble goals, in addition to noble goals. Also, number two is the impact on employees. In other words, I do not know where we are going with this, what the status of it is. Also, I understand it would involve possible relocation of Goddard employees to Baltimore. That often causes some rather cranky eruptions.

Mr. GOLDIN. I would be pleased to answer that for you.

Senator MIKULSKI. Thank you.

[The information follows:]

Background

NASA Goddard and its Maryland based contractor workforce face serious problems in attracting and retaining skilled Information Technology (IT) personnel. An analysis of this problem suggests an approach modeled after the very successful Focus Hope program in Detroit. This program includes elements similar to the recent and successful migration of space mission operations to Bowie State University as well as experience gained in the successful Minority University-Space Interdisciplinary Network Training Program. "Space Hope" would be a pilot information technology training program. The approach is to establish a broad public/private partnership with IT related businesses, academia and local community interests that draw upon the under utilized segment of our urban populations to address regional IT needs, as well as those of NASA. It offers core IT curricula instruction,

formulated by local industry partners, combined with on-the-job training in specific workforce skills. Baltimore, Maryland was identified as the pilot site because of its strong base of information related business, public/private sector interest, favorable community response, proximity to Goddard, and access to a trainable urban population with immediate employment needs.

Space Hope Status

Goddard initiated preliminary discussions with industry, civic and academic groups in the Baltimore area regarding the Space Hope concept and ultimately came into contact with the Greater Baltimore Alliance (GBA) which took an interest in coordinating a response to this problem. GBA identified various corporations in the Baltimore area as potential partners, who we understand are prepared to co-fund core curricula, fund their individual specialized training component, offer IT job placements and other support for such a training program. In addition, we believe an arrangement has been negotiated between GBA and one of our contractors to manage and implement the core instructional program. Goddard is evaluating implementation options and plans to make recommendations to NASA Headquarters.

Over the course of the past six months, Goddard Space Flight Center management has been preoccupied with an intensive activity to transition to the new Consolidated Space Operations Contract (CSOC). At the same time the Center has been dealing with several major on-orbit issues which caused Center management to review its overall strategy for mission operations, and to some degree reconsider aspects of the Space Hope program. However, Goddard management remains convinced that the Space Hope program could make a contribution to space operation needs, and therefore has started to refocus attention on this initiative. In the near future, Goddard plans to outline a definitive proposal that will serve as a basis for addressing this critical need in an affordable and sustainable manner.

Does it mean relocation for NASA employees?

Although we have not outlined a specific proposal for Space Hope, permanent relocation or reassignments are not contemplated.

FISCAL YEAR 2000 BUDGET FOR GODDARD SPACE FLIGHT CENTER

Senator MIKULSKI. Now let's go to the Goddard budget.

Goddard is scheduled to have $2.4 billion and at the same time it has been instructed to develop two new starts—Triana and the University Class Earth System Science Mission, or UNESS.

Mr. GOLDIN. UNESS.

Senator MIKULSKI. Could you tell me if the fiscal year 2000 budget is adequate now for Goddard to conduct its operations? Again, we have been concerned about the impact on the Space Station and others. Also, does your budget allow you to begin these new projects or not?

Mr. GOLDIN. Yes, it does, and, in fact, the enthusiasm is contagious at Goddard for some of these new programs. They are adequately funded and they can do these programs.

Senator MIKULSKI. Do you believe that to be so?

Mr. GOLDIN. I believe that to be so. But if there is a concern, I will be talking to the center director, Al Diaz, after this hearing, and if there are any concerns that he expresses to me, I will also let you know.

Ghassem, would you like to say something on this?

Dr. ASRAR. Yes, Senator.

On the first subject, Triana, this is a mission of fixed value, where we have $75 million. We competed that. Goddard is a partner and Scripps Institution of Oceanography is the lead institution for that. The budget for that is well laid out in our budget for 1999, 2000, 2001, and beyond.

The university class experiment that you referred to is a level of effort. We just started that. We have not actually announced it. We will announce it in the May timeframe.

We have not received the proposals yet.

Senator MIKULSKI. So it is just being developed?

Dr. ASRAR. It is in the stage of development, the early stage of development.

Senator MIKULSKI. Well, of course, we are very proud of Goddard and its Earth Science effort. We have been reading their outstanding work on the sun eruption issue. You know, with the Millennium coming, there is a lot of armageddon type fear in all kinds of categories.

So we look forward to hearing more about that. But, really, I think it goes to what Senator Bond was asking about, commercial activity, whether you talked about working with FEMA on flood mapping.

So much of what Goddard is doing—everybody sees the dazzling pictures of Hubble which are more than just pictures. There is real science information there and all of that.

But what I think is a message that we need to get out is, really, how the work of NASA is improving the day to day lives of the American people and even the world.

The more I read these reports I see what we could be doing in agriculture and flood prediction, helping agencies save money, and knowing that that could be value added. Once we have those maps, not only do they help local government, but this is a market for the private sector to buy and value add to for specific uses.

Senator BOND. Senator, if I may interrupt for just a minute, while we are worrying about armageddon, I am faced with a much more pressing problem. The Budget Committee is in markup and there is scheduled a series of votes.

Senator MIKULSKI. Why don't you go and permit me to finish up with my question.

Senator BOND. I am pleased to present you with the gavel.

Senator MIKULSKI. I will view this for now as just a loan. [Laughter.]

Senator BOND. It's a loan. You know, Rush Limbaugh has a brain on loan from God; you have a gavel just on loan from the Appropriations Committee.

Dr. Goldin and associates, thank you very much. If you all will excuse me, I am off to defend against some kind of evils, I know not yet what. [Laughter.]

Senator MIKULSKI [presiding]. Okay. We will be there. I am sure that we will have a full court press knowledge about this next week. The budget comes up next week and, as you know, this is why we are going into some of these issues.

When I was in the House, we helped do new product development in the Great Lakes area in terms of mapping and scientific information. The private sector then value added to that in very specific niche markets for maritime and other use.

What we are hoping is that even this information or knowledge that is being developed would be the same. I just see that in the flood mapping this would be an incredible endeavor. What we are trying to do with FEMA is to identify the areas that are so prone

to disaster that we essentially buy them out now. In some instances we have gone in and rehabilitated 12 times. You see?

That is where we see this work going.

Let me conclude my questions.

Mr. GOLDIN. May I give you a substantiation of what you have just said? In 1992, there was a $750 million a year remote sensing business. As a result of the technologies developed by NASA-Goddard and used by the value added sector, that industry is now $2 billion a year. It is projected to be $4 billion a year by 2005 and $10 billion a year by 2010.

That technology from Goddard in and of itself could be paying for two-thirds of the NASA budget.

SOLAR STEREO MISSION

Senator MIKULSKI. Personally, that is great to hear. In fact, it's fantastic to hear.

One of the reasons I chose to be on this subcommittee and why I am always so eager to hear what NASA is doing is it really does look at and has implications for the day to day needs of our own people, people of the world, and the long-range needs of our planet. So let me conclude with this.

I would like you to tell me what do we now know about the sun surges, or whatever the scientific term is? I want to know how NASA is going to celebrate the Millennium and what are you doing New Year's Eve? [Laughter.]

I know that James Lee Witt is at the Disaster Center, Shalala intends to be at HCFA to show Medicare is going out, so why don't you tell us about these sun surges and NASA's plans, as we turn the century mark, for how it intends to celebrate it. Then I want to know where you are going to be New Year's Eve.

This is not an invitation to come to a party, now. [Laughter.]

But if NASA is having one, it would probably be one of the best around—but not more fun than James Lee Witt's, I might add.

Mr. GOLDIN. I think it could be.

First, with regard to the sun, we have made some incredible discoveries about these coronal mass ejections which have a huge impact on things here on Earth. It disrupts power systems, it disrupts satellites, it creates all sorts of problems for space travelers.

We will be able to do a better job in protecting the health and safety of our astronauts by having a much earlier anticipation of when these events could occur.

The breakthrough in solar terrestrial physics in the last 6 months has been nothing short of breathtaking. There are a number of new programs which you have supported that will take it to the next step.

The Solar Stereo Mission is going to give us three dimensional images of these phenomena which will lead even to further understanding and benefit of how our sun works and how it affects our Earth. We thank you for the support for doing that.

Senator MIKULSKI. Will, through your work at NASA, we be able to give more predictive dates of when these surges or eruptions will occur?

Mr. GOLDIN. That is our intention. Now we have tens of minutes to an hours worth of anticipation and we hope to make that per-

haps a day or two. This would really give people time to plan. But I think that is a few years off in the science now.

NASA—THE MILLENNIUM

With regard to NASA, for the Millennium, we intend to give this Nation 15 additional payloads on orbit. In the last 25 years, we have never launched that many spacecraft. It is an unbelievable task that we have ahead of us this year. I think half of them are going to come from your center, at NASA-Goddard. It is an unbelievable task we are facing, but the NASA team is up to it.

As for myself, my wife and I are debating if we should go up to a mountain or should we go to New York City. We have not resolved that debate. I lean toward New York City.

Senator MIKULSKI. Well, New York City sometimes goes into orbit. [Laughter.]

Mr. GOLDIN. And you're welcome to come with us, Senator.

RANKING MINORITY CLOSING REMARKS

Senator MIKULSKI. Actually, I think I am going to be in Baltimore at a program called the Visionary Arts Museum, where there will be whole Millennium turn. It's right across from the sign center. I am going to be at a place that is visionary, scientific, futuristic.

This old century has brought us incredible scientific discovery. Some have created mass weapons of destruction. Then, at the same time, we have created massive, new scientific information that has saved lives and saved communities, and NASA has been part of it.

ADDITIONAL COMMITTEE QUESTIONS

We thank you for this hearing. We know that there will be a lot of homework to do between now and the appropriations. I wish you to thank all the people at NASA for helping bring us a long way on many of the issues at this time.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR BOND

SETTING NATIONAL SPACE GOALS—NASA'S MISSION

Question. Mr. Goldin, how do we as a nation set goals for the civilian space program? Does NASA develop a set of plans and then try to get approval from the White House and Congress, or does the White House set the plans, tell NASA what to do, and then you both try to get approval from Congress? How does that process happen?

For example, after the completion of the International Space Station, what do you expect the next major manned mission to be? Has this been discussed within NASA and what is the decision-making process for such a mission? In addition, is NASA looking at manned flights to Mars or the establishment of a manned base on Mars or the Moon. If so, have you looked at budgeting issues?

Answer. The sequence by which the Nation's goals in space are defined can vary, but consistently occurs within the framework of the Constitutional relationship between the Congress and the White House. The foundation of any goals enunciated by NASA and the White House is contained in U.S. law—the National Aeronautics and Space Act of 1958 (as amended, or "The Space Act") is the starting point. The Congress may pass other laws that might limit or stimulate the consideration of goals above and beyond what is already indicated by "The Space Act."

The White House periodically issues a National Space Policy, which is likely to elaborate on Congressional direction but may also reflect White House initiatives, and normally addresses policy for military and intelligence, as well as civilian, activities in space. The last four presidential administrations have each issued National Space Policy directives. These directives have been fairly consistent in their basic objectives and approaches toward reaching those objectives.

Within the legislative and policy framework, planning for the future of the U.S. civilian space program is, in almost all cases, done by NASA, in consultation with space program stakeholders, including the science communities, industry, other Federal agencies, and our international partners. NASA then seeks approval for its plans from the Administration. As the White House approves plans, NASA and the Administration then seek approval from the Congress. Both in current practice, and historically, this has been the way space program planning has been done in the great preponderance of cases. Occasionally, a US Presidential Administration or members of Congress will propose plans directly to NASA. In cases where this comes as a suggestion, NASA will investigate incorporation of the specific idea into current plans, and will either adopt, modify, or reject the proposal. In cases where an Administration or Congressional proposal comes in the form of a directive or a mandate, NASA then develops implementation plans to correspond with the directive, adjusting other plans and reallocating resources as necessary.

With the advent of the Government Performance Requirements Act and the establishment of an agency Strategic Plan, the processes described above have become more codified. NASA has used its strategic planning processes to establish a series of goals over a 25-year time frame, documenting them in the NASA Strategic Plan. In most cases, the goals and objectives for long-term time-frames are less specific then those in near-term time-frames. The Agency's strategic roadmaps provide a general framework within which the Agency can develop a greater level of planning detail for the out-years as current accomplishments, technology developments, and resource availability issues resolve themselves in the current time-frame.

NASA's Strategic Plan currently identifies "Conduct human missions to planetary and other bodies in our solar system" as a goal of the Human Exploration and Development of Space Enterprise in the 2010 to 2023 timeframe, following achievement of the Agency goals that will be met by the International Space Station. The specifics of what type of missions would best fulfill this long-term goal have not been determined. NASA has, of course, had multiple study efforts over the years that have examined the possibility of a human mission to Mars. NASA continues to study such possibilities, and we are also attempting to further improve our long-range planning efforts across the board. However, none of these preliminary study efforts has reached the point were specific budget considerations could be considered, except in as much as the Agency has conducted such efforts in recent years with a particular focus on ways to achieve various missions at low cost.

NATIONAL SPACE COUNCIL

Question. Mr. Goldin, when you first became head of NASA, there was a National Space Council at the White House to coordinate military, civil and commercial space policy. The Clinton Administration hasn't used that structure. Was the making of national space policy better or worse when the Space Council mechanism was used? Would you recommend that the Space Council be restored?

Answer. While the Clinton Administration has chosen to address space policy matters within the framework of a National Science and Technology Council rather than a National Space Council, it is not apparent that "the making of national space policy" is "better or worse" for it. Certainly the making of National policy in any arena is improved by the extent to which it responds to the entire National policy agenda, rather than asserting only the policy claims of special interest groups—however meritorious those claims.

There is very little that NASA does that does not have ramifications for many dimensions of the Nation's current well-being and its future. For example, the civil space program draws from, and contributes to, the vitality of our industries; the education and capabilities of our workforce; and the visionary aspirations of our citizens, young and old alike. Executive Branch discussions of space policy issues that occur within the framework of the National Science and Technology Council are more likely to reflect these and other dimensions. If I were to draw any distinction between the significance of the two Councils, it might be one of emphasis, but it is impossible to say whether one produced "better" or "worse" policy. The ultimate test of any policy is whether it served its ultimate objectives, and that judgment can only be made "in the long run," with all the benefits of hindsight.

MISSION DECISIONS

Question. What are the procedures by which missions are selected and budgets for those missions determined. Please provide a step-by-step overview of this process, including oversight review. Also, please provide a summary of the yearly review and oversight procedures for missions that are selected and budgeted.

Answer. The NASA Strategic Plan identifies the goals of each of the Enterprises and provides specific objectives for the near, mid and far term. Science missions aligned with these objectives are defined within the scope of the budget allocated to each Enterprise. Announcements of opportunity or similar announcements such as NASA research announcements that are provided to the science community and responses are peer reviewed to select the highest quality science instruments and investigations that can be accomplished within cost and schedule constraints. For major programs, oversight responsibilities are retained at NASA Headquarters. For those programs, an independent assessment is conducted by the Independent Program Assessment Office (IPAO) prior to Agency approval of the program. Agency approval must be granted prior to program transition from formulation into implementation.

During program implementation, oversight for major programs is executed by the NASA Program Management Council. In addition to receiving regular status reviews, the NASA Program Management Council also receives the report of an Independent Annual Review (IAR) team. The IPAO also executes the IARs. The IAR team reviews the status of the technical progress, the schedule, and costs to verify that the program is meeting its commitments. If cost and schedule thresholds are at risk, a Termination Review may be required to facilitate the Agency deliberations on terminating, rescoping, or continuing the program.

For projects or smaller missions, the responsibility for approval and oversight may be delegated to a Lead Center. The Lead Center will also utilize an independent assessment to inform their deliberations prior to approval of the project. Ongoing oversight will also be delegated to the Lead Center's Governing Program Management Council.

NATIONAL ACADEMY OF SCIENCES

Question. What role does the National Academy of Science play in setting goals and objectives for NASA? For example, how closely do you follow its recommendations on what space science programs to pursue?

Answer. NASA's science programs solicit National Research Council (NRC) guidance on scientific goals for their flight and ground research programs, generally on a decennial basis. During the past five years, the Office of Space Science has requested and received research strategy documents from the NRC's Space Studies Board on planetary exploration, solar and space physics, and astrophysics. In addition, every ten years the NRC prepares an integrated discipline-wide survey of priorities for astronomical research supported across the federal government. These products, based on research community consensus processes external to NASA, provide valuable guidance to OSS management in prioritizing missions and programs. NASA follows this research guidance where possible, subject to constraints of cost, technology, available infrastructure, risk, program balance, and national policy.

FULL COST ACCOUNTING

Question. What is the status of NASA's efforts to implement full cost accounting?

Answer. NASA continues to progress toward implementation of full cost management, budget and accounting practices. NASA's full cost initiative focuses on improved mission and administrative cost efficiencies by integrating full cost information into all key agency practices. During the past few years, NASA tested key full cost concepts, trained key staff, simulated full cost management practices, estimated and reported basic full cost information to external oversight authorities, developed full cost budget estimates and initiated full cost management activities at key Centers. NASA plans to continue to integrate key full cost practices into agency operations during the next few years. NASA plans to implement all full cost practices in conjunction with the implementation of its new standard integrated financial management (IFM) system in the next several years.

The overall objective of NASA's full cost initiative is to improve the way NASA achieves its mission by implementing new, improved management, budgeting, and accounting policies, practices, and procedures. In its simplest terms, the concept of full cost ties all Agency costs (including Civil Service personnel costs) to major activities. All costs must be associated with an activity, commonly referred to as a cost objective. Based on experience gained in earlier stages of the full cost initiative,

NASA plans to use "projects" as cost objectives for managing, budgeting, and accounting. In contrast to the current approach in which Civil Service personnel costs and certain other costs of an institutional nature are not tied to projects, under the full cost approach all costs will be associated with projects.

NASA has made significant progress in developing, testing and initiating full cost practices into agency operations during the past few years. NASA tested key full cost concepts at its Centers. NASA trained key staff on full cost practices. NASA simulated full cost management practices at the Center and agency levels. NASA successfully applied analytical accounting techniques and reported basic full cost information to external oversight authorities. NASA developed full cost budget estimates and used key indicators for internal budget deliberations. In addition, NASA initiated full cost management activities at key Centers.

NASA's full cost initiative integrates a phased development and introduction of full cost practices in conjunction with NASA's new, standard integrated financial management (IFM) system. NASA plans to continue to use cost finding techniques and to pursue related interim full cost practice improvements. In addition, NASA plans to operate all full cost practices in conjunction with the implementation of its planned new IFM system implementation during the coming years.

Question. What are the five most critical issues that face NASA in implementing full cost accounting and how has NASA addressed these issues?

Answer. NASA faces a variety of significant issues in implementing the full cost initiative. These issues include (1) restructuring NASA's appropriations, (2) implementing required financial system capabilities, (3) training on management in a full cost environment, (4) applying new cost accounting principles in the NASA environment, and (5) obtaining and integrating agency "buy-in". NASA continues to pursue the effective resolution of these issues.

Appropriations Restructure

NASA requires certain restructuring of its appropriations and related oversight to optimize the benefits of it full cost initiative. The integration and synergy of changes in each area (management, budgeting, and accounting) are critical to the strength and benefits of NASA's full cost practices.

Full-cost accounting by itself, over time, would likely lead to gradual budget and management improvements. However, concurrent changes to full cost practices in the accounting, budgeting, and management areas can be expected to ensure that NASA optimizes improvements in each area, as soon as possible. To this end, NASA has pursued key budget changes as part of the full cost initiative. Furthermore, certain legislative provisions are being pursued to ensure that NASA achieves all of the key benefits of its full-cost practices, while NASA retains its long-standing ability to appropriately and efficiently assign/reassign its staff to achieve mission requirements.

As part of its fiscal year 2000 budget request NASA proposed that following language which was adopted by the House of Representatives and is under consideration by the Senate:

> NASA shall develop a revised appropriation account structure for submission in fiscal year 2001 budget request consisting of the "Human Space Flight" account; the "Science, Aeronautics, and Technology" account; and the "Office of Inspector General" account. The accounts shall each include the planned full costs (direct and indirect costs) of NASA's related activities and allow NASA to shift civil service salaries, benefits and support among accounts, as required, for the safe, timely, and successful accomplishment of NASA missions.

The eventual enactment of such appropriation language is critical to optimal full cost benefits.

Supporting Financial System Capabilities

The effective and efficient implementation of the full cost initiative in NASA requires key management system capabilities. NASA's current financial systems are out-dated, are not standardized, and lack cost accounting capabilities. Without such capabilities, detailed cost accounting support becomes extremely labor intensive. Such labor is not, and is not expected to be available.

While certain after-the-fact cost finding techniques can be used to establish a minimal level of cost accounting capability for analytical purposes, such techniques cannot support NASA full-cost accounting, budgeting, and management in an operational setting. As a consequence, NASA has determined that the timely and efficient implementation of full-cost management in NASA requires new standard system capabilities. As noted above, NASA is currently implementing a new standard

IFM system that is expected to support completely full cost management, budgeting, and accounting through the timely production of consistent cost information. Because Agency-wide implementation of the IFM system is a lengthy process, NASA is also developing a strategy to pursue certain full cost practices, to the extent practical, without the new system with the expectation that the system will follow shortly thereafter, thereby supporting optimal long-term practices.

Training

Training in full cost management, budgeting, and accounting across NASA is required to achieve the key mission and administrative benefits envisioned under the full cost initiative. Technical training in budgeting and accounting is to be provided to financial/resource personnel. Further, training in managing on a full cost basis is needed, particularly for program and project managers.

To meet these needs, NASA has:

—Developed and maintained a written full cost initiative implementation guide that is available to all NASA staff;

—Held full cost briefings for all Headquarters and Center staff;

—Conducted exercises involving (1) re-casts of budgets into a full-cost basis and (2) development of estimates of the costs of program and projects on a full-cost basis, using cost finding techniques;

—Conducted an Agency-wide full cost management simulation exercise, focusing on the organizational structures and processes used to implement full cost practices.

Further, NASA will continue to include full cost practices as a part of all program and project management training and include full cost budgeting and accounting as part of the training segment of the IFM system implementation.

Applying Cost Accounting Principles within the NASA Environment

The basic concept of full costing is typically associated with the private sector and the economic imperative that mandates that all costs must be recovered to ensure economic survival. As such, the traditional accounting discussion of "absorption" or "full costing" typically focused on manufacturing operations and related product costing. In that regard, the approach involved accounting for the direct material and direct labor costs related to manufacturing a product and involved assigning a share of other indirect costs, such as maintenance, data processing, security, and general office costs, to the product. In this context, the cost objective was the product.

While the private sector has a long history of activity in the cost accounting area, the Federal government's involvement only recently has evolved and been refined. In response to significant financial management legislation in recent years, a wide variety of concepts, techniques, and approaches have evolved. The challenge NASA faced was to adapt this emerging body of new Federal cost accounting knowledge to the NASA environment.

The NASA full-concept integrates several fundamental accounting, budgeting, and management improvements. The planned improvements include accounting for all NASA costs as direct costs, service costs, or general and administrative (G&A) costs, budgeting for all appropriate program/project ("project") costs, and managing such "project" costs from a full cost perspective. The term "project" is used to represent NASA's final cost objective.

Briefly stated, (1) direct costs are costs that can be obviously and/or physically linked to a particular project, (2) service costs are costs that cannot always be initially, readily and/or immediately linked to a project, but subsequently can be traced to a project (optimally based on service consumption) and (3) G&A costs are support costs that cannot be linked to a specific project in an economical manner. Such costs are typically allocated to cost objectives (or projects) on a reasonable, consistent manner.

All costs will continue to be controlled and managed within NASA. Under full-cost management, however, project managers (with the most direct mission responsibility and most intimate project knowledge) are expected to continue to control direct costs but are also expected to have greater influence over service costs and appropriate awareness of G&A costs. Project management control/influence is not unconstrained. At the same time, NASA Enterprise and Center management are expected to continue to guide expenditures related to Center capabilities consistent with strategic imperatives.

The introduction and integration of the basic private sector "absorption" practices has been a particular challenge in a government research and development (R&D) environment. NASA is addressing this challenge by adopting the private sector practices and continuing to train, test, modify and integrate applicable full cost practices into agency activities.

An additional challenge concerns comparisons of project cost estimates and actual costs at different time intervals. If a project were budgeted and funded using the customary NASA basis and subsequently were accounted for on a full cost basis, there would be a need to restate the original budgeted amounts into a full cost baseline in order to facilitate accurate comparisons. The conversion process will require careful estimates and approximations in order to support budget to actual cost comparisons.

Need for Broad-Scale Participation

In the development of the full cost initiative, an important issue was striking an appropriate balance between (1) broad-scale participation of NASA management in concept formulation, testing, and implementation and (2) efficient mechanisms for concept development, prototyping, testing, and implementation. Participation is vital to achieving "buy-in" at all levels; efficiency is needed to achieve timely accomplishments.

The approach developed involved an organizational structure geared to the specific tasks at hand. When tasks were completed, the organizational structure was disbanded. To illustrate, the following organizational structure was used to support the Agency-wide testing of the full cost initiative:

—Steering Group, composed of Senior Executives from representative Headquarters organizations and Centers;

—Policy Group, consisting of representatives of all Headquarters organizations and Centers (the Steering Group and Policy Group were basically the same groups that provided oversight during the concept and prototyping phases);

—Implementation Oversight Group, composed of all Center Chief Financial Officers (CFO's) and representatives from the agency Enterprises;

—Issue Teams, ad hoc groups established to develop solutions to identified issues.

Upon completion of Agency-wide testing, the groups were disbanded. In the current implementation stage, NASA managers are expected to implement the full cost initiative within their areas of responsibility. In addition, key operational matters are being addressed through related Integrated Financial Management (IFM) system working groups and committees. Ongoing oversight is provided through existing agency communication mechanisms, including the agency CFO Council.

SPACE STATION

ISS OVERRUNS

Question. The estimated cost of the International Space Station (ISS) has grown from $17.4 billion too more than $23.4 billion. Why has the ISS program encountered such a large overrun—$6 billion to $8,3 billion depending on that of your current estimates are correct?

Answer. The growth in the ISS cost projections through the completion of assembly have increased for several reasons:

—Lengthened assembly launch schedule,

—Addition of new scope,

—Contractor overruns,

—Make-work changes, and

—Maintaining sufficient reserves.

Although the first element launch (FEL) was delayed only 8 months since the fiscal year 1994 budget (Mar–98 to Nov–98), the assembly sequence has stretched out 29 months. Assembly complete has shifted from Jun–02 to Nov–04 with the recently rebaselined assembly sequence (Rev-E). Although the lengthened assembly launch schedule has generally not caused increases in annual funding, it has resulted in planned operations and research funding for the lengthened time frame.

Much of the additional scope has been added to implement contingency plans related to potential Russian shortfalls. Both the ICM and a U.S. propulsion capability have been initiated as part of NASA's contingency plan. A U.S. developed crew return vehicle (CRV) was added when analysis indicated that the Russian Soyuz would not meet the emergency return requirements for the 7-person crew planned for the duration of the station's operations period. The addition of the U.S. CRV is estimated to increase funding about $1 billion through fiscal year 2004.

Overruns by the prime contractor have also contributed to overall cost growth. Boeing's current overrun estimate at completion is $986 million.

Make-work changes, including impacts driven by accommodation of the Russian segment, have also contributed to the projected growth. To the extent that all these changes depleted reserves to a low level, NASA has increased funding estimates to ensure sufficient reserves.

Question. In what specific areas did NASA underestimate the cost and why did the underestimates occur?

Answer. The stretch-out of the assembly sequence has not contributed to increases in annual funding, but the impact runout cost is estimated to result in about $3 billion of the projected cost growth included in the fiscal year 2000 budget estimates. The schedule delays affect operations and research activities already planned and estimated at a level of approximately $115 million per month. Extension of the assembly sequence into this operations and research period is calculated by multiplying the months of schedule slip by the average monthly costs. This results in a total cost for the delay of assembly complete of $3.3 billion for the full 29 months.

NASA is committed to minimizing the impact of the schedule problems and limiting program cost growth, while maintaining the integrity and robustness of the vehicle for the research opportunities it will provide for many years to come. U.S. hardware is being held to earlier delivery dates to avoid excessive contractor costs, while providing for increased integration, verification and testing activities to enhance performance on orbit. All hardware and schedules, both U.S. and partners', are closely monitored so that the agency can continue to plan and manage the program in an efficient and effective manner.

The contingency planning activities have increased the ISS annual funding levels. The implementation of contingency plans, while increasing annual funding levels, provides critical backup, and possible replacement capabilities, to Russian provided hardware. NASA has been proactive in contingency planning activities aimed at mitigating the potential loss of Russian-provided capabilities, including the initiation of development of U.S. propulsion capability. The acquisition of the Interim Control Module, development of a propulsion module, orbiter fuel interconnect modifications, and additional logistics carriers, and procurement of Russian goods and services, enhance U.S. segment autonomy and help maintain the assembly schedule. Funded within the Space Station account as part of the Russian Program Assurance (RPA) effort, these activities have increased the Space Station annual funding requirements by about $1.2 billion between fiscal year 1997–2004.

The current estimate of overrun for the prime contract is $986 million. Over 82 percent of the Prime development contract has already been completed and this is clearly exhibited by the quantity of flight hardware already delivered. This level of completion is resulting in a continued drop off in the development effort work force. Prime Contractor staffing levels are decreasing, with over 2000 employees having transitioned off the Program from peak development levels in fiscal year 1997. Still, the Program continues to be very concerned with Prime contractor cost management and we have budgeted reserves accordingly, having also initiated an internal review of cost management issues and concerns. We expect to implement improved procedures and processes in the very near term in a number of critical areas to manage the program's resources.

Question. What lessons have we learned that can be applied to the next large space project or for any large Governmental initiative like this?

Answer. When undertaking an unprecedented, multi-year, global project like the ISS, some lessons learned have emerged that may be of use to future programs:

—Not all risks are knowable. When pushing the technical boundaries in so many areas, difficulties and challenges will arise which cannot be foreseen. Nonetheless, in planning a project, they should be anticipated as best as possible.

—Preserve resources for unforeseen problems. When problems are known, they should be prudently addressed as quickly and economically as possible. When unknown problems emerge, as they are bound to, they will require resources.

—The global political and economic environment may change. The world is dynamic, and while not possible to predict what may change, such changes must be accommodated. To lead globally and gain from what other nations have to contribute requires flexibility.

—Integrated system analysis and testing capabilities are critical.

—Communications among domestic and international partners is critical.

TOTAL ISS COSTS

Question. NASA has indicated that the International Space Station program will grow from a total of $17.9 billion to some $23.4 billion at completion and likely significantly more. GAO has estimated a life-cycle cost for ISS through fiscal year 2012 of 95.6 billion. What is NASA's estimate for total costs, including operational costs, for the life cycle of the ISS? How does NASA plan to budget these costs?

Answer. NASA's fiscal year 2000 budget estimate through completion of assembly is $23.4 billion, with a potential range to $25.3 billion. NASA's estimate for a 10-

year operational period is $13 billion. In addition, about $10.2 billion was funded prior to fiscal year 1994 for the Freedom program.

GAO's estimate was based on the fiscal year 1999 budget. It included about $64 billion that the GAO estimated as "station-related" including Shuttle-Mir flights, Shuttle assembly, research and operations flights, civil service support, research principle investigators. These activities are funded in other NASA program and project budgets.

NASA will continue to fund these activities in the appropriate program and project budgets. When a full cost approach is implemented for the NASA budget, some costs, like civil service, will be allocated to the ISS and other program budgets. Other costs, such as communication support, and agency and center general and administrative activities, will also be allocated to specific NASA programs.

RUSSIAN FUNDING PROBLEMS

Question. The current Space Station is the result of the redesign of the Space Station Freedom begun in fiscal year 1993. The inclusion of international partners (such as Russia, Japan, Canada, and the European Space Agency) was touted as a way to save time and money over the earlier Freedom program. In particular, Russian participation was to save $2 billion and 18 months. Nevertheless, Russian funding problems are continuing in a crisis state and we understand that Russian funding problems are likely to impact the current schedule of assembly launches and hardware. In response to previous concerns with Russia's ability to provide the Service Module, NASA developed a contingency plan, which included the development of an interim control module.

What is the current status of Russian funding for its sections of the Space Station?

Answer. The 1999 Russian Federation budget provides approximately 2.5 billion rubles ($114 million USD at current exchange rates) to RSA. Of that total, 1.1 billion rubles (approximately $50 million USD) will be allocated to the ISS program and 600 million rubles (approximately $27 million USD) to Mir operations through August 1999. RSA may receive additional revenue from off-budget sources, such as the sale planned by the Russian Government of frequency spectrum and additional excise taxes. NASA believes that the projected 1999 budget for RSA represents a significant shortfall in the funding required to fulfill RSA's obligations to the ISS program.

RSA believes they can achieve a late-1999 launch of the Service Module, provided that the fiscal year 1999 budget is disbursed in a timely fashion. However, the 1999 budget has yet to be disbursed in full, placing continued budgetary strains on RSA. RSA has received approximately 524 million rubles (approximately $24 million USD) for ISS through May 1999.

Question. Considering the difficulty Russia has had funding the Service Module, do you believe Russia will make timely delivery of other Space Station hardware and Services? If so, why? If not, what are your contingency plans? What are the cost implications of those plans?

Answer. The Russian ISS program continues to struggle due to shortfalls in Russian Government funding for the Russian Space Agency (RSA). NASA is concerned that continued shortfalls in funding may threaten progress on Russian ISS elements beyond the Service Module, to include operation of the Service Module on-orbit and support of needed launch infrastructure. Continued shortfalls could result in delays in the program unless full Russian Government funding, or off-budget funds are received. Of particular concern is the development of follow-on Soyuz and Progress vehicles and the Science Power Platform.

In attempting to minimize U.S. cost growth, the ISS Program has taken the approach of incrementally buying down the level of Russian risk. NASA has laid out a comprehensive contingency plan that allows us to move the ISS Program forward, maintain the Russian partnership based upon their economic ability, and achieve greater U.S. backup capability over the next several years. The objectives of this plan are to contain U.S. cost growth, protect the ISS schedule, and maintain program stability, while providing backup capability in the event of further Russian shortfalls.

A key component of the ISS contingency plan is the buildup of U.S. capabilities to increase ISS robustness and provide contingency against possible Russian shortfalls. NASA has developed an Interim Control Module (ICM) to protect against a Service Module failure to achieve orbit, with a secondary focus to protect against Progress propellant resupply shortfalls. The ICM schedule supports a launch on need as early as 2000 and provides 1 to 3 years of ISS propulsive capability depending on its usage. Through innovative Shuttle flight planning, NASA has developed

an approach under which NASA can already offset a 30 percent shortfall in Progress vehicle propellant logistics, and the Agency is taking additional steps, such as the modification of the Orbiter fleet to enhance Shuttle reboost capability. Development of a permanent U.S. Propulsion Module is scheduled to be available in 2002–2003, providing full U.S. propulsive redundancy.

Additionally, the ISS contingency plan seeks schedule stability by working with the Russian Space Agency (RSA) to meet near-term objectives and to ensure reliable resupply and crew rescue capability to ISS. The broad operational capabilities that Russia has committed to provide for the ISS naturally places requirements upon the other ISS partners for systems integration. As a result, there are many Russian goods and services that are of great value to the U.S. for risk mitigation, operational effectiveness, capability enhancement and safety. These goods and services are outside of the initial ISS Partnership agreements because they have only been recently identified as assembly plans have matured and as we have begun preparing for crew operations and potential contingencies. The cost of procuring these goods from Russia is small in comparison to the cost of developing the same capability in the U.S. Each of the Russian goods that have been identified are key to meeting ISS schedule requirements.

The total level of funding for Russian contingencies through assembly complete (funded through the Russian Program Assurance budget line) is $1.2 billion. This includes funding for last fall's $60 million procurement of Russian research time and stowage, and $100M identified for Russian goods and services procurements in 1999. It is possible that NASA may require some specific Russian goods or services to address currently unforeseen needs in the future, although additional funds are not budgeted in subsequent years.

NASA'S PURCHASE OF RUSSIAN RESEARCH TIME

Question. NASA recently transferred $60 million in funding to Russia in exchange for all the research time (4,000) allocated to Russia during the assembly period. Nevertheless, I understand that a Russian official indicated that NASA had purchased between 25 percent and 75 percent of Russia's research time. What did we actually get for our $60 million? Please identify what this research time will be used for?

Answer. NASA purchased 4,000 Russian crew hours, which essentially doubled the crewtime available for U.S. research during the assembly period. The availability of crewtime is a significant limiting constraint on the research program during the 3-person phase. This additional crewtime will be especially valuable for initiating, monitoring adjusting and servicing experiments and significantly advancing research productivity. The hours will be used to enhance early biotechnology, human physiology, gravitational biology and commercial product development activities. As crewtime increases, the productivity of the research program grows commensurately; because it enables a greater number of experiments to proceed for longer periods and at increased frequency, thus acquiring many more processed samples, or empirical data points. NASA plans to begin early ISS research activities with delivery of the Human Research Facility on flight 5A.1 (STS–102) and two EXPRESS Racks on flight 6A (STS–100). Ongoing utilization activities will be initiated with the first five utilization flights, all prior to the 6 person crew capability. NASA is confident that this Russian crewtime will be very valuable and fully utilized within the research program.

COMMERCIALIZATION OF THE ISS

*Question.*There is a lot of talk about "commercializing" the space station, but little agreement about exactly what that means. What do you, as the head of NASA, mean when you talk about commercial use of the space station or about "turning the keys over to the private sector" as you've said in the past? What is your time frame for the latter?

Answer. In 1998, the Committee played a pivotal role in the formulation and ultimate enactment of the Commercial Space Act (Public Law 105–303) which called for several reports relative to the potential for commercial opportunities with respect to the ISS. NASA responded with its Commercial Development Plan for the ISS. We have a vision of an expanding space program with private investment, international collaboration, and vigorous economic development. Since the Plan was released, NASA has begun to receive, for the first time, true entrepreneurial offers involving private investment in the ISS. We expect to announce the first agreements soon. These business ventures will unequivocally demonstrate our commitment to the economic development of space.

For almost 20 years, the same three barriers have impeded those seeking to develop commercial space products and services: pricing, process, and property protection. NASA pledged in the ISS Commercial Development Plan, to break down those barriers through our ISS pathfinder initiative, and it is beginning to work.

Pricing Policy

NASA's ISS pricing policy has been formulated using value-based pricing, with a marginal cost floor. The policy includes provisions to waive all, or part, of the marginal cost during the short run in order to stimulate private investment; it invokes full marginal cost in the long run in order to prevent Government subsidization of profitable enterprises. In addition, the policy includes a demonstration revenue reinvestment program that would permit NASA to ultimately recoup value in excess of marginal cost and apply it directly to the ISS economic development program. The Administration has agreed that this legislative authority could be instrumental to ISS commercialization, and NASA transmitted to the Congress on July 27, 1999, an Administration-sponsored legislative proposal for a "Space Station Commercial Development Demonstration Program." Implementation of this legislative initiative will dispel price uncertainty and create a new investment engine not dependent on annual appropriations to fuel its acceleration. Further, it will help free the Government from performing tasks that the private industry, with some Government assistance, can assume.

Process Reform

ISS entrepreneurial offers, involving significant private investment, are now receiving the special treatment they deserve at NASA. We have addressed the longstanding concerns that NASA have a single-point-of-entry for entrepreneurs by establishing a new Division for Space Utilization and Product Development at NASA Headquarters as well as an executive position of Special Assistant for Commercialization within the Office of the Administrator to ensure priority attention. NASA will no longer waste valuable human resources debating hypothetical business scenarios. If a commercial offer is real, the NASA response will be real.

Intellectual Property Protection

U.S. law provides NASA with a variety of measures to protect its own and other parties' intellectual property and proprietary data. In accordance with these laws, NASA has established policies and procedures to protect such property and data. Currently, NASA's General Counsel is completing a guide to explain to private industry in a clear and comprehensive manner how these laws and procedures, as well as ISS international agreements, apply to commercial activities on the ISS. NASA fully intends to uphold its commitment to protect the competitive position of U.S. industry and the economic growth of the Nation.

These reforms are essential, and all are in the final stages of completion. The enactment of Public Law 105–303 and NASA's announcement of intent have already stimulated private investment proposals that are under review. I am convinced that this momentum will build. In the future, we believe that a non-Government organization could undertake management of the ISS Utilization and Economic Development. NASA outlined this option in our ISS Commercial Development Plan, and a Task Group of the National Research Council is in the process of evaluating our reference model for such an organization. While this work proceeds, we have also initiated a trade study to identify the advantages and disadvantages of various options such as Government corporations, joint ventures, direct contracts, or cooperative agreements.

The 21st century holds the promise of an expanded presence both in Earth orbit and beyond. Through our collective efforts, we will be able to view horizons previously unseen by human eyes and invest in ventures unparalleled by prior human experience.

COST FOR THE CREW VEHICLE

Question. I understand that your current estimate for the Crew Return Vehicle, needed to bring crews home from space station in an emergency, is just over $1 billion. Why is it so expensive?

Answer. Human safety continues to be of foremost importance in NASA's manned space programs. To ensure human safety requires high reliability of vehicles through painstaking design, parts screening, validation and testing of extremely complex interactive systems. The CRV is no exception. NASA chooses to set high goals and achieve them at minimum cost, but will not compromise prudent levels of human safety.

Providing redundancy of critical functions is a key design approach used to achieve high reliability and safety. Redundancy requires not only multiple like components which perform identical functions, but multiple, independent supporting resources. For example, a spacecraft guidance function requires not only multiple guidance system components such as gyroscopes and accelerometers, but also requires multiple, independent sources of electrical power, computer processing, and thermal cooling. This multiplicity of components capable of performing identical functions multiplies cost significantly. Additionally, complex and expensive computer code is required to "manage" the use of redundant systems, which entails fault detection, isolation and recovery.

A second major cost driver for manned space projects is NASA's stringent requirements for testing and validation of human-rated systems. Testing and validation helps to verify that systems will function as intended in their real operational environment. This requires the use of test hardware and software for destructive and non-destructive testing, simulations of operational conditions and scenarios, and detailed analyses of test results that sometimes lead to expensive redesign.

Another area of expense not related to vehicle development and testing is operations. Operations include ground controller and crew training, logistics and maintenance, sustaining engineering, safety and mission assurance, and actual real-time mission operations support by ground controllers. Operations usually require extensive support personnel, hardware sparing and repair, and software maintenance for most of the operational life of a system or vehicle.

Most of NASA's missions are anything but routine. Systems and vehicles typically have unique design and operational requirements. This leads to the need to develop new technologies and methods never before attempted. The CRV must remain attached to ISS in a dormant mode for up to three years, be ready to separate and fly home within three minutes of recognition of need, and fly without pilot assistance to a landing site of less than five miles radius in nine hours. NASA's on-going X–38 "rapid prototype" project is providing the design and technology basis for the CRV.

The CRV will provide a shirtsleeve flight environment for a crew of seven—this is based on the crew size supportable aboard ISS. If a catastrophic event occurs aboard Station, or if the Space Shuttle is grounded for some reason, the CRV must have the capacity to evacuate the entire crew. The funding estimate in the fiscal year 2000 budget and runout is about $880 million through fiscal year 2004 for design, development, test, and evaluation of four production vehicles and operations estimates of about $161 million. Numerous independent assessment groups within and outside of NASA have reviewed the CRV project in its entirety. These groups are comprised of experienced specialists from all facets of spacecraft development and operations. They have concluded, without exception, that the CRV budget and schedule are ambitious but achievable.

NASA believes developing a manned spacecraft with the capabilities of the CRV at a cost of just over one billion dollars will set a low cost precedent upon which future human-rated projects will be judged. The ambitious cost target is being made possible by a non-traditional paradigm in which NASA performs a large part of the initial concept development and testing internally. Three atmospheric test vehicles and one space flight test vehicle are being designed and built for a cost of around $90 million on the X–38 project. The CRV will benefit from knowledge gained through the X–38 vehicles and the results of multiple atmospheric flight tests and one (or two) space flight reentry tests.

After an extensive five month assessment by a panel of 25 specialists from industry and government, NASA's Langley Research Center Independent Program Assessment Office concluded that the paradigm employed by the X–38/CRV Project could save over one billion dollars compared to traditional methods. NASA would have serious reservations about any proposals claiming to provide the ISS emergency crew return function at a cost lower than the current CRV budget.

CRV

Question. It has been suggested that you are delaying designing the CRV until the potential to design it as a Crew Transport Vehicle—able to take people into space as well as return them—has been fully evaluated. What decisions have you made about building a one-way CRV that later could be modified as a two way CTV? What are the cost and schedule trade-offs between building a two-way version from the beginning versus building a one-way version now and modifying it later?

Answer. Development of requirements and architectural studies on the CTV are on-going. These studies will assess the most effective approach to development, and

assess cost and schedule tradeoffs relative to a potential evolution from a CRV design. NASA has not made any decisions yet regarding the CTV.

CRV SCHEDULE

Question. You say that you're not certain you can get the Crew Return Vehicle ready by the end of 2003 as currently planned and therefore want to buy two Russian Soyuz vehicles in the case it is not ready. Why is that necessary? Why not simply maintain a three-man crew size until the CRV is ready? Is the CRV delay likely to be more than a few months? What is the urgency of increasing the space station crew size to six or seven?

Answer. NASA has identified funding for the procurement of one Soyuz, that, along with the Soyuz provided by the Russians, would provide two Soyuz on-orbit and allow emergency return of six crewmembers for a period of about six months.

The ability of ISS to perform effective research and experimentation is dependent on the crew size. The desire to maximize the research benefits of ISS leads NASA and its partners take full advantage of on-orbit time. NASA therefore plans to purchase at least one Soyuz craft that, along with the Soyuz provided by the Russians will allow emergency return of six crewmembers. If the ISS assembly sequence is delayed such that the CRV becomes available before ISS can accommodate six crew (that is, ahead of schedule relative to ISS need), the U.S. purchased Soyuz will be valuable as a contingency for other uses.

SPACE STATION SCHEDULE

Question. According to NASA, what is your current expected schedule for completion of the Space Station? How much slippage in schedule and cost do you expect?

Answer. NASA has conducted an assessment of the likely cost and schedule range for ISS, both for development complete (support for 6 crew) and assembly complete (support for 7 crew). The results of this assessment are summarized below. Minimum values are based on the Rev D assembly sequence that was the basis for the fiscal year 2000 submit. Maximum values are based on analytic estimates of delays up to 12 months to development complete, or 15 months to assembly complete. These potential slip scenarios do not envision significant increases to planned annual funding levels.

[Dollars in billions]

	Minimum schedule	Cost	Maximum schedule	Cost
Development Complete (6 crew)	[1] 09/03	$22.1	09/04	$23.7
Assembly Complete (7 crew)	[1] 07/04	23.4	10/05	25.3

[1] Assembly Sequence, Revision E reflects: Development complete at 05/04 and Assembly complete at 11/04 10.

DUPLICATION OF RUSSIAN ACTIVITIES

Question. NASA appears to view all activities performed by Russia for the ISS to be in the critical path and necessary for duplication. Provide a list of all activities that NASA intends to pursue that Russia is expected to complete, provide the cost estimates for each activity and the time frame for completion of each activity.

Answer. In December 1993, Russia was invited to join the ISS partnership, bringing a unique and unmatched experience in human space flight into the Program. Russian participation in the ISS Program allowed acceleration of the assembly timetable through their provision of propulsion, navigation and crew habitation capabilities. For instance: prior to Russia's entry into the program the assembly plan for achieving permanent crew habitation was September 2003, rather than March 2000 as it is currently scheduled. Russia stands second only to the U.S. in its contribution to the final assembly of the ISS, providing significant on-orbit capabilities. For this reason, despite a number of NASA actions to reduce reliance on Russia, ISS program cost and schedule stability is highly dependent on Russia's ability to deliver on their commitments. Several Russian elements, however, have independent uses that do not impact overall ISS operations.

A summary of significant Russian dependencies and the U.S. contingency strategy follows:

Propulsion

Russian partnership responsibilities have included propulsive guidance, navigation, and control since the inception of the International Space Station in 1994.

Initial Risk.—Loss of ISS attitude control or reboost capability resulting from a failure of the Service Module to reach orbit or from a shortfall in planned Progress resupply flights.

NASA Contingency Actions.—NASA has developed an Interim Control Module (ICM) to protect against a Service Module failure to achieve orbit, with a secondary focus to protect against Progress propellant resupply shortfalls. The ICM schedule supports a launch on need as early as 2000 and provides 1 to 3 years of ISS propulsive capability depending on its usage. NASA has developed an approach under which NASA can already offset a 30 percent shortfall in Progress vehicle propellant logistics, and the Agency is taking additional steps, such as the modification of the Orbiter fleet to enhance Shuttle reboost capability. The Orbiter fleet will be modified during scheduled Orbiter Maintenance Down periods, with fleet implementation completed by fiscal year 2003. Development of a permanent U.S. Propulsion Module is scheduled to conclude in 2002–2003, providing full U.S. propulsive redundancy.

Remaining Russian Reliance.—NASA ICM requires Russian Pressurized Dome and integration support to deploy should the Service Module fail to reach orbit. NASA Propulsion Module requires Russian built docking system and integration support.

Cost.—Approximately $0.9B from Russian Program Assurance.

Command and Control

The NASA Flight Director, located at Mission Control Center-Houston (MCC–H), will always maintain the leadership role for commanding. However, ISS protocol is for Russian and U.S. control centers to determine and issue commands to their respective on-orbit segments. This methodology is not expected to change significantly over the life of ISS. The ISS command and control system is designed to allow both Russian and U.S. mission control centers to transmit data and commands to the ISS and between their respective on-orbit segments. Each partner's segment can also send commands and receive data from its computer system via the partner's control center and communication system.

Risk.—Until the arrival of the U.S. Lab, the Mission Control Center in Moscow (MCC–M) has the only capability for commanding the primary ISS systems. Although MCC–H gains the capability for commanding with the arrival of the U.S. Lab, GN&C and other critical Russian vehicle system expertise remains with MCC–M. Loss of our Russian partner for any reason, at any time places the remaining partners in a tenuous position. Unless Russian equipment, Russian FGB and Service Module technical knowledge, and Russian vehicle operational skills can be obtained, whatever Russian element exists at the time of a Russian departure may be assumed lost.

NASA Contingency Actions.—It was determined in 1996, with the concurrence of congressional leadership that the costs for a Russian command capability for FGB in Houston were outside of the ISS budget. NASA is considering purchase of Service Module Control Data and other operational items for risk mitigation and operational effectiveness. The purchase of Service Module ground procedure and control data will assist NASA's mission control to be able to back-up Russian operations and perform operations in the event of loss of Russian mission control. This would also help to increase joint ability to work together if off-nominal flight conditions arise. The Program is reconsidering implementation of a Russian command capability in Houston.

Remaining Russian Reliance.—The early U.S. communications systems implementation, which was not implemented as a Russian contingency, provides a very limited command, control and monitoring capability.

Cost.—$TBD If purchased, Service Module data would be purchased within the confines of NASA's projected fiscal year 1999 $100M purchase of Russian goods and services.

Crew Habitation

The Russian-provided Service Module provides environmental control and life support systems (ECLSS) and living quarters for three crew throughout the life of the ISS. There is also a requirement for a Russian Crew Return Vehicle for the life of the program, unless the U.S. determines to place two U.S. CRVs on-orbit.

Initial Risk.—The Service Module (SM) delivery schedule has slipped repeatedly due to Russian funding shortfalls. After launched, should Russia not support operations of the SM, the U.S. would be unable to maintain the SM without extensive technical insight and development of operational capabilities. Sustaining engineering and system spares development cannot be performed without extensive engineering knowledge of the vehicle. Soyuz crew vehicles are essential elements of the ISS prior to the arrival of the U.S. CRV. Without continued Soyuz availability, safe-

ty concerns would dictate that the ISS crew would need to be evacuated and permanent human presence postponed. Significant disruption in the assembly sequence would occur due to the unavailability of ISS-based EVA crews, causing postponement of assembly flights in lieu of logistics and reboost flights.

NASA Contingency Actions.—NASA's $60M procurement of Russian Crew research hours and stowage provided funding stability for Service Module in fall 1998. NASA has planned for a $100M (U.S. dollars) purchase of Russian goods and services for this fall subject to operating plan approval, which will maintain RSA funding stability. As a part of this purchase, NASA desires to purchase a Soyuz vehicle for U.S. CRV risk mitigation to effectively increase crew size and maintain the ability to perform effective research and experimentation. If the U. S. CRV becomes available before ISS can accommodate six crew (that is, ahead of schedule relative to ISS need), the U.S. purchased Soyuz will be valuable as a contingency for other uses.

Remaining Russian Reliance.—While it appears that RSA is receiving adequate funding to cover delivery of the SM, NASA remains concerned that funding may not be sufficient for Russian upgrades to their mission control center, ground stations, and associated communications systems. NASA is also concerned with the adequacy of Russian funding for Service Module, long-term Soyuz support, and spares.

Costs.—Approximately $0.2 billion from Russian Program Assurance.

Logistical Dependencies

Partnership agreements call for the Russians to provide dry cargo and Russian segment propellant via the Progress cargo ship. One of the basic tenets of our agreements with the Russian Federation is the availability of a backup launch capability. Having choices of different launch vehicles available greatly diminishes the risks when dealing with unforeseen events.

Initial Risk.—Loss of this important Progress resupply function would amount to approximately two shuttle flights per year in addition to or in lieu of assembly flights. The only vehicles capable of providing fuel to the SM and FGB are the Russian Progress cargo ship and the European Space Agency (ESA) Automated Transfer Vehicle (ATV). A provision of the U.S. contingency plan allows for the ICM to be used as a backup for Progress flight deficiencies.

NASA Contingency Actions.—NASA actions to reduce propulsion dependencies have direct positive impact. In addition to the activities noted above, NASA has budgeted funds for logistics support to offset a reduction in the number of Progress vehicles. NASA's planned $100 million procurement of goods and services would provide funding stability to maintain long-term production of Progress vehicles.

Remaining Russian Reliance.—Additional Shuttle flights will likely be required if RSA can not meet their commitments.

Cost.—Approximately $0.1 billion from Russian Program Assurance.

SPACE SHUTTLE

SPACE SHUTTLE SAFETY

Question. Regarding the space shuttle, the Aerospace Safety Advisory Panel (ASAP) issued a report last month that raised serious questions about future shuttle safety. Three of them are particularly troubling:

1. Budget and personnel constraints on the hiring of engineers, scientists, and technical workers are moving NASA toward a crisis of losing the core competencies needed to conduct the Nation's space flight and aerospace programs in a safe and effective manner.

2. Shortfalls in workforce training within both NASA and USA [United Space Alliance], caused by downsizing and the related difficulty of hiring new people to fill skill shortages, can jeopardize otherwise safe operations.

The combined effect of workforce downsizing, the recent hiring freeze, and the SFOC [Space Flight Operations Contract] transition, especially at KSC [Kennedy Space Center], has raised the possibility that NASA senior managers in the future will lack the necessary hands-on technical knowledge and in-line experience to provide effective insight of operations.

These findings sound quite alarming. Should Congress be alarmed? What is your response to these findings?"

Answer. NASA has and will continue to take the appropriate actions to minimize the combined effects of budget reductions and downsizing. We will address each of the mentioned ASAP findings below.

With respect to item number one (Finding # 1 in the ASAP report), NASA has provided our human space flight Field Centers with the budgetary resources and administrative flexibility needed to strengthen their human resource capabilities. To

accomplish this we have allowed the OSF Centers to hire additional FTEs through the fiscal year 2000 budget process as follows: fiscal year 1999—153 FTE; fiscal year 2000—110 FTE; fiscal year 2001—103 FTE; fiscal year 2002—59; and fiscal year 2003—68 FTE. This relief has enabled the innovative use of temporary and extended term appointments, as well as increasing the number of permanent hires available to fill critical skill positions.

With respect to item number two (Finding #2 in the ASAP report), NASA continues to work with USA to review critical skills training and certification requirements and institute programs to ensure the full proficiency of the workforce and the safety of the products being released. The review for flight controllers, training instructors, and other key operating positions has already been completed. Training plans and certification requirements for critical positions have been documented. Training capacity for new employees, both NASA and contractor, was increased through intensive simulator training at a new USA "training academy." In training and orientation programs, NASA emphasizes and will continue to emphasize the priority of safety and the responsibility of employees to voice their concerns about inadequate assurances of safe products.

With respect to item number three (Finding #3 in the ASAP report), NASA is intensifying and refocusing its efforts in training and in support of career development at all levels to ensure that future managers will possess the range of skills and experience required for effective insight of the SFOC.

At the operating level, NASA managers are instructed to take advantage of all opportunities to obtain operational experience including co-op assignments; direct observation or procedure review of critical tasks; management of Shuttle launch countdown, launch, and landing/recovery; etc. Additionally, employees are provided cross training and specialized training as needed and strongly encouraged to take advantage of program related training.

Recognizing that the key to developing future generations of senior managers is to provide hands-on experience, NASA is taking the action to provide broad training and hands-on operational and technical job assignments and opportunities for promising candidates for future senior management positions. Career broadening opportunities with Boeing, Newport News Shipbuilding, and USA have been implemented.

At the Agency planning level, the training budget has provided for an increase of 20 percent for the Office of Space Flight from fiscal year 1997 through fiscal year 2000. Current agency Program Operating Plan guidelines call for funding training at 2–3.25 percent of salary levels; levels that rival progressive private sector organizations.

These cumulative measures should ensure competent senior managers for NASA in the years to come.

MINIMUM NUMBER OF SHUTTLE FLIGHTS

Question. In the past, you have said that you need a minimum of 4–6 shuttle flights per year to ensure it can be operated safely and effectively. Is that still your estimate of the minimum number of shuttle flights needed each year?"

Answer. Changes in flight rate have not and will not adversely affect safety. NASA does not have a threshold number of annual flights required to maintain safety. We will not fly unless it is safe to do so.

Effective flight rate within any given year has varied dramatically during the course of the program. Both NASA and United Space Alliance (USA) have sound processes for vehicle turnaround and flight certification in place to maintain a robust and safe system. Some examples are:

—1. Existing Certification of Flight Readiness process is rigorous and demanding
—2. Testing requirements are well documented and controlled
—3. Personnel qualification standards are high
—4. The Human Space Flight Centers and the SFOC are ISO 9000 compliant
—5. Full action simulations are used to maintain readiness at KSC and JSC

Payload availability rather than vehicle processing flow or mission preparation time have driven the recent (fiscal year 1998 and fiscal year 1999) Space Shuttle flight rate.

Reductions in flight rate affect the program's efficient use of the workforce, not safety. The Space Shuttle program maintains a highly dedicated and motivated workforce of both civil servants and contractors. Additionally, there are checks and balances in the program structure and processes, as well as individual knowledge, which serve to stop work, as appropriate, should unusual occurrences arise.

Outside reviews by the Aerospace Safety Advisory Panel and the NASA Advisory Committee continue to emphasize NASA's commitment to—Safety First.

SHUTTLE UPGRADES

Question. What is the status of needed upgrades to the Shuttle? Have you begun implementing the phase III upgrades? If not, when is that anticipated? What is the total expected cost of the phase III upgrades and what impact will that have on the expected safety and longevity of the Shuttle system?"

Shuttle Upgrades—Phase IV.—Will you proceed with the Phase IV upgrades only if you decide that a new reusable launch vehicle will not be available in the next 5 years or so? When will that decision be made? What would be included in the Phase IV upgrades if they did proceed, and how much will they cost?"

Liquid Fly-Back Booster.—What decision have you made about developing a Liquid Fly-Back Booster versus an upgraded version of the solid rocket booster now in use?"

Answer. NASA is prudently proceeding with necessary safety and mission supportability (phase II) upgrades. Approval of candidate upgrades is an on-going continuous improvement process. Specific measurable objectives are established, followed by an evaluation of potential candidate upgrades. The selection, approval and implementation process involves screening against goals and objectives as well as value/impact analysis. An upgrades control board reviews each candidate before incorporation into the annual upgrade plan.

Decisions on future Shuttle upgrades will be made as part of Administration decisions this fall on NASA's long-term integrated space transportation strategy.

The 1994 National Space Transportation Policy (NSTC–4) calls for "government and private sector decisions by the end of this decade on development of an operational, next-generation reusable launch system." To support these decisions, NASA is undertaking industry-led Space Transportation Architecture Studies to identify private sector options for reducing NASA's launch costs. These studies incorporate separate efforts being undertaken by NASA, DOD and industry including: Space Shuttle safety upgrades; X–33 and other NASA technology demonstrators (X–34, X–37, and X–38), the Evolved Expendable Launch Vehicle (EELV); existing and future commercial launch vehicles; and the Crew Return Vehicle for the International Space Station. As part of the fiscal year 2001 budget process, the Administration intends to use the results of these studies and inputs to develop a strategy that encompasses the decisions, some near-term and some far-term, required to meet an end-date goal of transitioning NASA to lower-cost, private-sector, space transportation. Decisions on future Shuttle upgrades will be made in the context of this overall strategy. Details will be provided in the fiscal year 2001 budget submit.

SPACE TRANSPORTATION ARCHITECTURE STUDY

Question. What are the results of your Space Transportation Architecture study?

Answer. The Space Transportation Architecture Study was conducted to how best to meet NASA's mission requirement through 2020 with increased safety and reliability and reduced cost. Industry participants identified a number of second generation Reusable Launch Vehicles (RLV) including both an upgraded Shuttle and new RLV's that could replace the existing Space Shuttle in the 2008–2010 time period. The results of the study were integrated into a space transportation architecture with roadmaps that identified a series of decisions required to select a follow-on system to the current Space Shuttle. The architecture consists of: a first generation RLV (Space Shuttle with necessary safety and obsolescence upgrades), a second generation RLV (a significantly upgraded Space Shuttle or new RLV with significantly improved safety, reliability, and reduced costs), and a third generation RLV (operational system beyond 2020 that will further improve system safety and lower cost).

In the near term, NASA will establish the requirements and selection criteria for a decision to proceed with the second generation RLV in 2004–2005. Over the next 5 years NASA will invest in space transportation technologies to reduce the risk for second generation RLV's and initiate longer term technology programs for third generation systems with significantly improved safety and reliability that approach the levels of commercial aircraft operations.

CONTRACT CONSOLIDATION—SPACE SHUTTLE

Question. In response to recommendations to consolidate activities, NASA, on September 26, 1996, signed a $7 billion, 6-year contract with the United Space Alliance to manage the Space Shuttle operations. The contract consolidates 12 major existing contracts into one. It also includes two, 2-year extension options that could bring the potential value of the contract to $12 billion over 12 years. Can you assess the success of the United Space Alliance contract in managing the Space Shuttle oper-

ations, including the impact on safety? What are the savings realized from consolidating the space shuttle contracts?"

Answer. United Space Alliance performance in managing their portion of Space Shuttle operations has been very good. Their overall performance as reflected in NASA award fee evaluations is very good. Their scores on safety performance have also been very good. There have been several initiatives on the part of United Space Alliance which have resulted in more efficient operations. Relative to fiscal year 1996 performance, United Space Alliance has reduced the cost of their operations by $125 million per year (about 13 percent). At the same time civil service workforce reductions have occurred in those same areas resulting in $40 million per year reductions. Some examples include consolidation of logistics operations in Florida. Flight hardware and ground processing hardware logistics are now provided by a single organization. This has led to cost savings as a result of more efficient operations. Another example is the Solid Rocket Booster contract, which was added to the Space Flight Operations Contract (SFOC) last year. United Space Alliance has decided to perform the Solid Rocket Booster work within their company. This offers the opportunity for more efficient workforce utilization in Florida between Solid Rocket Booster tasks and other flight hardware processing. This has also allowed the distribution of United Space Alliance overhead costs over a larger business base and eliminated the overheads from the Solid Rocket Booster contractor United Space Boosters Inc.

Safety of operations has been a major emphasis of both NASA and United Space Alliance. There have been numerous independent reviews to examine the safety implications of United Space Alliance management of operations. These include a review by the Aerospace Safety Advisory Panel and two reviews by the NASA Headquarters Safety Office. Each of these reviews has concluded that operations are safe at the present time.

PRIVATIZATION OR COMMERCIALIZATION OF THE SHUTTLE

Question. Where is NASA in its decision-making process regarding "privatization" or "commercialization" of the shuttle? How do you distinguish between the two concepts? If the shuttle is "commercialized," does that mean NASA no longer is involved in any aspect of its operation—it is just a user? If so, how many years will it be before that stage is reached? Will the astronauts of the future be private sector employees?"

Answer. Our definition of "privatization" is where the private sector is performing the vast majority of operations of the shuttle. However, in that scenario the federal government and NASA in particular is almost exclusively the customer of the shuttle missions. Therefore, NASA retains ownership of assets and most of the risks associated with shuttle flights are carried by NASA.

In the case of commercialization, significantly more ownership and risk would be assumed by the private sector and the federal government would be a customer. This is one option that is being considered in future launch studies (see answer to question 3).

SPACE AND EARTH SCIENCE

PRIORITIES

Question. One mission of the Space Science Enterprise is to "solve the mysteries of the universe." How does NASA establish priorities for the science needed to approach this mission? How will your Strategic Plan update contribute to the priority setting? How do you involve the space science community in that planning? To what degree do budget considerations constrain those priorities?

Answer. Guidance on strategic science goals is obtained periodically from the National Research Council. This guidance is used by OSS's Space Science Advisory Committee, working with NASA headquarters program staff and scientific and technical staff at the field centers, to assemble a portfolio of possible future missions that will advance knowledge in our science mission areas. Thus, the research community plays key roles in both goal-setting and identification of implementation options. The portfolio is then analyzed by Headquarters management for technical and cost feasibility, probability of success, program balance, and policy considerations. The resulting provisional program, constrained to be achievable under prevailing budget projections, is documented in the enterprise strategic plan and circulated for additional comment to the research community before its main features are incorporated in the NASA strategic plan.

FOLLOW-UP MISSIONS

Question. What mechanisms do you have to follow-up on new discoveries about the nature of the universe such as the one made last year that its rate of expansion is accelerating? Is it possible to design space science missions to be more flexible in this context?

Answer. The Space Science Enterprise has a variety of missions, both ground-based and space-based, that enable us to make new discoveries and build upon past scientific revelations. Some of these missions, such as the Hubble Space Telescope and Chandra X-ray Observatory, are highly flexible in the types and targets of their observations, thus they have potential for a broad range of discovery. Other missions, particularly the smaller missions in the Explorer and Discovery programs, are more focused in scope, but they often produce results that allow very revealing comparative analyses with data gleaned from other NASA missions (as well as those pursued by NSF, academia, and other interested partners). Moreover, Explorer and Discovery missions are competitively selected on one-to-two-year cycles, utilizing external peer review; therefore, they enable the Agency to react to the latest discoveries and new ideas from the science community. So while we do have flexibility in the design and scope of some missions, it is the overall layout of the Space Science Enterprise, with its mix of large and small missions and its collaborative interaction with other science entities, that affords us overall flexibility.

In regard to your specific inquiry regarding the expansion of the universe discovery, we have a variety of mechanisms to follow up and enhance our initial findings. On the ground we have the Keck Interferometer and ground-based observatories involved in supernovae searches. In addition, we have many space-based missions including the Japanese/American venture ASCA, the Hubble Space Telescope, and the newest of NASA's Great Observatories, Chandra, launched on July 23, 1999. We continue to look forward to the new science insights this suite of instruments will provide.

INCREASES IN SPACE SCIENCE

Question. The Space Science budget is projected to increase from $2.1 billion in the current fiscal year to almost $2.9 billion in fiscal year 2004. This projected increase is somewhat larger than the one appearing in the fiscal year 1999 budget request and substantially larger than previous budget requests. What accounts for this emphasis on space science? How critical is each mission and what applications are expected to come out of these missions?

Answer. The emphasis on Space Science reflects Administration priorities, as outlined in the National Space Policy of September 1996 and other directives to NASA. The largest budget increases are planned for programs that address the question of whether life has existed or exists now elsewhere in the universe, including the search for planets around other stars and the study of Mars. Europa, and other locations in our solar system that are likely to have harbor extinct or extant life or the building blocks for life. These programs have broad support, not only within the Administration, but also in Congress, the science community, and the general public.

The budgeted growth also reflects the demonstrated ability of the Space Science Enterprise to deliver cost-effective programs that answer critical scientific questions while contributing to education and the public understanding of science through a highly effective and innovative Education and Public Outreach program. NASA's Space Science Enterprise gets results and brings those results directly to schoolchildren and the public.

Without attempting to define the term "critical", each mission in our current plan provides pieces of information that contribute to our overall understanding of the universe. In addition, many of our missions work together or build on one another to achieve a set of research goals by employing simultaneous observations, interrelated technology development tasks, and/or concomitant science objectives. Some of our missions even have limited windows of time for launch to a target, such as an outer planet in our solar a system, that may not recur for years or even decades. Therefore, each mission is important for the achievement of our scientific goals.

Most of the non-Space Science applications that will arise from Space Science missions will be unforeseen. However, we expect to see important advances in the areas of advanced medical imaging and miniature biological sensors; JPL has established a joint program in biosensors with the National Cancer Institute to aid in technology transfer to medical applications. The forensic sciences will also benefit; GSFC and the National Institute of Justice have agreed to investigate applying miniaturized NASA instrument technology to portable instruments that could be used at crime scenes—starting with x-ray flouroscopy developed for NEAR instruments—to identify gunshot residue. In addition, forensic scientists have interest in the Mars

sample return technology to preserve biological crime scene samples while awaiting trials (which sometimes drag on for years) as well as infrared sensors (NGST, etc.) for arson detection. Other applications are likely to arise in high tech manufacturing, which could benefit from the more precise metrology techniques being developed for NASA missions; and our robotic rover technology could help automate farming and nuclear plant cleanup efforts as was demonstrated recently.

USE OF ISS FOR SPACE SCIENCE

Question. Does the Space Science Enterprise have any plans to use the International Space Station as a platform for any of its research missions?

Answer. It is the policy of the Space Science Enterprise to treat the ISS as another platform that may be quite useful for certain space science missions, although it is not appropriate for instruments that require high fidelity pointing. The ISS will be allowed to compete on equal footing with all other platforms in our strategic planning process and within our various Explorer Program Announcements of Opportunities (AO). The limited number of ISS payload sites are allocated by the Space Station Utilization Board, which is comprised of the relevant Associate Administrators, and the Space Science Enterprise expects to use about 25 percent of the external attached payload sites. In order to meet the scheduled availability of those sites, they will be solicited explicitly as Missions-of-Opportunity in timely Explorer AO's, beginning with the Small Explorer (SMEX) AO to be released in late CY 1999.

SATELLITES

Question. You seem to have a great number of space science projects planned at the moment. Exactly how many space science satellites are you planning to launch in the next five years? What is their collective cost?

Are you requesting sufficient funds not just to build and launch these satellites, but to analyze the data from them?

Answer. An exact number of missions to be launched in the next five years cannot be given because several new Explorer and Discovery missions will be selected in the next year or two. Approximately 35 Space Science missions are planned for launch from August 1999 through July 2004. In addition, we will provide major components for about 5 foreign-led international collaborations. The U.S. budget for all of these missions, including sufficient funds for development, launch services, operations, and data analysis, is approximately $5.5 billion.

SUCCESS RATE

Question. What is the success rate on your "faster, better, cheaper" satellites? You've had at least two total failures (Lewis and WIRE), another was canceled because of cost overruns (Clark), and an engine malfunction on NEAR meant it had to fly past its target and now must spend a year getting back to it. You've also had problems with the solar array on Mars Global Surveyor. Is there a common thread to these failures? Did the need to meet challenging schedules and stay within strict cost caps lead to these failures?

Answer.

Total faster/better/cheaper missions between 1995 to Present (20)

Successful missions (15)

XTE	DS–2
MPF	STARDUST
Lunar Prospector	POLAR
DS–1	SNOE
MCO	SWAS
FAST	MPL
ACE	FUSE
TRACE	

Missions with significant problems (3)

MGS (Solar array deployment damper utilization problem)
NEAR (Engine controller S/W execution problem)
TERRIERS (Attitude Control System S/W problem)

Failed missions (2)

HETE–1 (Launch Vehicle/Spacecraft separation problem)
WIRE (Pyrotechnic circuit design problem)

The 3 spacecraft anomalies and two mission failures are all unrelated; there are no common threads to these problems.

The problems with MGS, NEAR, and TERRIERS are not mission catastrophic and we anticipate that all 3 will fully achieve their mission and science objectives.

The challenging schedules and stringent cost caps were not a factor in the 2 total mission failures nor were they a factor leading to the anomalies with MGS, NEAR, or TERRIERS.

No testing was deleted nor compromised in any way for any of the missions.

Success Rate—18/20 = 90 percent

It is important to note that two of the missions, Lewis and Clark, referred to in your question are NASA Earth Science missions, not Space Science missions.

In addition to the above data, as reported in the September 6 issue of Space News, an independent Aerospace Corporation study recently confirmed that NASA's "faster, better, cheaper" approach to science spacecraft design and development is paying off not only in terms of cost and schedule, but also in terms of science returned per dollar spent. The study finds that the cost effectiveness of NASA's "faster, better, cheaper" approach, as measured in number of operational instrument months per dollar spent, is about 50 percent better than NASA's old ways of doing business.

STUDY ON SMALLER, FASTER, CHEAPER, BETTER

Question. Last year we directed you to contract with the National Research Council for a study "across all space science and Earth science disciplines to identify missions that cannot be accomplished within the parameters imposed by the smaller, faster, cheaper better regimes." What is the status of that study?

Answer. The Office of Space Science and the Office of Earth Science have jointly requested this study by the Space Studies Board of the National Academy of Sciences. NASA's request asks the Space Studies Board for their views on: (1) the general criteria for assessing strengths and limitations of small, medium, and large missions in terms of scientific productivity; and (2) which science goals in our strategic plans will require the use of medium and large missions.

NASA understands that this study is already under way, and will be led by the Space Studies Board in collaboration with the Aeronautics and Space Engineering Board.

In addition to the National Research Council Study, we have also reviewed the objectives and accomplishments of application of the Faster, Better, Cheaper (FBC) approach with the NASA Advisory Council. Their recommendation was to identify the key attributes of FBC and how they have been applied within NASA, other government agencies and Industry, and to focus on adopting an FBC approach that has broad application across the Agency. We have initiated an effort to establish an Agency-wide FBC approach that will provide guidelines for the entire range of NASA missions. This activity is planned for completion by the end of this calendar year.

DATA MORTUARIES

Question. To what extent is the data collected from the Space Science missions being utilized? Please quantify the amount of data used in research currently.

Answer. Science data acquired from NASA space missions are analyzed and interpreted, with results published in scientific journals, as well as being shared with the public through news media and other forums. The exciting science results and furtherance of our knowledge and understanding of the Universe from missions such as the Hubble Space Telescope, the Galileo mission to Jupiter and its moons, Mars Pathfinder, Mars Global Surveyor, Solar Heliospheric Observatory, etc. are the best witness to this.

NASA selects and funds principal investigators, via peer-reviewed competitions, to build the instruments flown on the missions, to process and analyze that data, and to archive the data products so that they can subsequently be accessible to the broader science community for analysis and interpretation. NASA also funds guest observers and investigators for its missions; they are also selected via peer-reviewed competitions to analyze and fully exploit the science data. In addition, NASA funds peer-reviewed research and analysis using data from the open archives, including data from missions no longer operating. All told this involves several hundred investigators.

The space science data archives open to the research community and general public contain over a million observations and data sets with a total volume greater than 35 terabytes. These data are available in several data centers across the country as organized by science discipline (HST Science Institute for Optical/UV; High

Energy Science Archive Center at Goddard; Planetary Data Nodes at 10 university sites; National Space Science Data Center at Goddard; Infrared Science Archive at Caltech, etc.). These archives are accessible via the Internet.

Utilization of these data continues to increase rapidly. A good indicator of this is the fact that the total volume of data being downloaded from even active mission archives such as HST for subsequent use by researchers, educators, and the general public far exceed the volume of data being ingested into the archive from the principal investigators. Overall there are nearly 4 million web accesses a month to space science data archives with approximately 25,000 observations or data sets downloaded or transferred in response to user requests. This represents approximately 750 gigabytes of data per month.

HUBBLE REPAIR MISSION

Question. How serious are the problems with the Hubble Space Telescope? How much of a priority is this "rescue" mission in October? Why wasn't the cost of these repairs and the mission budgeted for within Hubble reserves?

Answer. The loss of another of HST's remaining 3 functional gyros would result in the inability to perform science observations until a repair could be made. Maintaining HST's scientific productivity is an extremely high priority for Space Science. The HST program budgets sufficient contingency to cover "normal" problems, which we believe, is prudent. But the cost of this additional mission has more than exhausted available reserves.

Question. Assuming the failure of additional gyroscopes, what data will be lost if we do not send a Hubble repair mission in October? Please describe the potential data loss and quantify the impact on research.

Answer. In the event of further gyro failure on HST, all science operations will cease, although the observatory will be in no physical danger. The amount and quality of data lost will, of course, depend upon when a repair mission is sent to replace the failed gyros. If, hypothetically, such a repair mission follows about a year later, then an amount of data equal to about 15 percent of all that which has been obtained to date will be lost. Perhaps most seriously, however, will be the potential loss of serendipitous or unanticipated observations: rare events such as comets, planetary storms, or supernova explosions.

Question. How much will the Hubble rescue mission cost and where will the money come from? What other NASA programs will be adversely affected by shifting this funding into the Hubble mission?

Answer. The Hubble SM3A mission will cost the Office of Space Science approximately $26M. We propose to resolve the impact of this unexpected cost during the fiscal year 2000 Operating Plan process.

Question. Please provide an accounting of reserves for all space and earth science programs and the priority of each of these missions or programs within NASA.

Answer. In the fiscal year 2000 President's Budget, total OSS reserves for are $77.8M. The breakout of these funds is as follows:

[In million of dollars]

SIRTF	34.6
TIMED	1.3
Genesis	7.3
Contour	2.5
Mars 01 Orbiter/Lander	11.0
New Millennium	5.2
Chandra	4.6
HST O&S	11.3

The Space Science Enterprise has missions both operational and in planning in each of our four science themes. Our prioritization follows the balanced program presented in our published Strategic Plan. Space Science programs must compete with Earth Science, Human Exploration and Development of Space, and Aeronautics and Space Technology programs in terms of priority. Overall agency priority is established by the Administrator's office in conjunction with the Administration.

EOS PROGRAM

Question. What is the status of the EOS program?

Answer. The EOS program is proceeding as currently baselined both programmatically and technically.

Question. Are you still planning to launch the first EOS spacecraft this year?

Answer. Yes, the first EOS spacecraft, Terra (formerly AM–1), will be launched no earlier than November 1999.

Question. Have all the problems with EOSDIS been resolved?

Answer. All technical and programmatic problems associated with the EOSDIS have been resolved. The EOSDIS is currently successfully supporting pre-launch operations for the Terra spacecraft (formerly AM–1). Implementation of the EOSDIS to support flight operations and data archiving for the remaining mission (PM–1, ICESat, and CHEM–1) is also proceeding without incident.

EOSDIS is a multifaceted, state-of-the-art information system that will allow free and open access to the Earth Observing System (EOS) data archives to a diverse national and international user community. This community includes users from the public and private sectors, including research scientists, educators, students, users in public agencies responsible for operational applications such as weather forecasts and environmental monitoring, policy makers, and the public in general.

Since 1997, different components of EOSDIS have experienced certain difficulties.

—The Flight Operations System (FOS), the component that supports operation and control of satellites in orbit, experienced significant problems in March 1998 relating to stability and performance of the system.

—The Science Data Processing System (SDPS), the component that converts instrument measurements into geophysical parameters, experienced a schedule slip that threatened the readiness of the system to meet the EOS schedule.

—These technical problems were exacerbated by multiple restructurings of the EOS flight system, rapid changes to information technology and high job turnover rate (i.e., up to 30 percent annually) at the contractor level.

In 1998, NASA worked collaboratively with the contractor, Raytheon, and the EOSDIS user community to develop a plan that would refine the EOSDIS approach to meet a basic set of requirements. This plan, also known as Option A+, outlined the appropriate level of requirements needed to meet a fundamental set of requirements that support safe control and operation of satellites in orbit as well as allow efficient processing, archive, and distribution of the resulting data and information. The goal was to build a reliable development schedule while minimizing the remaining cost of implementing the EOSDIS.

Toward this goal, NASA decided to use a commercially available Flight Operations System (FOS) to support EOS Terra and follow-on satellites. Option A+ has reduced a number of the lower-priority requirements. These decisions helped us achieve cost and schedule goals. In addition, NASA and Raytheon infused new leadership and processes into the overall management of the system and into the day-to-day execution of procedures. The result is a functioning system that is supporting Landsat 7 data processing, archive and distribution, and is ready to support the launch, control and operation of EOS Terra.

Despite earlier problems, the Science Data Processing System (SDPS) and the Flight Operations Segment (FOS) are now ready to support EOS Terra later this year.

Full EOSDIS functionality for Terra is being phased to meet cost constraints and will not be complete until approximately 18 months after launch of the Terra spacecraft. This phased implementation assures that full functionality will be in place to support PM, CHEM, ICESat, and other EOS satellites in 2000 and beyond. It is important to reiterate that EOSDIS is presently supporting Landsat 7 data processing, archive and distribution, and is ready to support the launch, control and operation of EOS Terra.

While every attempt was made to scope the program within the available budget, an additional $11.6 million was needed in fiscal year 1999 (already approved and implemented) and an additional $30–50 million is needed in fiscal year 2000. The ECS contract is presently valued to cost $868.6 million through completion. The transition to Option A+ in the ECS contract is presently being negotiated. While negotiations are not yet complete, we anticipate a renegotiated contract within the next two months. The final amount will be known once the restructuring of the Raytheon contract to reflect Option A+ is complete. These funds will better ensure implementation of EOSDIS for missions following Terra, within the level of requirements specified in Option A+.

It should be recognized that EOSDIS is providing nearly the same functionality for a budget that is less than originally proposed in 1996. The savings have been achieved by a more focused use of funds, reducing or eliminating requirements of limited value (principal result of Option A+), implementing the adaptive architecture to allow more economical processing of science data, and management and process changes to improve performance.

Question. What is the total projected life-cycle cost of the EOS program?

Answer. The EOS lifecycle cost through fiscal year 2004 for the first series measurements is $10.0 billion. This amount is the funding needed to complete the initial set of EOS missions which include Terra, CHEM, PM–1, QuikScat, Landsat–7, and

Special spacecraft (e.g. IceSAT, Seawinds, Jason, SAGE III, ACRIM). Also included is the funding for technology infusion, science, algorithm development, and information systems necessary to support those missions. The development of the first series will be completed with the launch of the Chemistry spacecraft in December 2002. Operations of some of these missions will continue beyond the current budget projections, which extend to 2004. We are in the process of defining our implementation strategy for the follow-on measurements concentrating on shortening development time and the incorporation of instrument technology infusion.

The successful transition to the "faster, better, cheaper" approach to implementation of the program will allow a lower total cost for the EOS follow-on measurements. Our current estimate of the costs for follow-on missions through 2010 is in the range of $5–5.5 billion. NASA's Earth Science program will continue to strive to reduce costs to the taxpayer and to provide policy relevant environmental information. We will do this through technology investments that reduce future mission costs, the leveraging of commercial resources and other federal resources, increased international partnerships, and the use of the International Space Station as an observing platform.

TOMS PROGRAM STATUS

Question. Has Russia definitely decided not to launch your next TOMS (Total Ozone Mapping Spectrometer) instrument next year as it had promised?

Answer. Russia definitely will not be launching the TOMS instrument next year. Russia has put a great deal of support into the SAGE mission and, consequently, has not been able to meet their goals for producing a second spacecraft for the TOMS instrument. Because Russia's future schedule is indefinite and NASA's science requirements preclude a lengthy development effort, a mutual agreement was reached to cancel cooperative agreement for the launch of a second instrument.

Question. How is your existing TOMS instrument holding out? Will it last until you can find an alternative spacecraft to host a new TOMS?

Answer. The TOMS instrument currently in orbit was launched on July 3, 1996 on the EP/TOMS spacecraft. The mission had a design lifetime of 2 years. The instrument is currently performing well. However, the spacecraft lost all of its reserve fuel last year due to an anomaly in the control system, and earlier this year the primary transmitter failed. The spacecraft is performing adequately on the backup systems, but it has very little redundancy left. Fortunately, the QuickTOMS mission has been selected as the alternative host to fly the TOMS Flight Model 5 instrument. There is a good chance that the TOMS/EP instrument will last at least until the launch of this instrument in the year 2000.

Question. How seriously would ozone research be impacted if we did not have a TOMS instrument in orbit?

Answer. TOMS is currently our only source for a total map of ozone, and our only reliable source for estimating global change in surface UV radiation. TOMS provides a continuous map of stratospheric ozone concentrations, clouds, and other constituents which are necessary to reliably estimate the UV radiation reaching the earth's surface. The continuous map that TOMS provides is being used in conjunction with the worldwide Dobson network (an international supported ground-based network used for ozone measurement and validation studies) to establish the observed changes in stratospheric ozone for the WMO/UNEP (World Meteorological Organization/United Nations Environmental Program) Ozone Assessments. These assessments in turn provide the science background for Montreal Protocol considerations. The Montreal Protocol has predicted that around the year 2000 the ozone loss in the stratosphere will begin a recovery process. The only way to verify this prediction is to obtain real-time measurements of ozone continuing through the first part of the century. Without a TOMS mission, the continuity of the ozone mapping would be lost and it would be extremely difficult to determine if the ozone layer is recovering as predicted by the models, and whether this recovery is having the expected effects on the surface UV radiation.

AERONAUTICS

TERMINATION OF HIGH SPEED RESEARCH

Question. You have requested termination of your high-speed research (HSR) program. This is the second time in the last 30 years that the United States has ended a research effort directed at development of technology for supersonic transport. What are you doing to ensure that if we start up such research again within the next few decades, we won't have to start over? Do you have sufficient resources to

archive the knowledge gained in the current program in such a way to make it readily useable if and when we start another HSR program?

Why didn't NASA propose to continue with HSR at a much reduced level rather than terminate it altogether?

Answer. Supersonic transport research is continuing at a lower level in NASA's aeronautics research and technology (R&T) base program. This level of effort activity will provide the basis for ramping up supersonic research activities should industry interest in a commercial supersonic transport revive.

Despite the cancellation of the HSR program, previous work in HSR can be leveraged to support new initiatives. Two areas in particular are being directly leveraged to continue work in fiscal year 2000: synthetic vision system (SVS) and propulsion technology. The SVS was being developed as part of the HSR program to give pilots forward vision without incurring a weight penalty on supersonic jetliners associated with the mechanisms needed to drop the noses of these aircraft. This display technology is being combined with other technologies in the Aviation Safety program to augment pilot vision in conditions of low visibility. The propulsion technology development in will be leveraged to support the Ultra-Efficient Engine Technology program. Technology from the HSR program and other programs will be used to reduce emissions of nitrogen oxides to meet a goal of 70 percent emissions reductions. Similarly, HSR technology development in the area of turbomachinery (fans, compressors and turbines) will be leveraged to develop methods to simplify engines by reducing the number of stages. The result will be improved engine efficiency leading to a 15 percent reduction in fuel use and similar reductions in CO_2. Also, high temperature engine materials development will be leveraged.

We are, also archiving the knowledge gained in the current program in such a way to make it readily useable at a future date. $150 million in fiscal year 1999 will be allocated within HSR so that the efforts to date can be used in the future. Specifically, these funds will be used to (in priority order):

1. Archive technology development details and write summary documents of technology development including lessons learned and dispose of excess materials, equipment, and tooling.
2. Identify far-term (2025) High Speed Civil Transport (HSCT) economic and environmental requirements and make recommendations of technology paths to direct and/or complement future NASA programs.
3. Position HSR technology for transfer to industry near-term applications, IRAD investments and cooperative agreements.
4. For generic applications, complete tests of models already fabricated and complete development of engineering tools that can be fully documented by September 1999.

ULTRA-EFFICIENT ENGINE INITIATIVE

Question. What is the rationale behind the ultra-efficient engine initiative and how does it differ from comparable efforts in the advanced subsonic research program? Will the initiative carry on any of the research now being supported by the HSR or advance subsonic research programs?

Answer. The objective of the Ultra-Efficient Engine Technology (UEET) program is to address the most critical propulsion issues related to environmental emissions: performance and efficiency. The overall objective is to develop technology to enable a dramatic increase in turbine engine performance and efficiency while reducing the impact on the environment. High temperature turbomachinery components, materials and structures, and novel concepts for significantly improved propulsion airframe integration through advanced technology concepts will be addressed. The primary benefits to these technologies will be to improve efficiency and reduce emissions for a wide range of applications, civil and military.

UEET resources will be used to develop technology to the component level (combustors, fans, compressors and turbines). System level validation will be performed using DOD and/or industry test engines. We anticipate that 80 percent of the resources will be used in support of in-house research at NASA Centers. The remaining resources will be used on contracts with the two U.S. aircraft engine manufacturers to ensure technology transfer. Given the Agency's priorities, we believe the UEET program represents an appropriate balance.

The propulsion technology development in both AST and HSR will be leveraged to support the Ultra-Efficient Engine Technology program. In AST, the use of low emission combustors to reduce emissions of nitrogen oxides will be continued to meet a goal of 70 percent reduction in these emissions. Technology from the HSR program in this area will also be used to support this goal. Similarly, in both programs, technology development in the area of turbomachinery (fans, compressors

and turbines) will be leveraged to develop methods to simplify engines by reducing the number of stages. The result will be improved engine efficiency leading to a 15 percent reduction in fuel use and similar reductions in CO_2. Also, high temperature engine materials development will be leveraged.

In addition, the fiscal year 2000 budget initiates a new Aviation Systems Capacity program based on the Advanced Subsonic Transport program to address issues of crowding in the nation's air traffic system.

REUSABLE LAUNCH VEHICLES

RLV COSTS

Question. The budget projection for future space launch development grows dramatically between fiscal year 2001 and fiscal year 2004. We have been told that those funds constitute a placeholder for future, to-be-determined RLV commitments. If those commitments are not currently defined, how did you arrive at the amounts appearing in the out-year budget? What do you intend to do in fiscal year 2000 to clarify the picture?

Answer. NASA spends a substantial portion of its annual budget to meet its launch needs. To lower these costs, the 1994 National Space Transportation Policy (NSTC–4) calls for "government and private sector decisions by the end of this decade on development of an operational, next generation reusable launch system." NASA has set aside an outyear wedge of funding to support these decisions. NASA is also undertaking industry-led Space Transportation Architecture Studies to identify private sector options for reducing NASA's launch costs. These studies incorporate separate efforts being undertaken by NASA, DOD and industry including: Space Shuttle safety upgrades; X–33 and other NASA technology demonstrators (X–34, X–37, and X–38), the Evolved Expendable Launch Vehicle for the International Space Station. As part of the fiscal year 2001 budget process, the Administration intends to use the results of these studies and inputs to develop a strategy that encompasses the decisions, some near-term and some far-term, required to meet an end-date goal of transitioning all of NASA's launch requirements, including human space flight, to lower-cost, privately owned and operated space transportation systems. Decisions on future RLV funding, the transition from the Space Shuttle to privately owned and operated vehicles, private sector incentives, and related issues will be decided this fall in the context of this integrated space transportation strategy. Details will be provided in the fiscal year 2001 budget submit.

SHUTTLE VS. RLV

Question. Do you still anticipate being able to make a decision "at the end of the decade" as to whether to make a major upgrade to the space shuttle or to rely on the private sector to build a new reusable launch vehicle (RLV) like VentureStar?

Answer. NASA spends a substantial portion of its annual budget to meet its launch needs. To lower these costs, the 1994 National Space Transportation Policy (NSTC–4) calls for "government and private sector decisions by the end of this decade on development of an operational, next generation reusable launch system." NASA has set aside an outyear wedge of funding to support these decisions. NASA is also undertaking industry-led Space Transportation Architecture Studies to identify private sector options for reducing NASA's launch costs. These studies incorporate separate efforts being undertaken by NASA, DOD and industry including: Space Shuttle safety upgrades; X–33 and other NASA technology demonstrators (X–34, X–37, and X–38), the Evolved Expendable Launch Vehicle for the International Space Station. As part of the fiscal year 2001 budget process, the Administration intends to use the results of these studies and inputs to develop a strategy that encompasses the decisions, some near-term and some far-term, required to meet an end-date goal of transitioning all of NASA's launch requirements, including human space flight, to lower-cost, privately owned and operated space transportation systems. Decisions on future RLV funding, the transition from the Space Shuttle to privately owned and operated vehicles, private sector incentives, and related issues will be decided this fall in the context of this integrated space transportation strategy. Details will be provided in the fiscal year 2001 budget submit.

COST COMPARISON

Question. NASA's Reusable Launch Vehicle (RLV) program is designed to reduce the cost of space launches. What does NASA expect the launch and operations costs of a reusable launch vehicle to be compared to the launch and operation costs of the shuttle? Does NASA expect to support both a shuttle program and an oper-

ational Reusable Launch Vehicle program at the same time? If so, how and what are the cost projections?

Answer. NASA spends a substantial portion of its annual budget to meet its launch needs. To lower these costs, the 1994 National Space Transportation Policy (NSTC–4) calls for "government and private sector decisions by the end of this decade on development of an operational, next generation reusable launch system." NASA has set aside an outyear wedge of funding to support these decisions. NASA is also undertaking industry-led Space Transportation Architecture Studies to identify private sector options for reducing NASA's launch costs. These studies incorporate separate efforts being undertaken by NASA, DOD and industry including: Space Shuttle safety upgrades; X–33 and other NASA technology demonstrators (X–34, X–37, and X–38), the Evolved Expendable Launch Vehicle for the International Space Station. As part of the fiscal year 2001 budget process, the Administration intends to use the results of these studies and inputs to develop a strategy that encompasses the decisions, some near-term and some far-term, required to meet an end-date goal of transitioning all of NASA's launch requirements, including human space flight, to lower-cost, privately owned and operated space transportation systems. Decisions on future RLV funding, the transition from the Space Shuttle to privately owned and operated vehicles, private sector incentives, and related issues will be decided this fall in the context of this integrated space transportation strategy. Details will be provided in the fiscal year 2001 budget submit.

PRIVATE SECTOR INCENTIVES

Question. What incentives do you think would be needed to convince the private sector to fund an operational RLV? There has been some talk of federal loan guarantees. Is that necessary? What would be the budgetary impact of such a proposal?

Answer. NASA spends a substantial portion of its annual budget to meet its launch needs. To lower these costs, the 1994 National Space Transportation Policy (NSTC–4) calls for "government and private sector decisions by the end of this decade on development of an operational, next generation reusable launch system." NASA has set aside an outyear wedge of funding to support these decisions. NASA is also undertaking industry-led Space Transportation Architecture Studies to identify private sector options for reducing NASA's launch costs. These studies incorporate separate efforts being undertaken by NASA, DOD and industry including: Space Shuttle safety upgrades; X–33 and other NASA technology demonstrators (X–34, X–37, and X–38), the Evolved Expendable Launch Vehicle for the International Space Station. As part of the fiscal year 2001 budget process, the Administration intends to use the results of these studies and inputs to develop a strategy that encompasses the decisions, some near-term and some far-term, required to meet an end-date goal of transitioning all of NASA's launch requirements, including human space flight, to lower-cost, privately owned and operated space transportation systems. Decisions on future RLV funding, the transition from the Space Shuttle to privately owned and operated vehicles, private sector incentives, and related issues will be decided this fall in the context of this integrated space transportation strategy. Details will be provided in the fiscal year 2001 budget submit.

LIKELIHOOD OF SUCCESS

Question. How do you rate the likelihood that one or more of the private sector companies now developing their own RLVs will be successful-companies like Kistler, or Kelly, or Space Access? Are all of them arguing that they need federal loan guarantees or other government-based incentives to succeed?

Answer. Several start-up, entrepreneurial launch companies emerged in recent years that are developing or plan to develop new launch vehicles, mostly aimed at the commercial launch market using private sector sources of financing. We know that the fresh ideas and innovative approaches come from such entrepreneurial activities and hope that the companies that prove their systems reliable and cost competitive will be successful. Because each company's business plan is dependent on non-technical factors, such as launch market forecasts, NASA cannot rate the likelihood that one or more of these companies will be successful. NASA is taking steps, however, to support these new entrants and long-term competition in the U.S. launch market. First, several of these companies have been contracted as participants in the Space Transportation Architecture Studies mentioned in the above answer. NASA is also providing Space Act agreement resources to these companies, when requested, such as wind tunnel work, airborne testing, alternative engine designs, and NASA Center expertise. Finally, NASA is asking for industry comments on a potential future procurement of launch services on new, untested launch vehicles for those NASA payloads that can be risked on such vehicles. Because each

company has a different business plan with different market projections, financing techniques, and payback estimates, some companies are in favor of loan guarantees as a private sector incentive whereas others are not.

X–33 TECHNICAL PROBLEMS

Question. What are the technical problems that have slowed the X–33 program? Are more schedule threatening technical problems likely? Is single-stage-to-orbit technology simply too immature at this time?

Answer. The X–33 has suffered manufacturing difficulties with two of its many technologies: the composite liquid hydrogen fuel tank and the aerospike engine. We considered the composite cryogenic fuel tank to be the most significant technical challenge from the time that the program was initiated. The X–33's lifting body shape required that the tank geometry be complex, with each of the two composite LH_2 fuel tanks being assembled in a quad-lobe design. Each tank required four large lobe skins that were manufactured as sandwich structures with graphite epoxy inner and outer skins bonded to a phenolic honeycomb core (trade name "Corex"). The lobe skins were then bonded to four longerons (which were themselves composite woven "y" preforms) and to small and large Cee-shaped members (also woven preforms) which join the top and bottom of the lobe skins to the forward and aft bulkheads, respectively. The first serious difficulty was encountered when areas were found on the first composite tank where the lobe skin bonding to the longerons was inadequate. Repairs were made to the bonds, and manufacturing processes were found that prevented subsequent problems of this type. The next major tank problem involved debonding of an inner lobe skin to the core material on the first of a total of eight lobe skins. The history of the manufacturing process used for this particular lobe skin (the first) and for the second lobe skin slightly differed somewhat from that used on the remaining six lobe skins. Accordingly, a decision was made to manufacture replacement lobe skins to replace both of these skins. The other skins were carefully tested and bondline integrity was determined to be adequate. Manufacturing and assembly of both hydrogen tanks is now complete, and the starboard tank is now in cryogenic cycling and loads testing at NASA Marshall Space Flight Center (MSFC). Some leaks were discovered (as had been expected), but all leaks are repairable in the field. The left tank will follow the starboard tank into the same facility for similar testing while the starboard tank is being installed in the vehicle at Lockheed Martin Skunk Works in Palmdale.

Engineers at MSFC conducted the second pressure test on the composite tank by filling it completely with liquid hydrogen at −423 degrees Fahrenheit on September 21. One of the objectives of the test was to pinpoint seepage areas on the composite tank. When the tank was pressurized to 20m psi, as expected some hydrogen seepage was noted. Technicians are applying sealant or patchwork to affected areas before resuming pressure tests. The tank passed an earlier pressure test with liquid nitrogen and also a 5-psi helium leak test when it was shipped.

Similar patchwork was completed on the X–33's earlier five-foot composite test tank or the "Double D" tank. The five-foot tank has since successfully completed approximately 30 cryogenic cycles involving the filling, draining, and filling again of liquid hydrogen at pressure. As a result of the manufacturing difficulties encountered on these fuel tanks, we have a better understanding and insight into this critical technology area. This is consistent with the X–33 Program's overall goal of giving us the opportunity to develop and prove these cutting-edge, revolutionary technologies.

The linear aerospike engines also encountered manufacturing problems in three areas: the expansion ramps, the thrust "ladder" and the thrust cells. Bonding high-temperature steel alloy sheets onto a copper alloy (trade name "Narloy Z") core with machined cooling slots form the expansion ramps. Liquid hydrogen is circulated through the slots to regeneratively cool the ramps. Manufacturing the cores and brazing the facing sheets to the cores proved to be a time-consuming activity. The brazing process itself was slowed by competing with other applications (e.g., SSME nozzles) for the only available brazing furnace large enough for this purpose. The thrust ladders to which the thrust cells are attached proved to be a more challenging design and manufacturing task than anticipated. Originally the copper ramp was conceived as a passive thermal design, but multi-cell hot fire testing and subsequent analysis indicated that it is a more complicated thermal problem. The ramp had to be redesigned as an actively cooled structure, and this increased the manufacturing time. The thrust cells, which are also actively cooled, took longer than originally anticipated to manufacture. These problems have been overcome, but have delayed the engine delivery schedule. However, the first of the four engines being built under the X–33 program—a test engine—is currently in test at NASA

Stennis Space Center, Mississippi. The second engine, a flight unit, is nearing completion. Both flight engines will be delivered to Palmdale early next calendar year.

We are confident that the manufacturing difficulties, which have delayed the X–33 program, are all behind us. It also is important to note that these were manufacturing difficulties and not design problems. However, much work remains to be accomplished as the program has transitioned into its test and validation phase. The very purpose of the X–33 program is to do things that haven't previously been done to reduce the technology risk for future operational vehicles. The first fuel tank and first development engine are still in their respective test series. We cannot offer assurance that further difficulties will not be encountered during these critical tests, or in other areas, that will further delay the program. However, at the same time, we want to thoroughly test and validate these critical components before installing them in the X–33.

All of the difficulties that we have encountered to date have been successfully overcome. We are smarter today as a result of the problems that we faced. Accordingly, we do not believe that single-stage-to-orbit is too immature for proceeding with development of an operational RLV. We still have a lot of work ahead of us, and expect to learn a great deal from the remainder of the X–33 buildup stage and from the subsequent flight test program. However, our experiences to date lead us to believe SSTO is achievable with the United States' current technology base. Successful test flight of the X–33 next year will go a long way in proving this assertion.

X–34 TECHNICAL PROBLEMS

Question. What are the technical problems that have slowed the X–34 program? Are more schedule-threatening delays likely?

Answer. The X–34 has also suffered from manufacturing delays in its composite tanks and structures. More recently, the program has been impacted by an Air Force determination that extra series of environmental analyses are necessary to launch and land the X–34 at Holloman AFB.

PRIVATE INVESTMENT IN THE RLV PROGRAM

Question. Assuming private investment, creation of an operational space launch system derived from NASA's RLV program, such as the proposed Lockheed-Martin VentureStar, will require private firms to fund a follow-up development and construction program estimated to cost several billion dollars.

Given the large investment required and the Air Force's recent decision to fund the development two Evolved Expendable Launch Vehicles, are private firms willing to invest in development of the VentureStar?

Even though the NASA RLV programs were designed for private investment, does NASA foresee a need to provide funding, payload guarantees, loan guarantees, or other government subsidies for a follow-on development program to produce operational RLVs?

Answer. NASA spends a substantial portion of its annual budget to meet its launch needs. To lower these costs, the 1994 National Space Transportation Policy (NSTC–4) calls for "government and private sector decisions by the end of this decade on development of an operational, next generation reusable launch system." NASA has set aside an outyear wedge of funding to support these decisions. NASA is also undertaking industry-led Space Transportation Architecture Studies to identify private sector options for reducing NASA's launch costs. These studies incorporate separate efforts being undertaken by NASA, DOD and industry including: Space Shuttle safety upgrades; X–33 and other NASA technology demonstrators (X–34, X–37, and X–38), the Evolved Expendable Launch Vehicle for the International Space Station. As part of the fiscal year 2001 budget process, the Administration intends to use the results of these studies and inputs to develop a strategy that encompasses the decisions, some near-term and some far-term, required to meet an end-date goal of transitioning all of NASA's launch requirements, including human space flight, to lower-cost, privately owned and operated space transportation systems. Decisions on future RLV funding, the transition from the Space Shuttle to privately owned and operated vehicles, private sector incentives, and related issues will be decided this fall in the context of this integrated space transportation strategy. Details will be provided in the fiscal year 2001 budget submit.

AEROSPACE TEST FACILITIES

NASA AND DOD COOPERATION IN AEROSPACE INVESTMENT

Question. In June 1995, NASA and DOD agreed to identify cooperative actions that could lead to significant reductions in investments and cost of operations in major aerospace test facilities.

Have you identified any such actions and, if so, what has been the amount of savings so far?

Answer. In the 1995 timeframe, NASA and the DOD—under the auspices of the joint Aeronautics and Astronautics Coordinating Board (AACB)—formed several Integrated Product Teams (IPTs) to assess potential cooperative efforts in areas of mutual interest. These IPTs made numerous recommendations aimed at increasing the efficiency and effectiveness of NASA/DOD activities in research, operations, and management (including additional personnel exchanges).

In the area of aeronautical research and technology, the IPT activity has helped lead to increased coordination in several key research areas. For example, common military and civil turbine engine technology goals have been identified and responsive technology development activities were embodied within the complementary DOD, NASA and industry programs. The Department of Defense's Integrated High Performance Turbine Engine Technology (IHPTET) program is addressing technology responsive to the needs of DOD for military aviation superiority. This program has been closely coordinated with propulsion technology projects in NASA's Advanced Subsonic Technology and High Speed Research programs. Although these particular programs are being terminated in fiscal year 1999, NASA planning for its Ultra-Efficient Engine Technology (UEET) effort has been coordinated with DOD's IHPTET program and during implementation of UEET the coordination and transfer of technology will continue. The strongest collaboration between DOD and NASA will continue to be in the development of high temperature engine materials technology. Military and civil engines differ in the number of stages and configurations, typically the life and durability of military engines are less, but the underlying materials are similar.

In another example, NASA's Aviation Safety Program began in fiscal year 1999 and DOD had been involved in the NASA Safety Research initiative from the beginning. In response to the White House Commission on Aviation Safety and Security, NASA formed a team comprised of NASA, FAA, DOD, NWS and industry to define the highest priority research and technology investment areas to meet the national safety goal. DOD participated throughout the process to contribute and to ensure that there was no duplication of effort. Human factors, aging aircraft, and weather research are among the programs where DOD is contributing significantly to civil aviation safety. Each of the resulting NASA safety project managers has an identified DOD focal point to ensure close collaboration and sharing of information. NASA, FAA and DOD are currently defining a coordinated safety research program under the direction of the National Science Technology Council.

The AACB/IPT effort also resulted in the establishment of six NASA/DOD facility alliances, including the National Wind Tunnel Alliance (NWTA). (The creation of the NWTA was also spurred by the 1995 release of the President's National Science and Technology Council report entitled, "Goals for a National Partnership in Aeronautics Research and Technology." Among other findings, the report concluded that, "newer European wind tunnels focused on aircraft development testing are generally superior to comparable U.S. facilities in overall capability" and that, as a consequence, there had been increasing utilization of European facilities for U.S. commercial and military aircraft development testing. NASA and DOD shared several concerns regarding this practice, including facilities access and data security risks. There have been also been a number of other studies addressing these and related issues, i.e., the National Facility Study (1993), the NASA/DOD Cooperation Study (1996), and the DOD Aeronautical Test Facilities Assessment Study (1997).)

The NWTA as well as the Air Breathing Propulsion Test Facilities Alliance (ABPTFA) was established, therefore, to identify, study and implement measures to strengthen the national infrastructure of aerodynamic and air breathing propulsion test facilities that support NASA and DOD missions and the domestic aeronautics industry. The Alliance has been active in identifying and addressing several facility issues. For example, the NWTA formed a team to develop a common set of metrics for measuring facility performance, and has conducted a benchmarking analysis of a typical commercial test in both NASA and DOD tunnels. These types of "normalizing" activities are important pre-cursors to making comparative investment decisions, and have also led to a sharing of lessons-learned between the two organizations. The Alliance has also been successful in addressing specific investment deci-

sions. For example, the Air Force HyTech program determined that no existing NASA or DOD facility could meet the program's technical requirements. Review of the situation by members of the NWTA led to a decision to invest in a DOD facility, and not a NASA facility, as the most cost effective approach for the Nation.

In addition, NASA and DOD, under the auspices of the NWTA, are participating jointly in the planning and execution of wind tunnel test technology efforts. In particular, the Integrated Instrumentation and Testing Systems (IITS) element of NASA's information technology program is working closely with DOD with the objective of leveraging NASA and DOD funding in wind test technology development. This activity (roughly $4M per year) is in its second year and both agencies are continuing to increase the integration of their test technology development efforts. Most recently, the Alliance has been working in concert with NASA's Core Capability Assessment to identify future DOD requirements for NASA facilities.

Based on the activities of the NWTA, NASA and DOD have proposed that the NWTA and ABPTA be combined and expanded into a National Aeronautical Test Alliance (NATA). NATA, once established, will provide strategic management of the Nation's aerodynamic, aerothermodynamic, and aeropropulsion facilities in the areas of (1) capital investment planning; (2) test technology investment; (3) operations policies; and (4) business management. Day-to-day operations and management of NATA facilities, located at the Ames Research Center (NASA), the Arnold Engineering and Development Center (DOD/USAF), the Glenn Research Center (NASA), and the Langley Research Center (NASA), will remain the responsibility of the respective organizations. The NATA charter is currently under review by the DOD.

DOD SUBSIDY

Question. What activities does NASA conduct with DOD and how are the costs allocated? Does NASA subsidize any DOD or other agency activities? Please quantify.

Answer. NASA and DOD cooperatively plan and conduct many Aero-Space research activities that are pertinent to the objectives of both agencies. Generally, the terms of the cooperation are governed by a Memorandum of Understanding (MOU), Memorandum of Agreement (MOA), or InterAgency Agreement (IAA). For mutual-interest activities such as Aging Aircraft research, each agency pays its own costs and the results are shared. Another example is where the military service provides the wind tunnel model (of a generic configuration) or research flight hardware and NASA provides the testing and data reduction. For the Abrupt Wing Stall project, the F–18 configuration is of interest to the military but the NASA objective goes beyond that to examine the fundamental physical phenomenon. On the other hand, when a specific developmental aircraft is the subject, such as JSF, wind tunnel testing is done on a reimbursible basis.

Other activities, in which NASA and the DOD, DoE, FAA, or other agencies jointly participate, which would include Steering Committees, Partnership Councils, Technical Coordination Groups, and Executive Committees, generally involve only personnel costs, which are borne by the respective agency. NASA resources are not used to subsidize the DOD or any other agency.

NASA DOWNSIZING.

Question. What is the status of NASA's downsizing efforts at each NASA center? Has each center met its staffing reduction targets? If not, why not?

Answer. Thus far, each NASA Center has been able to meet or exceed the aggressive reduction targets established both internally and by the Administration and Congress. Furthermore, 7 out of 10 Centers have reached their outyear FTE targets ahead of schedule. These 7 Centers can now begin to replenish and rebalance the skills that were drained during the severe hiring constraints of the last 6 years. The remaining 3 Centers, JSC, KSC, and MSFC, still need to downsize further to meet their outyear targets as losses have not materialized as planned. (See attached chart for graphic depiction of outyear targets).

AGING PHYSICAL PLANTS

Question. Through the years NASA has built an extensive physical infrastructure at its centers located throughout the nation. During times of budget constraints, the physical plant of agencies is often neglected.

Does the agency have a plan to maintain the capability of its physical plant?

Answer. NASA completed an extensive Facility Investment Study in fiscal year 1997. In this study, we classified our facilities as mission direct, mission support, and center support. Each field center used a team of research and mission managers

to determine the capital repair deficiencies of its facilities in each category (from the perspective of high, moderate, and low risk). This study showed us that we had, indeed, been underinvesting in our facilities maintenance and revitalization.

NASA's physical infrastructure exceeds 5,000 buildings and other structures consisting of roughly 43 million square feet. These facilities average over 40 years in age with 7 million square feet at 60 years old and 3 million square feet up to 70 years old. To assure that the highest priority needs relative to accomplishment of NASA's Strategic Plan are addressed in future facility budgets, NASA is now in the closing phase of an agency-wide core capabilities study. This study will enable us to direct our limited facilities maintenance and revitalization dollars to only those facilities that will be needed from here on out. The results of this study will be available in time to incorporate into the fiscal year 2001 budget submission to OMB.

Question. How much is requested in fiscal year 2000 for such efforts and what are the future year projected costs?

Answer. NASA's fiscal year 2000 budget request includes $141 million in Construction of Facilities (CoF) in fiscal year 2000 and $140 million per year thereafter for revitalization of some critical facilities. Considering the potential risk of known facility deficiencies on Agency research and operations, the investment level is less than the amount recommended by the Facility Investment Study and significantly below what is needed to revitalize all of NASA's current facility inventory. The $140 million, however, will mitigate the most critical facilities deficiencies and safety risks known to NASA at this time. The results of the core capability study will likely identify a greater need for facility revitalization investment. In the meantime, NASA centers plan to spend over $200 million in non-CoF dollars annually for routine, day-to-day maintenance of the Agency's physical plant.

YEAR 2000 COMPUTER PROBLEM

Question. What is the status of NASA's Year 2000 computer problems?

Answer. As of April 30, 1999, NASA has essentially completed all Y2K repairs on mission-critical and non-mission-critical systems. We have one remaining mission-critical system that will complete implementation in June (we deferred SOHO Y2K repairs until the spacecraft was recovered) and one mission-critical system left to retire in August 1999. We have a modest amount of work that we will complete this summer for non-mission-critical systems, primarily in ensuring our desktop environments are Y2K compliant.

Meeting the Government-wide goals for Y2K work has required the most extensive "top down" and "bottom up" review of the Agency's information technology assets supporting missions, systems, and common infrastructure and facilities undertaken to date. No significant Agency asset has been untouched—we have tested and remediated (where necessary) our ground control systems, flight hardware and software supporting human and robotic programs, mission operations support systems, common infrastructure systems, and institutional systems. The results of this extensive Agency-wide effort is evidenced by the following:

—Repaired, replaced or retired 158 mission-critical systems and 350 non-mission-critical systems, representing thousands of complex hardware and software modules and components (including ground control systems, flight hardware and software, mission operations support, institutional systems).
—Validated over 6000 commercial products used on the Agency's supercomputing, mainframe, midrange, desktop, and network assets.
—Tested over 52,000 workstations and servers.
—Tested in-flight system software and hardware for NASA's wide range of spacecraft, satellites, instruments, and aircraft.
—Tested NASA's unique research and development infrastructure—hundreds of simulators including wind tunnels, testbeds, computational facilities, and propulsion and flight-test facilities.

While these accomplishments are significant, NASA is going beyond stated requirements to ensure we are ready for the new millennium. Throughout 1999, we will be conducting mission-specific end-to-end tests to demonstrate Y2K readiness. End-to-end tests will be conducted for the Space Shuttle Program; the International Space Station; and NASA's command, tracking, telemetry, and data services supporting all satellites and spacecraft. Major missions supporting the Space and Earth Science Enterprises are also conducting end-to-end tests throughout the summer to demonstrate Y2K readiness. We have also prepared plans that address operating contingencies for our missions, programs, and systems to ensure we are prepared for a Y2K-related failure of internal assets or national infrastructure. Our plans build on existing and proven flight rules, operations, disaster recovery, and contingency procedures.

Question. What about the impact on the numerous satellites, which are currently operational?

Answer. Satellite timers do not keep track of calendar dates, so there are no date dependent elements provided in most satellite or spacecraft hardware. However, NASA satellites do have many time-related functions in onboard flight software. These times related functions are necessary for many operational activities and include ephemeris processing, processing of stored commands, and other scheduled processes. The format of time used by flight software is not stored or processed as a calendar date, with days or years. Instead, onboard satellite times are kept via counters that begin to accrue time starting with a given event or epoch and are thus unaware of calendar perturbations. As the satellite data is received at the ground station via telemetry and processed by the ground systems, the relation between the onboard time and the "wall-clock" time is established. I would like to emphasize, however, that NASA has assessed and tested or validated that all flight software and hardware is Y2K compliant. As expected, no changes to flight software or hardware have been required.

I would like to use NASA's Hubble Space Telescope (Hubble) as an example to highlight actions we have taken to assure the health and safety of NASA spacecraft relative to Y2K. As you know, Hubble was launched in April 1990, and is one of NASA's great observatories of astronomical observations in space. Hubble provides an excellent illustration of how time is processed for spacecraft. All of the computers on board the observatory depend only on the Hubble onboard clock for time information. The Hubble onboard clock is a free running 125 millisecond counter that has been incrementing since launch. This clock does not contain any date information but expresses time using 32 bits. Rollover to zero occurs after 17.024 years (from launch) and will occur in the year 2007. Rollovers of stored command time occur approximately every 24 days and are routine. Embedded systems planned for installation during servicing missions are designed to be Y2K compliant. Time correlation to calendar date for all Hubble commands and telemetry (engineering and science data) is performed in the ground systems. As we have validated on all NASA spacecraft, the Y2K is not an issue for the Hubble onboard computers and embedded microprocessors.

Ground systems, the commercial utility infrastructure, the commercial telecommunications infrastructure, and NASA's data distribution systems on the ground do, however, use calendar dates and are potentially affected by Y2K. Let me address briefly how we have mitigated Y2K risks associated with each of these elements that are so critical to maintaining the health and safety of NASA spacecraft.

As part of NASA's ongoing Y2K assessment, we have identified Y2K problems for ground systems primarily in the areas of ground system operating systems, Commercial-off-the-Shelf (COTS) components, and mission-unique custom software. Ground systems do rely on calendar dates, for example, to include date and time labeling of received data and to make various operational events occur at specific dates and times. If the applications, computer operating systems, or computers do not recognize or interpret certain dates correctly, the systems may produce erroneous data, malfunction, or simply stop working.

NASA established a very aggressive Y2K program in August 1996. Our program is modeled on the General Accounting Office framework for Y2K awareness, assessment, renovation, validation, and implementation. We have established specific Agency-wide requirements and guidelines that have been consistently followed by all NASA Centers. As part of our initial assessment, we inspected software code and/or conducted preliminary testing for NASA systems to determine Y2K remediation requirements. We have renovated custom-developed code and made necessary COTS upgrades or replacements for supporting ground systems. As part of our validation phase, systems have been tested against specific Agency-wide test requirements and must be formally certified as Y2K compliant by a NASA employee. Consistent with our rigorous systems management practices, validated ground systems were run in parallel with operational non-Y2K compliant systems using "current time" operational data to ensure operational functions were not impacted by Y2K upgrades. Only after satisfactory operational and independent test team checkout were systems transitioned to operations.

In addition to these requirements, NASA missions have executed or will execute end-to-end Y2K test plans that include testing or simulation of critical mission functions supported by the instruments on board, the spacecraft itself, and the ground systems. While the testing details vary from mission to mission, testing involves setting the clock forward and rolling through the millennium roll-over and other key Y2K dates. For those missions to be launched in the latter part of 2000, Y2K compliance tests will be incorporated as a natural part of routine integration and acceptance testing. An example of an end-to-end test recently completed was the Space

Science/Deep Space Network test. For this test, we advanced the clocks to February 25, 2000, and tested the data flows from the Cassini spacecraft (a mission to explore Saturn) to the Deep Space Network-Goldstone Deep Space tracking station, through the Cassini test bed, and finally to two participating Cassini Principal Investigators. The Principal Investigators were at remote sites in Baltimore, Maryland, and the United Kingdom. The test accomplished all of its objectives and instilled confidence that NASA will not experience Y2K anomalies in tracking planetary spacecraft in the year 2000 and beyond.

Let me again use the Hubble Space Telescope as an example. The Hubble ground system actually consists of 36 mission-critical and 20 non-mission-critical computer systems, comprised mainly of COTS computer hardware and software, some government off-the-shelf software, and several million lines of applications software unique to Hubble. Each of these computer systems contains an internal clock with calendar date information. Correct time and calendar date capability is vitally important to Hubble mission-critical operations activities such as the execution of commands by the observatory; proper and accurate telescope pointing; communications between the observatory and the Space Telescope Operations Control Center; and time tagging of science data.

In early 1997, Hubble initiated a comprehensive and thorough effort spanning the operations, ground systems, and flight software to ensure operability in the year 2000 and beyond. All systems were assessed, remediated (where required), and rigorously tested. In addition, Hubble end-to-end tests were executed to independently verify Y2K compliance for all mission-critical systems. To conduct this test, we used a facility that replicates the Hubble electrical and electronics systems that is comprised of the actual flight spare components used for on-orbit servicing of the observatory. All final testing of any changes to flight hardware and software is conducted using this facility because it is the most faithful and highest fidelity replica of Hubble flight systems. During the end-to-end testing, all mission-critical ground system components and Y2K critical dates were exercised using a set of observation proposals, planned observations, and stored command loads to accurately simulate the full range of mission operations with the observatory. Based on these successful tests, Hubble was certified Y2K compliant in March 1999.

Another example I would like to share relates to NASA's Tracking and Data Relay Satellite System (TDRSS). TDRSS is a communication signal relay system that provides tracking and data acquisition services between low earth orbiting spacecraft and NASA/customer control center and data processing facilities. Customers which rely on TDRSS to deliver command and telemetry data include the Hubble Space Telescope, the Space Shuttle, the Compton Gamma Ray Observatory, Landsat, the International Space Station as well as other current and planned low earth orbiting satellites.

The TDRSS is comprised of a space and ground segment. The existing space segment was developed by TRW, and consists of six on-orbit satellites located in geosynchronous orbit. These spacecraft are vintage 1970's design that has a very primitive 8-bit processing capability that does not maintain or use a clock on-board the spacecraft. Instead, the ground station sends real-time commands to configure the spacecraft to support user services and to step the antennas to track both user spacecraft and the Ground Station at White Sands, NM.

Currently under development are three replenishment satellites that are being designed and built by Hughes Space and Communications. These satellites are based upon their standard HS601 series of satellites. The first of this series, TDRS–H, is presently undergoing factory test and integration. Although the launch is planned for the fall of 1999, the satellite will not be placed into operational service until after the century transition. Hughes has performed specific testing of the flight software on the three replenishment satellites to ensure that no problems exist with respect to Y2K.

The TDRSS ground segment is located in New Mexico and consists of two functionally identical ground terminals known collectively as the White Sands Complex. The communications traffic between low-earth orbiting satellites being supported by the TDRSS—uplink and downlink—pass through the White Sands facility. Work to remediate TDRSS ground systems is complete and verified to be Y2K compliant. In summary, the entire TDRSS—existing satellites, replenishment satellites, and ground systems—has been successfully verified to be Y2K compliant.

A technical problem similar to but not directly related to Y2K involves the US Space Command Global Positioning System (GPS). As I am sure you are aware, GPS is based on about two dozen satellites that orbit the Earth and send navigational signals. Two upcoming events may affect civil GPS users and government users of commercially procured receivers—GPS End of Week rollover and Y2K issues. GPS End of Week rollover happens every 20 years because GPS system time

counted in weeks started counting on January 6, 1980. At midnight between August 21 and 22, 1999 the GPS week will rollover from week 1023 to 0000. This could be interpreted as an invalid date in GPS receivers that were not designed to meet GPS specification. The Department of Defense is the service provider for GPS and has verified that all generations of GPS satellites and ground support systems are Y2K and End of Week rollover compliant. NASA has assessed the impact of this known problem with GPS receivers, and has replaced or upgraded a small number of GPS receivers where required, either for this GPS-unique problem, or due to Y2K reasons. We do not anticipate problems with GPS receivers on August 21, 1999 or on January 1, 2000.

NASA remains confident that the probability of a Y2K-related failure of NASA-controlled assets and systems is very low. We are, however, reliant on national and local infrastructure such as telecommunications and electrical power for spacecraft operations. All NASA missions routinely develop contingency plans to deal with the unexpected, including on-orbit anomalies. Each NASA Center has developed Y2K business continuity plans for NASA operating missions and supporting infrastructure that are based on these existing and proven plans. NASA's critical ground systems currently include provisions to mitigate the impact of short-term failures of the commercial power and telecommunications infrastructure which occur during day-to-day operations. Independent power sources such as batteries and generators exist to support continuing operations in the event of a commercial power failure. Diverse routing of communications traffic within our primary commercial telecommunications service provider and the capability to route data across other commercial telecommunications service providers exists to support continuing operations in the event of a commercial telecommunications failure. NASA plans have been used in actual utility outage conditions, systems failures, and recoveries. We know these plans work and believe that these contingencies will work during the Y2K rollover.

As an added precaution, NASA missions are implementing additional measures during important Y2K dates. Prior to the rollover, we will backup critical data and ensure that adequate storage exists to save data that may not be able to be processed in the event a Y2K problem is encountered. For the most part, missions will be put in a quiescent state, and we are evaluating strategies to minimize data gathering or scheduled operations activities. New orbital parameters may be uploaded just prior to the rollover to allow the mission to proceed with minimal ground contact during the first few days or hours of 2000. During the rollover weekend, we will have key operations staff at each NASA Center to monitor and support critical operations, and resolve and report any anomaly, Y2K or otherwise, through established operational procedures and management processes. In addition, we will have extra staff at each NASA Center to communicate frequent Y2K status of all NASA assets and systems to my Office at NASA Headquarters, both affirmations of positive status and problem reporting. To ensure a coordinated, well-planned, and appropriate response to any Y2K anomaly, priorities for problem resolution across missions are:

—Health and safety of the spacecraft
—Health and safety of the onboard instruments
—Real-time mission operations (command uplink and telemetry downlink)
—Non-real time mission operations including spacecraft system analysis, sequence
—Generation, and navigation
—Science data capture
—Science data product generation and archiving

The impact on NASA if there is a Y2K-related failure depends, of course, on the nature of the failure and the duration of the failure. Many of the possible failures would be inconvenient, but would not necessarily result in permanent loss of data. All NASA operating missions have standard operational procedures in place to handle ground contingencies, and would be placed in "safehold" status until the contingency was resolved. The likelihood of a Y2K failure causing damage to spacecraft or causing an extended period of downtime is considered to be very remote.

In summary, NASA believes it has taken aggressive steps to assure the safety and integrity of our spacecraft, satellites, and supporting ground systems and infrastructure. In addition, we have adequate plans in place to address operational anomalies due to Y2K problems, and we will continue to validate and refine these plans throughout the remainder of 1999. NASA is committed to ensuring that NASA's missions and programs move smoothly into the new millennium.

RUSSIAN MISSILE TECHNOLOGY TRANSFER PROBLEM

Question. A number of concerns have been raised about the possibility of and continuing risk that Russia is transferring sensitive missile technology to countries like Iran and Communist China.

This is critical and what steps is NASA taking to curtail such activity. For example, what is the scope of this problem? What specific steps is the Administration taking to modify Russian behavior?

Answer. Over the past three years, the Administration has placed nonproliferation at the top of the U.S.-Russian agenda and has pressed an intensive effort at the highest levels in the Russian government to prevent Russian entities from aiding Iran's missile program. President Clinton discussed this issue at length with Russian President Yeltsin and Prime Minister Stepashin at the G–8 Summit in Cologne in June of this year. The Vice President, also made this matter a major theme of his recent talks with Prime Minister Stepashin. Members of the Cabinet, including Secretary of State Albright and National Security Advisor Berger, all have active dialogues ongoing with their Russian counterparts about nonproliferation as part of the Administration's full court press on this issue. Further, the Department of State and National Security Council staff work closely with NASA and keep NASA apprised of nonproliferation developments as they relate to Russia.

This effort has achieved results. Russia has taken positive steps such as enacting a new export control law (signed by President Yeltsin at the end of July), instituting sweeping export control regulations (including "catch all" provisions), and investigating and stopping some activities of concern. Russia has not yet succeeded in completely cutting off the flow of sensitive materials and technology to Iran. Russian authorities, particularly those with responsibility for law enforcement and security matters, must now use these new tools to crack down on violators and to demonstrate that Russia's is building an effective export control system.

The Clinton Administration continues to mount a strong, high-level diplomatic effort to urge action by the Government of Russia to end cooperation by Russian entities with the Iranian missile program. The key is to find the right mixture of carrots and sticks to convince entities that there are benefits from avoiding cooperation with Iran and to apply tough penalties against entities that engage in activities of proliferation concern.

In the last few months, U.S. and Russian experts have developed an action plan aimed at curtailing cooperation by Russian entities with Iran's missile program. The plan includes enhanced export control measures, including development on a priority basis of internal compliance offices at several entities of concern, and other transparency measures. U.S. and Russian experts have met several times in recent months to discuss implementation of these plans. We have also offered technical assistance to help Russian entities set up necessary export control regimes.

While NASA is not directly involved in these important discussions with the Russian Government on missile proliferation concerns, we are actively engaged with the Department of State and the National Security Council staff to ensure that we are vigorously supporting overall U.S. foreign policy and security objectives. NASA Administrator Goldin has frequently emphasized to Russian Space Agency (RSA) General Director Koptev and other senior Russian Government and industry officials the importance of adhering to Missile Technology Control Regime guidelines in their activities with other countries. In their interactions with RSA and its contractors at all levels, NASA officials emphasize that NASA fully supports and implements the U.S. Government's nonproliferation and security objectives.

Question. What guidance has the Administration given NASA and what role do you expect NASA to play relative to its relationship with Russia?

Answer. NASA will continue to adhere to the established U.S. Government export control guidelines and regulations in its dealings with Russia.

The International Space Station (ISS) is one of the most visible symbols of our engagement with Russia. It has created an opportunity for unprecedented interaction and cooperation with Russian government personnel, aerospace enterprises, and academic experts.

Moreover, continued Russian participation in the ISS serves one of our major nonproliferation objectives by ensuring that key Russian scientists, technicians and enterprises are productively engaged in programs that are mutually beneficial to the United States and Russia, instead of activities that give rise to proliferation concerns. U.S.-Russian cooperation in ISS helps provide legitimate alternatives to engaging in activities harmful to world peace and stability.

Question. What steps will NASA take if it is clear that Russian/Iran cooperation on technology transfer continues?

Answer. We share the concern of the Congress regarding Iran's efforts to acquire technology and expertise related to its WMD and missile programs. Hindering Iran's efforts is a top priority of the Administration's Iran policy and of our wider regional and nonproliferation policies. NASA is prepared to undertake whatever steps are deemed necessary by the Administration to address this potential concern.

CONTRACTING

FIXED COST VS. COST PLUS CONTRACTING

Question. Please describe the circumstances in which fixed cost contracting and cost plus contracting are used.

Answer. Two common types of Federal contracts are fixed-price contracts and cost reimbursement contracts. Federal Acquisition Regulation (FAR) 16.202–2 provides that:

A firm-fixed-price contract is suitable for acquiring commercial items (see FAR Parts 2 and 12) or for acquiring other supplies or services on the basis of reasonably definite functional or detailed specifications (see FAR Part 11) when the contracting officer can establish fair and reasonable prices at the outset, such as when—(a) There is adequate price competition; (b) There are reasonable price comparisons with prior purchases of the same or similar supplies or services made on a competitive basis or supported by valid cost or pricing data; (c) Available cost or pricing information permits realistic estimates of the probable costs of performance; or (d) Performance uncertainties can be identified and reasonable estimates of their cost impact can be made, and the contractor is willing to accept a firm fixed price representing assumption of the risks involved.

In addition to firm-fixed-price contracts, there are other types of fixed-price contracts that allow adjustment of the contract price based on inflationary indices or contractor performance, e.g., fixed-price-incentive contracts allow for adjusting the profit earned by the contractor and the final contract price based on a negotiated formula, or that contemplate redetermination of the contract price, e.g., when a fair and reasonable firm-fixed price cannot be negotiated for more than the initial period of contract performance.

Cost-reimbursement contracts (include cost-plus-fixed-fee contracts, cost-plus-award fee contracts, cost-plus-incentive-fee contracts) are suitable for use only when uncertainties involved in contract performance do not permit costs to be estimated with sufficient accuracy to use any type of fixed-price contract (FAR 16.301–2). For instance, a cost reimbursable contract typically would be used for research and development contracts, such as the development of a Space Shuttle.

NASA COMMENTS ON GAO REPORT ENTITLED "INFORMATION SECURITY: MANY NASA MISSION-CRITICAL SYSTEMS FACE SERIOUS RISKS"

NASA has reviewed the final GAO report and, as with the draft report, agrees with many of the findings and all of the recommendations. We find the final report to be very useful to the Agency. It reinforces the recommendations made by our recent Agencywide Information Technology (IT) Security review and provides additional recommendations which assist in better protecting NASA's IT assets. We reiterate our appreciation of the professional quality of the GAO review and the productive working relationship established between the auditors and NASA officials.

In our response to the draft report we expressed two concerns. The first was triggered by a statement in the Conclusions section of the report that, "NASA's mission-critical systems are vulnerable to unauthorized access and sabotage." We believed that this statement could have been misunderstood to mean that all of NASA's mission-critical systems at all of its Centers could be penetrated. We note that the final report was changed to, "Many of NASA's mission-critical systems are vulnerable to unauthorized access and sabotage * * *". We appreciate the change that was made. However, NASA does take extraordinary steps, not noted in the study, to protect certain systems and networks prior to events such as launches. We believe that these steps are very effective, but due to the increasing capabilities and motivation of those who would harm NASA, we are not complacent and continue to make improvements. NASA takes very seriously the GAO findings in the area of IT Security management, and we will correct our deficiencies. We agree that the Agency must manage IT Security more effectively, and by doing so will provide better protection for all of our mission-critical systems.

The second concern we expressed in our response to the draft report still exists in regard to the final report. Namely, that because the GAO audit, like any audit, is a snapshot in time, the reader may conclude that NASA is doing little to improve its IT Security posture. We are far from indifferent to IT Security which, after the

Year 2000 effort, is our highest IT priority. As a result, we are working diligently to implement the 33 recommendations made in our Agencywide IT Security review and each of the recommendations contained in the GAO report. GAO is correct that some of our recommendations will take up to 2 years to implement fully. That is largely because we are making fundamental improvements in the skills of both our civil service personnel and contractors. Suitable training curricula in some areas, for example, are just now becoming available. We believe the result will be worth the required investment in time and resources, and we are making that investment.

NASA is also taking near-term action to make the following improvements:

—In December 1998, we purchased Public Key Infrastructure (PHI) digital certificates for every NASA employee that will allow us to encrypt sensitive data, provide digital signature capabilities, and perform strong authentication. We are implementing the PKI capabilities Agencywide this fiscal year. We are the first civilian federal agency to pursue Agencywide PKI capability.

—This fiscal year, we have purchased and are now implementing Agencywide a common set of auditing and monitoring tools that will allow us to better monitor the security status of all our systems, better detect intruders, and, because the tools are common, better coordinate our response to attacks against multiple Centers.

—In October 1998, the NASA Administrator issued a letter to Center Directors reinforcing the policy concerning reporting of IT Security incidents to the NASA Automated Systems Incident Response Capability (NASIRC). Shortly thereafter, the NASA CIO provided additional, detailed guidance in this regard to the Center Directors. Incident reporting to NASIRC is improving as a result, but we continue to require better compliance in this area.

—We have successfully completed penetration testing of one of our Centers by another Center to allow us to determine, through testing much like GAO conducted at one NASA Center, the effectiveness of NASA's protection of its IT assets. We will use the lessons-learned from this year's experience to both better secure our systems and perform independent penetration tests in succeeding years.

—NASA's IT Security training plan has been approved and is being implemented. It includes training activities consistent with recommendations contained in the GAO report. As noted in the GAO report, in 1998 NASA developed a multimedia CD–ROM which we believe provides excellent IT Security awareness training. We have distributed the CD–ROM to all the Centers.

—NASA has completed the review process for its revised, detailed IT Security guidance, including final legal review, and is preparing it for signature by the Associate Deputy Administrator.

—We are conducting IT Security workshops on a regular basis so that the Center IT Security Managers, network engineering/operations personnel, and outsourcers can exchange information and develop approaches to improving NASA's IT Security.

—The NASA Administrator issued a message to all employees in May 1999, entitled "The Safety of Information Technology Begins With You", stating that IT Security is part of the Agency's safety campaign and that "* * * I want to emphasize one area where we can and must improve: assuring that our computer systems and data are safe and secure."

—The NASA CIO issued a letter to all Center Directors in May 1999, giving direction on adherence to IT Security policy. The letter addressed IT Security plans, IT security training, auditing and monitoring tools, PKI rollout, assessing Center compliance with IT Security policy, NASA information made available through the Internet, and IT security incident reporting.

—The NASA CIO, as part of the Agency's security campaign, has visited and briefed two of our Centers on the need for IT Security and the requirement to adhere to the Agency's policies in that area. The Center Directors at the two Centers mandated attendance by all Center senior and line management, civil service and contractor, at the briefings. The NASA CIO will brief all Centers by the end of the fiscal year.

—The field Center involved in the GAO/NSA penetration test has made very good progress in repairing the vulnerabilities documented in the penetration test report. Most of the vulnerabilities have been repaired or dispositioned. The remaining vulnerabilities will be repaired by January 31, 2000. Completing repair of the remaining vulnerabilities earlier would introduce unacceptable risk to the missions which depend upon the affected systems.

NASA believes that the actions taken since the completion of the GAO audit and issuance of the draft report, those that are in process and planned as a result of our Agencywide review, and those initiated as a result of the GAO review will make

NASA a leading agency in IT Security. We acknowledge the timely assistance that GAO provided through the assessment documented in its final report.

Following is our detailed response to the specific recommendations provided in the GAO final report. Our response is generally the same as that to the draft report, with a status field added to indicate our progress since our comments on the draft report.

SPECIFIC RESPONSE TO GAO RECOMMENDATIONS

NASA concurs with all the recommendations of the GAO report. The table below provides our response for specific elements of the first high-level GAO recommendation: "We recommend that the NASA Administrator with support from NASA's CIO, implement an effective IT security program that is consistent across NASA's field centers and incorporates the following key elements:"

Recommendation	Concur?	Corrective actions	Projected timeframe for completion	Action status
1. Assessing risks and evaluating needs which includes the following.	Y			
a. Develop and instituting a review process to ensure that managers conduct complete risk assessments for all major systems prior to the systems becoming operational upon significant change, or at least every 3 years.		During the last quarter of fiscal year 1998, we implemented, and the revised detailed IT Security guidance (NPG 2810) will reinforce the requirement for reporting of metrics in this area to the NASA IT Security Principal Center who presents the information to the NASA CIO. Metrics will be collected each quarter. In addition consistent with the NASA management model we will require Center Directors working through Center CIO's, to implement a review process to ensure that the risk assessment policy, as with all IT Security policies and procedures, is adhered to at their Centers.	NPG 2810 issuance: July 30, 1999 ..... Letter to Center Directors stating responsibilities in IT Security area: 3rd Quarter, fiscal year 1999.	All reviews of NPG 2810, including legal review completed. In preparation for signature by the Associate Deputy Administrator. Completed. Letter by NASA CIO to Center Directors issued May 12, 1999.
b. Formally authorizing all systems before they become operational and at least every 3 years thereafter.		NPG 2810, when issued, will include this requirement. Metrics will be collected each quarter.	NPG 2810 issuance: July 30, 1999	All reviews of NPG 2810, including legal review, completed. In preparation for signature by the Associate Deputy Administrator.
2. Implementing policies and controls, which includes the following.	Y			

a. Streamlining the policies-making and standards-setting process for IT security so that guidance can be issued and modified promptly to address changes in threats and vulnerabilities introduced by rapidly evolving computer and telecommunication technologies.		Since NPG 2810 has taken longer to implement than we had planned, we have issued a number of management letters giving guidance in specific areas that required immediate attention. We will develop and implement a more streamlined process for IT Security guidance to supplement our existing policy process.	4th Quarter, fiscal year 1999	On track.
b. Developing and issuing guidance that specifies information that is appropriate for posting on public World Wide Web sites and distinguishes this from information that is sensitive and should be more closely controlled.		NASA will issue guidance in this area. Since one of NASA's primary missions is dissemination of knowledge to the American public, our policy must be carefully crafted to ensure that we are excluding, from World Wide Web posting, only that information that must be kept from public dissemination. We must take the time necessary to develop appropriate guidance consistent with our mission.	4th Quarter, fiscal year 1999	On track.
3. Developing and issuing guidance that identifies critical systems, including those involved in the command and control of orbiting spacecraft, that require strong user authentication.	Y	NPG 2810, when issued, will include this guidance. Consistent with OMB A–130 and NASA's approach to unclassified IT Security, guidance in this area will be based on risk assessments.	NPG 2810 issuance: July 30, 1999	All reviews of NPG 2810, including legal review, completed. In preparation for signature by the Associate Deputy Administrator.

Recommendation	Concur?	Corrective actions	Projected timeframe for completion	Action status
4. Monitoring compliance with policy and effectiveness of controls, which includes (he following. a. Developing and implementing a management oversight process to periodically monitor and enforce field centers' compliance with agencywide policy. b. Ensuring that independent audits or reviews of systems' security controls are performed at least every 3 years and that identified weaknesses are expeditiously corrected.	Y	Consistent with the NASA management model, we will require Center Directors, working through Center CID's, to implement a review process to ensure that all IT Security policies and procedures, including those related to audits/reviews and correction of weaknesses, are adhered to at their Centers. Metrics will be collected each quarter and reported to the Principal Center for IT Security and to the NASA CIO to monitor Centers' compliance with Agencywide policy.	Letter to Center Directors stating responsibilities in IT Security area: 3rd Quarter, fiscal year 1999.	Completed. Letter by NASA CIO to Center Directors issued May 12, 1999.
5. Providing required computer security training, which includes the following.	Y	NASA's IT Security Training Plan has been approved and includes requirements for training consistent with GAO's recommendations.		
a. Developing and implementing a structured program for ensuring that NASA employees receive periodic training in computer security to provide them with the awareness, knowledge, and skills necessary to protect sensitive information and mission-critical systems.		Our IT Security training approach includes two components: (1) end-use awareness and training, training for program/project managers in risk management (including risk analysis), and training for Center IT Security Managers; (2) training for civil service and contractor system/network administrators which we interpret to be GAO recommendation 5.c. The time-frame for this recommendation refers to the first component..	4th Quarter, fiscal year 2000 ..... Intermediate milestones exist/under development for implementation of portions of the program and training percentages of users.	On track.

5. Providing required computer security training, which includes the following.	Y	NASA's IT Security Training Plan has been approved and includes requirements for training consistent with GAO's recommendations.		
b. Modifying relevant contracts to include provisions for ensuring that NASA contract personnel are similarly trained.			Modification of existing contracts: 3rd Quarter, fiscal year 2000. Language for inclusion in new contracts to be developed in 4th Quarter, fiscal year 1999.	On track.
c. Developing and implementing a program for certifying that NASA civil servants and contract employees are competent to discharge their IT security-related responsibilities.			All civil service and contractor system/network administrators: 3rd Quarter, fiscal year 2001.	On track.
			50 percent of all civil service system/network administrators: 4th Quarter, fiscal year 2000.	On track.
6. Coordinating responses to security incidents, which includes the following.	Y			
a. Clarifying policy and procedures for mandatory reporting of security incidents to NASIRC.		This action was completed via a letter from the NASA Administrator to the Center Directors in October 1998. A subsequent letter from the NASA CIO provided more details in this regard.	Clarification of policies is complete.	Completed.
			Clarification of procedures will be provided in NPG 2810, when issued: July 30, 1999.	All reviews of NPG 2810, including legal review, completed. In preparation for signature by the Associate Deputy Administrator.
b. Strengthening the role of NASIRC in disseminating vulnerability information within NASA, analyzing threats in real time, and developing effective countermeasures for ongoing attacks.		This action is in progress as a result of our Agencywide IT Security Program Review. Improvements will be incremental with some aspects of the action in place before the completion date noted.	4th Quarter, fiscal year 1999	On track.

The second high-level GAO recommendation is: "We also recommend that the NASA CIO review the specific vulnerabilities and suggested actions provided to field center officials at the conclusion of our penetration testing, determine and implement appropriate security countermeasures, and track the implementation and/or disposition of these actions".

The NASA CIO has reviewed the vulnerabilities and suggested actions GAO provided to field Center officials and has met with the field Center Director to discuss vulnerabilities and the need for corrective action. In addition, the field Center has conducted an extensive internal study of its IT Security and has issued a comprehensive report and set of recommendations for improvements.

The NASA CIO on June 18, 1999, conducted a review of the field Center's progress in tracking the resolution of vulnerabilities and recommendations noted in the GAO study. The NASA Acting Deputy CIO conducted a follow-up review on July 12, 1999. The field Center involved in the GAO/NSA penetration test has made very good progress in repairing the vulnerabilities documented in the penetration test report. Most of the vulnerabilities have been repaired or dispositioned. The remaining open vulnerabilities will be repaired by January 31, 2000. Completing repair of the remaining open vulnerabilities earlier would introduce unacceptable risk to the missions which depend upon the affected systems. The NASA CIO is tracking the implementation and/or disposition of the remaining actions.

LETTER FROM ROBERTA L. GROSS

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION,
Washington, DC, October 18, 1999.

Hon. CHRISTOPHER S. BOND,
Chairman, Senate Committee on Appropriations Subcommittee,
Washington, DC.

Dear MR. CHAIRMAN: I am responding to written questions from you, regarding the March 18, 1999, hearing before the Senate Subcommittee on VA–HUD-Independent Agencies. I apologize for the late response. I did not receive a copy of your questions until October 6, 1999. The questions are set forth below. You specifically asked for an Inspector General assessment of the priority of the following NASA activities:

SECURITY ACTIONS

Question. In light of recent reports of spying of technology at DOE, what steps has NASA taken to ensure that sensitive NASA technology is not being transferred, even innocently, to a foreign country?

Answer. NASA has an active export control program but needs to establish additional internal controls to prevent unlawful technology transfer. In order to test the effectiveness of NASA's controls, we have initiated a series of audits and inspections. Our work has revealed that NASA has vulnerabilities to improper transfer of sensitive technologies. We recently published an audit on NASA's Control of Export-Controlled Technologies. We found that NASA has not identified all export-controlled technologies related to its major programs. NASA also does not maintain a catalog of classifications for transfers of export-controlled technologies in order to provide for consistency across the Centers. Also, Agency oversight of and training for personnel in the Export Control Program need improvement. Specifically, annual Agency audits of each Center's export control system were not adequately performed and NASA personnel lack training in controlling and documenting export-controlled technologies. As a result, NASA may not have adequate control over export-controlled technologies to preclude unauthorized or unlicensed transfers. The Agency was fully cooperative and responsive to our recommendations to correct deficiencies and improve controls.

We also found that NASA does not always observe some basic controls that could prevent unauthorized transfers of technology. For example, during a review at a NASA center, we found that foreign nationals were unescorted and were not properly identified as foreign visitors. We alerted the Center Director of that issue and he took action to correct the situation. I also reminded senior NASA management of the Agency's responsibilities in this regard. We are currently conducting an audit of contractor control of sensitive technologies and have found deficiencies in NASA's oversight and contractors' practices. The objectives of this audit, which is currently in progress, are to (1) evaluate whether major contractors have established adequate controls over NASA's sensitive technologies to preclude unauthorized or unlicensed transfers, and (2) assess government oversight of contractor processes for control of sensitive technologies. Based on our review to date, we plan to issue a report to rec-

ommend that the Agency improve controls and oversight. We are also performing an audit of the Management and Administration of International Agreements. The objectives of the audit are to (1) determine whether NASA's international agreements are properly executed and monitored, (2) appropriate clearances are obtained for foreign personnel with access to NASA facilities and information, and (3) controls over release of information are established. We will also be conducting an audit of deemed export [1] of NASA Information and Technology. Finally, we are beginning a review by a team of auditors and inspectors into NASA's Special Access Program to ensure integrity in security, procurement, and financial administration. I would be happy to brief your staff on the purpose and approaches of our ongoing work.

My Computer Crimes Division conducts criminal investigations concerning felonious intrusions into NASA computer systems. Through our assessments of these intrusions, we observe that NASA is at risk for loss of sensitive technologies. There are instances in which our investigators have found poorly administered systems, with improper configurations and current patches not applied. NASA too often lacks properly configured firewalls and dedicated skilled security staff. At some field locations, central direction is lacking and there is poor intrusion reporting both to NASA's incident response center and the Office of Inspector General (OIG) Computer Crimes Division.

Loss of sensitive technology may also occur during the process of excessing computers. My inspections staff has found that NASA has failed to adequately wipe excess computers clean of controlled or proprietary data. We have alerted the Agency to this problem over the last several years and continue to conduct spot-check inspections of the Agency's practices.

The Agency has taken steps to address many of these vulnerabilities. For example, the Chief Information Officers, along with security personnel, have addressed NASA centers on their responsibilities for network security and sensitive technologies. NASA has moved forward in its attempts at strong security through the use of a Public Key Infrastructure (PKI). NASA selected one vendor to meet its public key encryption requirements. However, the distribution and training of the PKI has been slow. Also, the NASA Administrator has requested the FBI conduct surveys at each of NASA's principle field centers to help assure that the Agency's counterintelligence and technology transfer postures are sufficient to face the security challenges of the future. The FBI plans to use the information obtained from these surveys to make recommendations on how the Agency can strengthen its counterintelligence programs, ensure consistent high standards at all centers, and effectively link the programs with intelligence and law enforcement communities. We provided the FBI with recent OIG reports that we believe will be helpful to their efforts. I also wrote to Neil Gallagher, Assistant Director, National Security Division (FBI), and offered to assist his staffing this assessment.

INTERNET PROTECTION

Question. What steps has NASA taken to ensure the integrity and protection of its computer systems and data banks?

Answer. NASA's missions and programs depend on properly managed information resources. Moreover, NASA is a significant investor in Information Technology (IT) ($2.1 billion in fiscal year 1999). To streamline operations, NASA is consolidating and outsourcing various IT operations, including local area networks and desktop computers, mid-range computing, administrative mainframe computer operations, and supercomputing. Outsourcing may bring fiscal and administrative benefits, but it also increases risks because of dependency on the vendor for technological direction; IT security; vulnerability of strategic information to outsiders; and dependency on the viability of the vendor.

For the past three years, I have identified IT security as a material weakness of NASA for inclusion in the Agency's annual Federal Manager's Financial Integrity Act (FMFIA) Report. NASA, however, characterizes IT security only as a "significant concern." I also list IT security as one of the top ten challenges facing NASA management. This information has been shared with NASA's oversight and appropriation Chairs and Ranking Minority members, as well as Chairman Fred Thompson

[1] Any release of technology or source code subject to the Export Administration Regulation to foreign national is deemed to be an export to the home country or countries of the foreign national. This deemed export rule does not apply to persons lawfully admitted for permanent residence in the United States and does not apply to persons who are protected individuals under the Immigration and Naturalization Act (8 U.S.C. 1324b(a)(3)). Technology or software is "released" for export through: visual inspection by foreign nationals of U.S.-origin equipment and facilities; oral exchanges of information in the U.S. or abroad; or the application to situations abroad of personal knowledge or technical experience acquired in the U.S.

of the Senate Governmental Affairs Committee, Chairman Dan Burton of the House Committee on Government Reform and Oversight, and Representative Dick Armey, the House Majority Leader. The top ten management challenges are also shared with NASA and posted to the Internet (http://www.hq.nasa.gov/office/oig/hq/reports.html and look under "Memoranda and Letters—PDF.").

Our concerns focus on the fragmentation of the IT security program, the lack of up-to-date policies and guidance, network physical and system security weaknesses, the lack of properly trained personnel, and lack of adequate threat analysis. In May 1998, the Acting Deputy Administrator, acknowledging significant IT security issues raised by the OIG, requested a review of NASA's IT security program. The final report recognized numerous deficiencies. The Agency is committed to implementing a wide range of improvements but implementation is slow. Some no-cost and very low-cost steps can be taken but often are not (e.g., properly configuring networks and firewalls and applying current patches are inexpensive fixes.)

A synopsis of some of our work in these areas is enclosed as Enclosure 1. Also, a list of our planned work in these areas for fiscal year 2000 is also enclosed as Enclosure 2. I will be pleased to meet with you and your staff to discuss our work and assessments in these areas.

If you need additional information, or would like copies of any of the listed reports, please call me at (202) 358–1220.

Sincerely,

ROBERTA L. GROSS,
Inspector General.

ENCLOSURE 1

INFORMATION TECHNOLOGY—PRIOR WORK

Program area	Reports	Results
Audits	Disaster Recovery Planning at Marshall Space Flight Center's Automated Data Processing Consolidation Center (IG–99–043).	The NASA Automated Data Processing Consolidation Center (NACC) has implemented a disaster recovery plan that includes most of the necessary provisions for emergency response, extended backup operations, and testing. However, improvements are needed in the areas of disaster recovery strategy, procedures, and training. The NACC is addressing the issues.
Audits	Ames Research Center's (ARC's) Numerical Aerospace Simulation (NAS) Facility Disaster Recovery Plan (IG–99–032).	The NAS Facility at ARC houses 30 to 40 percent of NASA's supercomputing capability. The NAS does not have a management-approved disaster recovery plan that meets applicable federal and NASA requirements for emergency response procedures, extended backup operations, and testing. ARC is addressing the issues.
Audits	Disaster Recovery Planning at Kennedy Space Center (KSC) (IG–99–017).	NASA has established appropriate emergency response procedures for the Launch Processing System and the Shuttle Processing Data Management System. However, neither system has an extended backup capability to recover from a local disaster if the computer hardware is destroyed. KSC is addressing the issues.
Audits	Numerical Aerospace Simulation (NAS) Data Center Controls at Ames Research Center (ARC) (IG–99–010).	The overall management control structure for the NAS facility is inadequate in several areas including: physical and logical access controls; computer security controls; file retention and backup and recovery management controls; software change management controls; system accounting and file auditing controls; and risk assessments. ARC is addressing the issues.

INFORMATION TECHNOLOGY—PRIOR WORK—Continued

Program area	Reports	Results
Audits	Disaster Recovery Planning at the Jet Propulsion Laboratory (JPL) (IG–99–006).	The JPL disaster recovery plan needs improvements. The plan does not: identify the relative criticality of each application to the mission, identify when applications must be back in operation, or address the restoration of normal operations. JPL is addressing the issues.
Audits	Disaster Recovery Planning at the Johnson Space Center (JSC) (IG–99–005).	The Shuttle Software Production Facility (SPF) disaster recovery plan does not have a strategy or procedures in place for extended backup operations in the event of a disaster. The SPF application users have not developed contingency plans. JSC is addressing the issues.
Inspections	Assessment of the NASA Automated Systems Incident Response Capability (NASIRC) (G–99–007).	The Office of Inspector General (OIG) assessed the adequacy of NASA's incident reporting, response, handling, coordination, and information-sharing capabilities. The OIG found several weaknesses and vulnerabilities and made recommendations to NASA management to correct and improve deficiencies. NASA concurred with all OIG recommendations and identified an action plan to implement the recommendations.
Inspections	NASA's Implementation of a Public Key Infrastructure (PKI) (G–99–006).	The OIG reviewed the manner in which NASA was implementing PKI encryption solutions by selecting one vendor's products to meet key requirements. The OIG took exception to the selection process and dollar amounts paid for the PKI.
Inspections	Inspection of Kennedy Space Center Computer Hard Drives (G–99–003).	The OIG conducted an inspection of personal computer hard drives designated for transfer or excess. We discovered residual user data and copyrighted software on the hard drives sampled and determined that procedures were not being followed. We made recommendations to improve the implementation of data deletion procedures.
Inspections	Dryden Flight Research Center (Dryden) Network Intrusion—Lessons Learned (G–99–002).	We highlighted prudent steps that Dryden took overcoming an unauthorized network intrusion. We shared this report with NASA computer and security officials to communicate lessons learned from the Dryden experience.
Inspections	Flight Termination Systems (FTS) Assessment (G–98–011) CLASSIFIED.	The OIG conducted a review of NASA's use of FTS. We found that NASA's practices do not conform to national policy and decisions are not based on appropriate risk-based assessments. We made recommendations that NASA should comply with national and Agency guidance and to move to a more secure FTS. The Agency agreed to most of your recommendations and we are still discussing the remaining issues.
Audits	Data Center General Controls at Langley Research Center (LaRC) (IG–97–035).	System access privileges were not being removed in a timely manner. Physical access privileges to the data center were not reviewed and revalidated. Computer security plans were not prepared and system security reviews had not been performed. Based on our recommendations, LaRC corrected these problems.

INFORMATION TECHNOLOGY—PRIOR WORK—Continued

Program area	Reports	Results
Audits	Information Technology Capital Planning and Investment Control (IG–98–034).	The NASA information technology (IT) investment process does not satisfy Clinger-Cohen Act and OMB Circular A–130, Management of Federal Information Resources, requirements for post-implementation reviews of major, new, IT investments. NASA initiated process improvements which should satisfy the IT post-implementation review requirements.
Audits	Improved Controls Needed Over NASA's Supercomputing Inventory (IG–98–021).	NASA's CoSMO did not have an accurate inventory of NASA's supercomputers and supercomputing time purchased. NASA initiated responsive corrective actions.
Audits	Data Center General Controls at Marshall Space Flight Center (MSFC) (IG–97–039).	We found control weaknesses associated with the mainframe data center's physical security, environmental security, technical standards, computer security administration, and software change management. Based on our recommendations, MSFC corrected the weaknesses.
Audits	Physical Security at Ames Research Center (ARC's) Numerical Aerospace Simulation (NAS) Facility (IG–97–030).	The NAS computing facility did not have adequate backup or contingency procedures to deal with physical access control system failures. ARC corrected the problem.
Audits	Data Center General Controls at Johnson Space Center (JSC) (IG–98–005).	We found that physical access controls to the Shuttle Software Production Facility needed improvement. Additionally, the facility did not have an uninterruptable power supply (UPS) as a defense against power problems. JSC corrected the physical access problem and agreed to conduct a feasibility study and cost/benefit on the UPS.
Audits	Data Center General Controls at Goddard Space Flight Center (GSFC) (IG–98–006).	Physical access controls associated with the Hubble Telescope Data Operations Center (HTDOC) and the Hubble Telescope Servicing and Maintenance System facility (SAMS) were inadequate. Additionally, computer risk management plans had not been conducted as required. GSFC corrected these deficiencies.
Audits	Data Center General Controls at Jet Propulsion Laboratory (JPL) (IG–98–009).	Computer security implementation plans and reviews had not been developed or conducted for JPL's Institutional Business Systems (IBS) as required by JPL policy. Additionally, physical access controls to the IBS data center were in need of improvement. JPL corrected these deficiencies.
Audits	Data Center General Controls at Kennedy Space Center (KSC) (IG–98–018).	Procedures for monitoring unauthorized access attempts to the Shuttle Processing Data Management System were inadequate. KSC took corrective action.
Audits	Data Center General Controls at Lewis Research Center (LeRC) (IG–98–039).	The physical access control system used to protect LeRC's Research Analysis Center had not been certified as meeting security requirements. Physical access procedures to the facility were not adequate. LeRC is currently addressing these issues.

INFORMATION TECHNOLOGY—PRIOR WORK—Continued

Program area	Reports	Results
Audits	Disaster Recovery Planning at Goddard Space Flight Center (GSFC) (IG–98–036).	The Solar Heliospheric Observatory Mission Operations Center did not have computer contingency capabilities in place in the event of a disaster. Additionally, contingency plans for a data center associated with the Tropical Rainfall Measurement Mission were incomplete. Finally, computer risk assessments did not analyze the potential effects of losses caused by disasters. GSFC agreed to implement corrective actions by March 1999.

ENCLOSURE 2

INFORMATION TECHNOLOGY—PLANNED WORK—FISCAL YEAR 2000

Program area	Assignment	Focus
Audits	Deemed Export of NASA Information and Technology.	Determining whether NASA has appropriate policies and procedures in place to ensure that technology and information is not inadvertently exported to foreign nationals.
Audits	Review MVS/ESA OS/390 Operating System Integrity and Security.	Determination of whether the operating system environments for the Shuttle Software Production facility and the NASA ADP Consolidation Center at Marshall Space Flight Center have been implemented to provide for an appropriate level of security and integrity.
Audits	UNIX Operating System Security at KSC (Carryover).	Determining whether Kennedy Space Center and the United Space Alliance have implemented and configured the UNIX operating system to provide an appropriate level of security and integrity.
Audits	UNIX Operating System Security at GSFC (Carryover).	Determining whether Goddard Space Flight Center has implemented and configured the UNIX operating system to provide an appropriate level of security and integrity.
Audits	General Controls at JSC's Mission Control Center (Carryover).	Evaluating the adequacy of physical access, environmental protection, and disaster recovery planning for JSC's Mission Control Center.
Audits	Implementation of Security Software at JSC's Shuttle Software Production Facility (Carryover).	Evaluating whether JSC and the United Space Alliance have appropriately implemented and configured logical security software to protect Shuttle Software Production Facility systems.
Audits	Windows NT Security and Integrity Controls at Headquarters (Carryover).	Evaluating whether Headquarters has implemented and configured selected NT servers to provide an appropriate level of logical security and interoperability for associated automated systems.
Audits	Implementation of the Clinger-Cohen Act (Carryover).	Examining policies and procedures concerning the duties and responsibilities of the Chief Information Officer relating to information resources management, information technology acquisition including the performance of IT programs, and maintenance of an IT architecture.
Audits	Presidential Decision Directive 63.	Evaluating whether NASA has developed and implemented a plan to protect the Agency's cyber assets consistent with the requirements of PDD–63.

INFORMATION TECHNOLOGY—PLANNED WORK—FISCAL YEAR 2000—Continued

Program area	Assignment	Focus
Audits	Certificate Management	Evaluating the adequacy and effectiveness of internal controls established for the Agency central Certification Authority located at Ames Research Center.
Audits	Information Technology Acquisitions.	Determining whether NASA and its contractors are complying with applicable IT acquisition requirements.
Audits	Telecommunications Management.	Evaluating whether NASA management controls are adequate regarding the use of telecommunication services, including voice, data, and video information technology.
Audits	Operating System Controls in Major NASA Information Systems.	Determining whether the operating system environment has been configured and implemented to provide for an appropriate level of security and integrity.
Audits	Database Controls in Major NASA Information Systems.	Determining whether database security and integrity controls have been adequately implemented in the major systems selected for audit.
Audits	Network Controls in Major NASA Information Systems.	Determining whether controls in the network environment are adequate to protect against unauthorized access and transmission risks.
Audits	Systems Development—Checkout and Launch Control System.	Evaluating control issues associated with: (1) project management; (2) systems requirements definitions; (3) security architecture and requirements; and (4) testing and implementation of application and system software.
Inspections	Use of COTS Software in Ground Systems.	Determining the cost, schedule, and operational impacts of using commercial-off-the-shelf (COTS) software in a ground system.
Inspections	Consolidated Space Operations Contract Security (Carryover).	To determine whether CSOC has anticipated potential threats and risks and has solicited program expertise from appropriate ITS and COMSEC experts.
Inspections	Computer Banner Inspection (Ongoing).	To determine if the requirement that banners be put on NASA computers is being followed.
Inspections	Status of Johnson Space Center Station Program Implementation of Communications Security (COMSEC) and Automated Information Security (AIS) Measures (Carryover).	To determine whether NASA management has accurately identified COMSEC and AIS requirements necessary for mission assurance and safe Space Station operations.
Inspections	Hard Drive 99: Clearing Controlled Information from Excessed Micro-computers (Ongoing).	To determine whether computers in the process of being excessed have been cleaned of all data and software.
Inspections	Information Technology Security (ITS) Staff Qualifications.	To determine the minimum training, qualifications, and experience necessary to perform ITS functions.
Inspections	NASA's Communications Security (COMSEC) Program.	To determine whether NASA's COMSEC program and its associated organizational structure are adequate to ensure compliance with nationally mandated COMSEC policy.
Inspections	NASA's Compliance with the National Policy on the Application of Communications Security to U.S. Civil and Commercial Space Systems.	To determine if adequate COMSEC procedures and safeguards have been planned and applied.

QUESTIONS SUBMITTED BY SENATOR SHELBY

Question. Mr. Goldin, I am pleased that we have a new director at the Marshall Space Flight Center. Art Stevenson is providing real leadership and has proven himself an effective advocate for a new space transportation system that can take the space program beyond the shuttle era. I believe we must focus now on the future, and I mean the future beyond the space station. We need to maintain our access to space after the shuttle wears out. Mr. Goldin, a new space transportation system requires a strong commitment from the NASA Administrator and the President. Do you think this country will see that kind of commitment in the near future?

Answer. NASA spends a substantial portion of its annual budget to meet its launch needs. To lower these costs, the 1994 National Space Transportation Policy (NSTC–4) calls for "government and private sector decisions by the end of this decade on development of an operational, next generation reusable launch system." NASA has set aside an outyear wedge of funding to support these decisions. NASA is also undertaking industry-led Space Transportation Architecture Studies to identify private sector options for reducing NASA's launch costs. These studies incorporate separate efforts being undertaken by NASA, DOD and industry including: Space Shuttle safety upgrades; X–33 and other NASA technology demonstrators (X–34, X–37, and X–38), the Evolved Expendable Launch Vehicle for the International Space Station. As part of the fiscal year 2001 budget process, the Administration intends to use the results of these studies and inputs to develop a strategy that encompasses the decisions, some near-term and some far-term, required to meet an end-date goal of transitioning all of NASA's launch requirements, including human space flight, to lower-cost, privately owned and operated space transportation systems. Decisions on future RLV funding, the transition from the Space Shuttle to privately owned and operated vehicles, private sector incentives, and related issues will be decided this fall in the context of this integrated space transportation strategy. Details will be provided in the fiscal year 2001 budget submit.

Question. Mr. Goldin, in your vision of the future, do you foresee a heavy launch vehicle for travel to planets such as Mars and beyond? What type of propulsion system do you envision for this vehicle?

Answer. Per Section 3(a) of the Civil Space Guidelines in the 1996 National Space Policy, "the International Space Station will support future decisions on the feasibility and desirability of conducting further human exploration activities." NASA's human space flight programs are dedicated to completing development of the International Space Station before considering in detail systems for potential future human missions.

Question. I realize the difficulty of trying to look a number of years into the future, but I think it is fair to ask what role you anticipate for the Marshall Space Flight Center in the development of new space transportation systems?

Answer. Marshall is NASA's lead Center for space transportation technology and will play a central role in undertaking the development and demonstration of technologies to support continued launch cost reductions for NASA and other launch system users.

Question. Mr. Goldin, like many others in this country who have an interest in seeing our space technology provide a boost to the commercial sector, I am concerned that we may be losing our commercial launch business to foreign competitors. As you look into your crystal ball, do you have a vision of how this nation can develop a viable and competitive low cost launch service to bring space launch business back to the United States?

Answer. All of today's launchers are either totally expendable or partially expendable. Such systems require large workforces spread all over the country for manufacturing, shipment, assembly, test, and launch preparation. On the international marketplace, our systems are competitive, but not dominant, in such an environment. NASA's vision is to transition our human space flight requirements to fully reusable, privately owned and operated launchers. By opening NASA's human space flight market to commercial launch vehicles and with such advanced systems we can change the nature of the competition. We will not have to maintain the large expensive factories for continuous manufacture, assembly, and test of vehicles. Rather, our industry will have a huge advantage because it will only have to turn around a fully reusable vehicle between flights. Without the need for manufacturing, shipping, and assembling a new vehicle each launch, our industry will have a huge cost advantage.

Question. Mr. Goldin, I am concerned that investment in space science research has been put on hold while NASA devotes its assets to completing the Space Sta-

tion. Do you share my view that we need to continue investment in space science research while we are building the Space Station?

Answer. The NASA Space Science Enterprise has a robust program spread across its four science themes: Astronomical Search for Origins and Planetary Systems, Solar System Exploration, Structure and Evolution of the Universe, and Sun-Earth Connection. The various programs in these themes have been extremely productive over the past few years, have yielded a wealth of new scientific discoveries, and have captured the imagination and interest of the American public and people around the world.

NASA definitely believes that it is vital to maintain a robust and diverse Space Science program, while continuing its commitment to constructing the International Space Station. In fact, this year, NASA submitted a budget request that included a modest increase in Space Science. The favorable Space Science funding included in the Senate-House Conference on H.R. 2684, the fiscal year 2000 VA–HUD-Independent Agencies Appropriations Act, maintains the health of NASA's Space Science program and its ability to deliver the exciting, world-class science that the American taxpayer has come to expect.

Question. Mr. Goldin, an area of your attention for some time has been in reducing the cost of going to orbit. Clearly this is an issue of national significance as we look toward the increased development and utilization of space. The DOD recently bought launch services from competing contractors rather than paying to develop and buy the launch vehicles themselves. Mr. Goldin, do you believe the next generation operational launch vehicle should be developed by the private sector or by the government?

Answer. In order to focus our resources on science, technology, and exploration, NASA must turn over routine launch operations to the commercial sector. With the shuttle we have taken a first step in this move with the Consolidated Space Operations Contract. Additionally, we compete all of our robotic missions in the U.S. commercial launch marketplace. Both of these experiences have brought NASA savings in money and workforce. We are working to converge NASA's human space flight launch requirements with the commercial launch marketplace so NASA can get lower cost access to space and our commercial providers will have a larger market to service.

The next generation operational launcher should be developed by the private sector in order to reap the benefits of this merging of NASA and commercial launch markets. However, NASA does have unique safety, reliability, and operational requirements, and we cannot jeopardize those requirements. Thus, while the launcher should be developed by the private sector, NASA may have to develop specific elements that satisfy our specific requirements. These might be a crew module, space taxi, or service modules for our unique requirements.

Question. Mr. Goldin, to your knowledge will any of the reusable launch vehicle concepts currently under consideration replace the Space Shuttle in the next ten years?

Answer. Our technology demonstration projects (X–33, X–34, X–37) have made immense progress. Depending on the continued success of these projects, we could see proven technology that could lead to a second generation Reusable Launch Vehicle within 10 years.

Question. If so, which ones and under what schedule?

Answer. NASA spends a substantial portion of its annual budget to meet its launch needs. To lower these costs, the 1994 National Space Transportation Policy (NSTC–4) calls for "government and private sector decisions by the end of this decade on development of an operational, next generation reusable launch system." NASA has set aside an outyear wedge of funding to support these decisions. NASA is also undertaking industry-led Space Transportation Architecture Studies to identify private sector options for reducing NASA's launch costs. These studies incorporate separate efforts being undertaken by NASA, DOD and industry including: Space Shuttle safety upgrades; X–33 and other NASA technology demonstrators (X–34, X–37, and X–38), the Evolved Expendable Launch Vehicle for the International Space Station. As part of the fiscal year 2001 budget process, the Administration intends to use the results of these studies and inputs to develop a strategy that encompasses the decisions, some near-term and some far-term, required to meet an end-date goal of transitioning all of NASA's launch requirements, including human space flight, to lower-cost, privately owned and operated space transportation systems. Decisions on future RLV funding, the transition from the Space Shuttle to privately owned and operated vehicles, private sector incentives, and related issues will be decided this fall in the context of this integrated space transportation strategy. Details will be provided in the fiscal year 2001 budget submit.

Question. If not, what is NASA doing to maintain and upgrade the Shuttle to ensure the nation's investment is protected and human space access assured?

Answer. In the interim, NASA will continue to make the safety upgrades necessary to keep the Space Shuttle safe and reliable.

QUESTIONS SUBMITTED BY SENATOR CRAIG

EDUCATION

Question. There is currently much interest in education and how to improve it in our nation, especially in science, math, engineering, and technology-related fields. NASA has expertise in a number of these fields, and NASA projects capture the imagination of students. What is NASA's role in the effort to improve education in those areas critical to the U.S. maintaining its technological advantage, and how is that role expected to develop in the future?

Answer. NASA is a mission Agency and uses its inspiring mission, unique world-class facilities, close working relationship with the research and development community, and specialized workforce to contribute to education improvement. Educational Excellence has been established as one of five national priorities to which NASA makes a significant contribution. Communicating knowledge to the educational community is embedded as a crosscutting process in all of NASA's work.

There are three primary leadership strategies that are key components of NASA's role in educational improvement. These are: 1. Contribute to educational excellence by making a positive contribution to the goals of the educational community; 2. Develop alliances with key external constituencies to define, expand, and leverage our impact; and 3. Involve the educational community in the NASA mission.

For the future, we have identified seven improvement initiatives. These are:

1. *Focus and Coordinate State-Based Efforts.*—NASA's national Education Program is in one sense composed of 50 individual State programs. The reform of mathematics, science, technology, and geography in K–12 schools is inextricably linked to each State's higher education system and the States' agendas for economic development. Central to our State-based focus is the need for NASA to understand the State education agendas and place emphasis on coordinating our assets in a given State toward meeting that State's needs. By continuing existing and establishing new alliances, NASA seeks to connect NASA Principal Investigators, NASA-trained teachers, existing NASA education resources (for example, Educator Resource Centers and Space Grant Consortia), and commercial contractors with the State education leadership to determine how these assets may best be utilized within the State.

2. *Enhance Instructional Products and Dissemination.*—NASA missions produce new data, images, and information that may be effectively included in textbooks, curricula, and supplementary instructional products. Working with professional education associations, State and local education authorities, universities, private enterprise, and other organizations, we will collaborate to develop instructional products consistent with the national curriculum standards and/or State or local curriculum frameworks. These products will be developed in multiple formats, with emphasis on innovative applications of educational technology and interactive strategies.

3. *Improve Education Program Integration and Coordination.*—The NASA Education Program consists of many parts, which, when working together as a whole, can make a significant and positive contribution to the education community. The Implementation Plan is designed to ensure that the design, coordination, and implementation of NASA's numerous educational projects, programs, and activities achieve this vision of a single, unified Education Program.

4. *Facilitate NASA Research in the Higher Education Community.*—Research relevant to NASA's four Strategic Enterprises is carried out primarily through NASA Strategic Enterprises, Field Centers, and the University community. However, some focused higher education programs are implemented by the Education Division and the Minority University Research and Education Division. Our goal is to streamline and focus these latter efforts so that they strongly support Agency research objectives as determined by the NASA Strategic Enterprises.

5. *Support Preservice Education.*—Various national reports indicate that there will be a shortage of K–12 science, mathematics, and technology teachers over the next 5 years. Concomitantly, institutions responsible for training the next generation of teachers are aligning their preservice programs with new certification requirements and public policy expectations. While NASA's existing inservice programs need to continue at their present level, it is important for us to focus on new opportunities to support initiatives in the preservice area. NASA's significant invest-

ments in research and development with institutions of higher education provide a unique asset to consider in identifying such opportunities.

6. *Target Informal Education*.—Museums, science and technology centers, and similar nonprofit education organizations support the formal education community and provide significant educational activities for learners of all ages. Most of these organizations are major community, regional, or national resources for science education. In addition, the informal education community has a tradition of presenting educational experiences using an inquiry, hands-on approach that is well aligned with the National Science Education Standards. We will work with and support these organizations.

7. *Implement NASA's Comprehensive Data Collection and Evaluation System*.—In carrying out our aerospace mission, NASA strives to involve students and educators as both participants and partners. In conforming to the federal Government Performance and Results Act of 1993, NASA is committed to evaluating the performance of its programs and activities in order to report to the Congress and Administration and to provide for continual improvement of such involvement of the educational community in its missions, research, development, and achievements. To that end, the NASA Education Division is developing the NASA Education Evaluation System which includes an on-line, Internet based system for entry and collection of data from participants and program managers; follow-up studies; and briefing and statistical presentation materials to be used for analysis and reporting.

Question. Half of the 20 EPSCoR states have never had a NASA grant. Idaho is one of the states which is eligible for NASA EPSCoR but which has never had an award. Our institutions believe that they are ready for an award and that they can develop expertise in a number of NASA research areas. Last year, Congress included $10 million to ensure that all eligible states receive funding, yet NASA persisted in awarding only limited planning grants to some states. How do you see those participating at a minimal level becoming more competitive? What is your vision for the future of this program, which basically helps nearly 40 percent of the state become more involved in NASA research activities?

Answer. The $5 million increase in NASA EPSCoR funding enabled NASA to develop and implement a Preparation Grant Program for all 20 NASA EPSCoR eligible states, including Idaho. The Preparation Grant program was established as an interim program to allow all states the opportunity to initiate contacts, promote collaborative research programs with NASA Centers/Enterprises, and begin research activities in areas of strategic importance to the Agency. The Preparation Grant program was designed to increase the competitiveness of the EPSCoR states in anticipation of the rollout of the new NASA EPSCoR program in fiscal year 2001. We have enclosed a copy of the March 1999 EPSCoR Report to Congress that further outlines our plans for the new EPSCoR program.

While the specific details of the new NASA EPSCoR program are still being developed, the program will require more direct connections and collaborations with NASA Centers than does the current NASA EPSCoR program.

Question. Researchers at the University of Idaho have expertise which should be of interest to NASA in a number of areas, including lightweight materials (titanium) and remote sensing, yet we have found it difficult to become involved in NASA research. As noted above, EPSCoR appears to offer only a limited opportunity to do so. What are you doing and can you do to broaden opportunities for all parts of the country to participate in NASA missions and objectives?

Answer. A number of NASA programs offer opportunities for states to become more involved in NASA missions and research activities.

1. *Research Opportunities*.—NASA supports a comprehensive website that offers links to NASA Offices and Centers, and current research opportunities. Information can be found at the following web site: http://www.hq.nasa.gov/office/procurement/grants/#oss

This is one of the best sources of information about areas of research that are important to NASA.

2. *Summer Faculty Fellowship Program*.—Each summer, NASA awards research fellowships to university faculty through the NASA/American Society for Engineering Education (ASEE) Summer Faculty Fellowship Program. This program was designed to stimulate an exchange of ideas between university faculties and NASA scientists and engineers. Selected participants in fields of science, engineering, math, and other disciplines spend approximately 10 weeks working with their professional peers on research projects at NASA facilities. Addition information about this program can be obtained from the Education Division, NASA Headquarters, Code FE, Washington, DC 20546.

Currently, at least one University of Idaho researcher is spending the summer at the Jet Propulsion Laboratory as part of the NASA/ASEE Summer Faculty Fellowship Program.

3. *Graduate Student Researchers Program*.—The Graduate Student Researchers Program (GSRP) cultivates additional research ties to the academic community and provides support to promising students pursuing advanced degrees in science and engineering in areas aligned with NASA's Strategic Enterprises and Field Centers. Additional information can be obtained from the Education Division, NASA Headquarters, Code FE, Washington, DC 20546

4. *Reduced Gravity Student Flight Opportunity Program*.—The reduced gravity student flight opportunity program is sponsored by NASA and administered by the Texas Space Grant Consortium. Through the Reduced Gravity program, teams of undergraduate students, working with university researchers, propose, design, fabricate, fly and assess a reduced-gravity experiment. The experiments are flown on NASA's KC–135 aircraft that can simulate zero gravity conditions for up to 25 seconds.

In 1998 Idaho had two teams selected to participate in the Reduced Gravity Program, and each has successfully flown experiments on the KC–135. The Spring, 1998 University of Idaho team was sponsored by a faculty member in the University of Idaho Department of Mechanical Engineering. The Fall, 1998 team, also from the University of Idaho, conducted research in the field of advanced materials entitled "Combustion Synthesis of Ceramic-Metal Composites in Microgravity" and was sponsored by the UI departments of Metallurgical Engineering, Chemical Engineering, and Electrical Engineering.

5. *NASA EPSCoR Preparation Grants*.—The long term goal of the NASA EPSCoR Program is to develop research infrastructure in areas of strategic interest to NASA within states that have historically been unsuccessful in competing nationally for NASA funds. In 1999 NASA introduced the NASA EPSCoR Preparation Grant program. Funding from this program can be used in part to support the travel of State researchers to NASA field centers to interact directly with NASA engineers and scientists.

In Idaho the 1999 NASA EPSCoR Preparation Grant program is currently funding the following projects:

Cluster Grants ($25,000 each)

Electro-Optic Holography and Passive Vibration and Acoustic Suppression Systems—Jonathan Blotter (ISU), Tony Anderson (UI) and Michael Anderson (UI)—collaboration with Langley Research Center.

Intelligent Control of Nonlinear Dynamic Systems—Touraj Assefi (UI), Dean Edwards (UI), Joseph Feeley (UI), Desineni Naidu (ISU) and James Peterson (UI)—Collaboration with the Jet Propulsion Laboratory.

Catalytic Ignitors for Clean-Burning, Flexible Fueled Aircraft Engines—Judi Steciak (UI), Dave McIlroy (UI), Steve Beyerlein (UI), Don Blackketter (UI)—Collaboration with Ames Research Center.

Low Cost Synthesis of TiAl Base Intermetallic Compounds—Keith Prisbrey (UI), E. Baburaj (UI), S.B. Bhaduri (UI), S. Bhaduri (UI) and D. Bunnell (BSU)—Collaboration with Glenn Research Center.

Survivability of Computer Systems in Hostile Environments—Deb Frincke (UI), Jim Alves-Foss (UI), James Foster (UI), Jeff Harkins (UI)—Collaboration with NASA Ames Research Center.

Collaboration Development Grants ($4,000 each)

Production of Alloys—Sam Froes (UI), V. J. Jabotinski (UI)—John Glenn Research Center—Collaboration with Glenn Research Center.

Parallel Computing—Amit Jain (BSU), John Lusth (BSU), Robert Sulanke (BSU).

Determination of Rates of Turbulent Diffusion—Solomon Leung (ISU) and G. E. Start (ISU)—Collaboration with Langley Research Center.

NMR Imaging and Planametric Analysis of the Corpus Callosum Comparing Gifted Individuals with Control Groups—Tom McKean (UI) and Terry Armstrong (UI)—Collaboration with Ames Research Center.

Development of Micropower Devices and Power Management Networks for Systems on a Chip for Space Applications—Siddhartha Duttagupta (BSU), J. R. Ferguson (BSU), S. B. Bhaduri (UI), N. I. Rafla (BSU), S. A. Parke (BSU), and S. Ahmed-Zaid (BSU)—Collaboration with the Jet Propulsion Laboratory.

6. *NASA Space Grant College and Fellowship Program*.—The National Space Grant College and Fellowship Program was authorized by Congress in 1988 to utilize the nation's universities to help maintain the United State's capabilities in aerospace Science and technology. In the area of research the objective of the Space

Grant program is to establish and maintain a national network of universities with interests and capabilities in aeronautics, space, and related fields, to encourage cooperative programs among universities, aerospace industry, and federal, state, and local governments, and to encourage interdisciplinary training, research, and public-service programs related to aerospace.

As you can see, Idaho has participated in and benefited from many of these programs. In particular, over the past four years Idaho has been represented at NASA Headquarters by two Space Grant Fellows. Both Fellows are faculty members at the University of Idaho and have had significant involvement NASA's Education programs, specifically the NASA Space Grant College and Fellowship Program and NASA EPSCoR.

Currently Dr. David Atkinson is the Space Grant Fellow in residence at NASA Headquarters, working primarily on the redesign of the NASA EPSCoR Program.

We would be happy to further discuss these opportunities with members of your staff or the Idaho higher education community at an appropriate time.

SUBCOMMITTEE RECESS

Senator MIKULSKI. This subcommittee stands in recess until Tuesday, at 9:30, when we will be listening to the National Science Foundation and the Office of the Science Advisor to the President.

Mr. GOLDIN. Thank you.

[Whereupon, at 11:02 a.m., Thursday, March 18, the subcommittee recessed, to reconvene at 9:30 a.m., Tuesday, March 23.]

DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT AND INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2000

TUESDAY, MARCH 23, 1999

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:35 a.m., in room SD–192, Dirksen Senate Office Building, Hon. Christopher S. Bond (chairman) presiding.

Present: Senators Bond, Burns, and Mikulski.

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF SCIENCE AND TECHNOLOGY POLICY

STATEMENT OF NEAL LANE, DIRECTOR

NATIONAL SCIENCE FOUNDATION

STATEMENT OF RITA COLWELL, PH.D., DIRECTOR

ACCOMPANIED BY EAMON M. KELLY, PH.D., CHAIRMAN, NATIONAL SCIENCE BOARD

OPENING STATEMENT OF CHRISTOPHER S. BOND

Senator BOND. Good morning. The hearing of the Subcommittee on VA, HUD and Independent Agencies will come to order.

The subcommittee meets today to review the fiscal year 2000 budget request of the Office of Science and Technology Policy and the National Science Foundation. We welcome back former NSF Director, Dr. Neal Lane, now the President's Science Advisor and Director of OSTP. And it is a pleasure to welcome the new Director of the National Science Foundation, Dr. Rita Colwell. We are very pleased to have you with us. And we also thank Dr. Eamon Kelly, Chairman of the National Science Board, for joining us today.

This is certainly one of the most distinguished scientific panels that we will have the opportunity in this committee, or perhaps any other, to listen to. So we are looking forward to the testimony this morning.

We are happy to have the three of you here today, and we feel quite fortunate to have your expertise and perspective on the funding needs and priorities of NSF, as well as your views on the role of OSTP in formulating the science and research and development

priorities of the Federal Government. I am very pleased to convene the hearing this morning on the Office of Science and Technology Policy and the National Science Foundation. Under both Senator Mikulski's leadership and mine, this subcommittee has been, we would like to think, a strong supporter of a Federal commitment and our role in the Nation's scientific endeavors.

I believe we all agree that research and development is a positive and critical investment for the economic and intellectual growth and well-being of our Nation. I have to say this is one of the most exciting areas that we have to deal with. And certainly the work that is being done ought to be of great interest to all Americans who want to see us continue to make progress in the 21st century.

First, I commend the continuing efforts of OSTP to provide policy leadership on the important issues facing the scientific community. And, at the same time, I commend NSF for pushing the boundaries of scientific research, and acting as the catalyst for new and exciting cutting-edge research.

It is almost in its 50th year for NSF. And during that time, it has been responsible for numerous important scientific advances across many disciplines, ranging from information technology to biology. Science Magazine recently noted that NSF-supported research projects led to two of the most important scientific advances in 1998.

One of those projects helps us better understand the origins of the universe. Specifically, NSF-supported researchers discovered that the expansion of the universe is actually speeding up instead of slowing down, as previously thought. The other research project uncovered new information about circadian rhythms, or internal clocks, which helps us better understand how genes function and react to the environment. This sort of information can be potentially applied to health care research. And I am hoping it will explain why an 18-year-old son of mine just cannot get out of bed on Saturday morning before 11 o'clock.

NSF has also been a major driver of connecting high-speed computer networks to our educational institutions, which has been an area of interest to this subcommittee. I applaud NSF's recent efforts to fund new high-speed network connections. With these recent awards, institutions in every State, including those in remote areas such as Alaska and Hawaii, will be connected to the Internet. And on this committee, we think it is a really good idea to connect Alaska and Hawaii. It makes a lot of sense as far as we are concerned.

As chair of this subcommittee, I will be particularly interested in exploring the Federal investment in biotechnology, particularly as it applies to the agricultural sector. I believe it is imperative for us to maintain the long-term sustainability and competitiveness of U.S. agriculture. And I strongly believe that plant genome research is vital to this effort.

One example of the potential benefits of plant genome research is work being performed in my home State at the University of Missouri. Researchers at the University are looking at the gene selection in maize, and linking new information to a maize genome database. The benefits of this research will improve crop yields, reduce fertilizer requirements and produce better quality food.

And, just incidentally, I was visiting some of the medical researchers, who were dealing with diseases affecting children. And they found that soybeans provided apparently some very beneficial treatment to children suffering from cystic fibrosis. And we hope when we get the genome mapped, we will be able to identify what it is that makes the soybean apparently a beneficial treatment for cystic fibrosis. So there are many exciting things going on there. And I know Dr. Colwell had the opportunity to visit the University a couple of weeks ago. And I want to learn more about your trip. And I thank you for coming. And I was certainly pleased to have Dr. Lane visit a couple of years ago.

I am very pleased that the administration is proposing a $5 million increase for the plant genome program. I think it is a good start. I know that I can count on both OSTP and the National Science Foundation to provide even greater support in this important area. Both agencies have requested additional funding for fiscal year 2000. OSTP's budget request totals $5.2 million, and increase of $175,000 over last year's enacted level. NSF's budget request for fiscal year 2000 is $3.92 billion, a $250 million, or 7 percent, increase over the fiscal year 1999 enacted level.

I recognize that we are not far enough along in the budget process to have an allocation for this subcommittee, so it is premature for us to discuss absolute levels of funding that may be available for our science initiatives and efforts. Nevertheless, I must tell you, the reality is that this will be a very difficult year for the subcommittee.

As I have told other agencies that have come before us, we have major funding needs, ranging from medical care for veterans to housing for low-income Americans, and disaster relief through the Federal Emergency Management Agency. We also know that under the budget caps established under the Balanced Budget Act, the Federal Government will have some $29 billion less to spend for discretionary activities in fiscal year 2000 than what was available this past year.

Our purpose today is to discuss the funding priorities of the Nation's scientific endeavors and how these priorities are reflected in OSTP and NSF's fiscal year 2000 budget request. The centerpiece of the President's R&D budget is a six-agency information technology initiative, dubbed Information Technology for the 21st century, or IT^2. We have not exactly figured out how the IT^2 worked in, but I will work on that.

The President is proposing $366 million for the IT^2 initiative in fiscal year 2000. He has also proposed to tap the NSF as the lead agency for the effort and, within the NSF budget, has asked for $146 million in additional funding. Although the goals of this initiative may be laudable, I have some questions about it.

First, I need to understand how IT^2 fits into the overall Federal information technology framework, and particularly how this initiative differs from other information technology efforts, such as last year's theme of Knowledge and Distributed Intelligence, and existing programs such as the High Performance Computing and Communications, or HPCC, program, the Next Generation Internet, or NGI, initiative. Both HPCC and NGI are heavily supported already

by NSF and other Federal agencies, and would receive significant funding for fiscal year 2000 under the President's budget.

Second, I am interested in learning how NSF and the administration, with OSTP as its lead, will manage this major initiative. IT^2 seems to envision long-term, multi-researcher, large-sized grants, while the traditional NSF work has been with short-term, single-researcher, small-sized grants. That leads me to ask: Does NSF have the internal capacity to administer this kind of initiative, especially one that is more complex than what NSF has traditionally funded? I would be interested to hear how OSTP plans to oversee this initiative, as well.

Last, I would like to know how committed the agencies and the scientific community are to the initiative. The President's 5-year budget flat-funds NSF, and raises some serious questions about its commitment over the long term to IT^2 and NSF. The President's special panel recommended a Strategic Information Technology Initiative, pointing out that while IT^2 is a vital first step, further increased and continued oversight are needed to remedy the shortfall in long-term research investments that have accrued.

Unfortunately, with the tight budgets our subcommittee is facing, there will be some very difficult choices. And I would be interested in hearing how the administration plans to deal with these realities. I am interested in the implementation of the Results Act, which requires agencies to think strategically about their goals and to measure performance against the goals they have set. We have to be responsible for the Federal dollars that we have.

And I have one further issue concerning the subcommittee, which is the disparity in Federal research and development funding between large and small institutions. A recent NSF survey found that the top 50 recipients of university-based research received about 60 percent of all available Federal R&D funds. Many of them also received significant Federal resources to manage large research and development centers.

I support the work of these large and successful institutions, but we have to find better ways to invest scarce Federal dollars throughout the country so that all areas of America can prosper. I do not want to see just the rich keep getting richer, even though other areas are being shortchanged.

I recognize and congratulate NSF's attempts to address the problem with EPSCoR, but its funding is minimal compared to the budget of NSF. And I think that the initiatives are not enough. I look forward to working with you in addressing this problem.

I am now going to turn the microphone over to my distinguished ranking member, Senator Mikulski. And, with some trepidation, I will turn the gavel over to my colleague, Senator Burns.

Senator BURNS. What does that mean?

Senator BOND. That means I am nervous about it, Conrad.

Senator BURNS. Fear not.

Senator BOND. And I have to do a brief interview and I will return very shortly. As always, we accept your full written statement. We will look forward to having the summaries that you wish to provide us. And we will obviously have an opportunity in the question-and-answer part of the program to discuss these further.

So, with that, Senator Mikulski.

STATEMENT OF SENATOR BARBARA A. MIKULSKI

Senator MIKULSKI. Thank you very much, Mr. Chairman. My own remarks are going to be brief, so we can move quickly to the witnesses.

I want to, of course, welcome once again Dr. Neal Lane, now in his new position as the Science and Technology Advisor to the President. And a really warm and affectionate welcome to Dr. Rita Colwell, who was the lead at the University of Maryland in marine biotechnology.

Senator Burns, you might find it interesting that our relationship goes back to the mid-1980's. I was on the Merchant Marine and Fisheries Committee, and chaired the Oceanography Subcommittee. And we held a hearing on the oceans and its future in a very new, emerging field called marine biotech. And now here we are, a decade later, where the United States of America is really the lead in the world in terms of biotechnology. And, of course, we rival our intellectual competitors around the world in marine biotechnology. Dr. Colwell comes with strong administrative skills and excellent idea.

And, Dr. Kelly, of course, we are looking forward to hearing from you in terms of what the Science Board would advise us in terms of policy and direction and how we can set the priorities in our funding.

Dr. Lane and others in the scientific community are long familiar with my comments that I have always been concerned that the United States of America wins the Nobel Prize and that other nations win the markets. And that is why I have encouraged the National Science Foundation and other agencies to focus on strategic national interest—not to have winners and losers in industrial policy, but to see where we were going.

And I recall that there was a report called "Losing Ground," by the National Competitive Council, which outlined the 20 technologies that would drive the 21st century, and where the United States of America was. And, of course, we were leads in infotech at the time, long before the world, and also in biotech. Well, I want us to continue to stay up there. But in order to maximize our resources, I do believe that we will be effective through interagency cooperation. And this is why I am so excited to learn more about the President's initiative for the Infotech 2 initiative. Because it will be a multi-agency and then, ultimately, a multi-disciplinary approach between Department of Defense, Energy, NASA, NIH, and NOAA.

And, quite frankly, ladies and gentlemen of the panel and also in the audience, if I had my way on appropriations, we would have a separate subcommittee just on science and technology. Because it is what my dear colleague, Senator Bond, has said—while we are looking at the educational and work force needs of the future, we are also going to be foraging for how to change the very nature of public housing and meet our commitments to the veterans. And while we want to move ahead on your biodiversity initiative, or certainly consider it very carefully, we have EPA that, through this Congress, cannot even get its Superfund legislation authorized.

But the idea of interagency work really appeals to me. And what I want to hear is will the new initiative—are the funding request, number one, adequate? Number two, will we end up starving other programs that are already funded at a basic level, so that new initiatives, with glitz and promise, are not funded at the expense of those things that are part of our traditional must-do list? And then, what this will also mean in terms of work force readiness.

I really want America to come up with the new ideas that the private sector can develop into new products that create new jobs. But everywhere I travel in my State, and as we meet with national leaders, there is a work starvation, if you will, a work force deficit, in terms of people who are ready for the new economy. And of course I think everyone knows my own longstanding, life-long work about the concern about people who are always left out and left behind.

And I am concerned that as we move ahead into the dazzling future of information technology and how it will help even other science that, as Bill Gates says, we will create a digital divide between those who are either in it or those who are not. And I want to be sure that Americans are not left out or left behind, and that no group of Americans is left out or left behind.

So, we will be interested to see what that coordination means. And we will be able to ask more of those questions, and then, even specific things related to interagency coordination. Both NOAA and FEMA have talked about the need for new maps. FEMA wants to map the vulnerable areas of the United States, particularly in flood-prone areas. Dr. Colwell, you know what happened in western Maryland and the task force I have with Governor Glendening. But there are certain areas of our country—Missouri has faced it too—where because of flood-prone, we have already literally and figuratively, financially, and through engineering, bailed out communities, only to have them re-flooded again.

So FEMA came in, wants money to fund it, and we said, Well, cannot you get this from NASA? Then NOAA is going to also do mapping. And what we are saying is, Gee, we have got LANDSAT, we have got all this, are we creating data mortuaries or are we creating data opportunities? And how can there be cross-work, say NASA with FEMA, NASA with NOAA? Because those products, that mapping, you know the genius of the private sector, they will value-add it. They will be able to perhaps sell it. We have the Great Lakes model as an example.

We are looking at how to get more bang from our buck through interagency cooperation, meet compelling human need, fund the basic programs, and get ready for the future. So we are interested in hearing from your testimony on how we can do it.

So, with that, Mr. Chairman—Senator Burns is still holding the gavel, but I will yield the floor.

Senator BOND. Senator Burns, would you like to use the gavel?

Senator BURNS. I wonder, we walked through that whole thing over there, Senator Mikulski. Do you need some wolves? I am trying to sell wolves this morning.

Senator MIKULSKI. You have to know, Senator, I grew up in Baltimore, and there is a neighborhood called Fells Point. Now, the interesting thing about Baltimore is I represent more Nobel Prize

winners than Teddy Kennedy. But I also have more bars in it than Boston. So I know all about wolves. [Laughter.]

Senator BURNS. Do you want to trade? We balance it out. [Laughter.]

Senator MIKULSKI. Well, they are a little bit bigger than 3 feet, anyway.

STATEMENT OF SENATOR CONRAD BURNS

Senator BURNS. Thank you, Mr. Chairman. And I was listening with quite a bit of interest to Senator Mikulski's statement.

I want to review a few things as we work on this appropriation. Thank you, Drs. Lane, Colwell and Kelly, for coming this morning.

I want to talk about a little program that has been around a long time, and that is EPSCoR. It is between $43 million and up to $63 million, I suppose, that is divided among 18 States. And if there is a success story about a program that has come of age, it is this one. Let me tell you some exciting things that happened in my State, because EPSCoR allowed smaller States to invest in their R&D and their infrastructure in which to perform R&D.

And most of ours has been done in the area of dinosaurs, Senator Mikulski. Jack Horner, one of the leading researchers on dinosaurs and how they behaved and survived over 140 million years ago, is internationally known. And that is at Montana State University.

But also EPSCoR has helped to attract several other neuroscience researchers, who have researchers, who have created a Center on Computational Biology, and recently won the Integrated Graduate Education Research and Training Award from the NSF. Several young faculty, initially supported by EPSCoR, have gone on to be recognized around the world and have started new careers through those awards.

With EPSCoR funding, we have started an exciting program to examine life in the extreme thermal environments of Yellowstone Park. Not only can this research tell us about the origins of life, but also about how it may lead to new pharmaceuticals and new industrial chemicals. This is an especially exciting project.

I encourage you to make a special trip to Montana just to review what they have done. From beginning to end, I think you will agree with me that it has been sort of one of those things that we have gone into not knowing really what was ahead of us and found out that there is quite a lot. We did not know what was in those boiling pots or those hot pools and how it may sustain life under very, very difficult conditions.

In 1998, four students from Montana State University won the Goldwater Scholarships, America's premier undergraduate science award. Each was involved in MSU's undergraduate research programs supported by EPSCoR. So, if we are looking for a place where we get a lot of bang for the buck, it is this tiny, little program administered by NSF that has really done the job.

We have believed in that program from the very first. Montana and other rural States have been included in the VBNS connections program, also provided by EPSCoR supplement. High-speed Internet connectivity is critical to States with dispersed populations, like Montana. With these connections, we can be full partners in the re-

search community in the Nation and provide our students with full access to educational materials and opportunities.

Laser Products, in Bozeman, Montana, now employs over 200 people. And those industries have grown up around Bozeman because of the collaborations with MSU. These are contributing to economic prosperity in the community and also providing jobs for graduates. In fact, Bozeman is quickly becoming recognized as one of the Nation's emerging research regions.

So I am very proud of what EPSCoR has done. And just like I say, it is a tiny, tiny, little part of what you do, but it has had huge impacts on States like Montana, Wyoming, the EPSCoR States, which before had never gotten any recognition for the work they have done in research and development. And so I am very proud of how that program has grown. We have kept tight control on it. It is not that expensive. But the impact on smaller States has really been something. So, I thank you for that.

Mr. Chairman, that is the only statement I have. I welcome our guests today. And as Senator Mikulski was alluding to, we do have—over on the Commerce Committee, it was my privilege and honor to serve on Science and Technology and NASA, on the authorizing committee. So it has been really, really something to watch as we have taken these small products and have done great things. So I appreciate the opportunity of visiting with Dr. Lane. We have been friends a long time. And I do not think there is anybody in this country more dedicated to research and development and the well-being of our investment in those fields than the folks we have before us today.

I thank you, Mr. Chairman.

Senator BOND. Thank you, Senator Burns. I can tell you, it is a real pleasure for us to have someone with your expertise from the authorizing committee to be on this subcommittee with us. And I would certainly second your comments about Dr. Lane, Dr. Colwell and Dr. Kelly. And we look forward to hearing from them now.

We would ask that you try to summarize your statements in 10 minutes or less. You can take less if you wish. And we will make the full statements a part of the record.

Dr. Lane.

STATEMENT OF NEAL LANE

Dr. LANE. Thank you, Mr. Chairman, members of the committee. I am pleased to appear before you today. My written testimony describes the Office of Science and Technology Policy's, OSTP's, budget request for fiscal year 2000, and also provides some highlights of the national science and technology enterprise during 1998, and the administration's fiscal year 2000 R&D budget request. And I would ask that it be included for the record.

Senator BOND. Without objection, it will be.

Dr. LANE. I also wish to thank the committee for its strong support of science and technology, and NSF, which I have particularly appreciated during the time I have been privileged to serve as Director.

As you know, OSTP plays a vital role in leveraging the government's S&T investments for broad national goals. Support for such investments has traditionally been a matter of bipartisan agree-

ment. And I believe it is imperative that we build common ground to support a shared vision, the commitment to keep America the world's leader in science and technology.

OSTP has four main functions. We advise the President and other senior Administration officials about the impacts of science and technology on public policy and vice versa. We coordinate the work of the R&D agencies to ensure we get the biggest bang for the science and technology buck. We promote strategic partnerships among science and technology stakeholders—State and local government, industry, academia, and various international players. And we report on what we have learned through all these efforts. Last year, OSTP shepherded 11 multi-agency reports through the National Science and Technology Council, and seven reports and letter reports through the President's Committee of Advisors on Science and Technology.

An example that provides a sense of the breadth of OSTP's influence is our work on the Administration's Initiative on Information Technology for the 21st century. And, Mr. Chairman, IT^2 is a little confusing and we maybe overreached with that title, but the second "t" is the "t" in twenty-first.

Senator BOND. What is the second "i"? That is what bothers me.

Dr. LANE. We do not have a second "i." [Laughter.]

Senator BOND. Okay.

Dr. LANE. We just have one "i."

Senator BOND. Okay. [Laughter.]

Dr. LANE. The initiative, we believe, responds to a wake-up call from the congressionally chartered President's Information Technology Advisory Committee, known as PITAC. OSTP was instrumental in getting PITAC established. We also work closely with members of PITAC to make sure that its work was useful to the Federal agencies, while also challenging those agencies to think outside the box about their responsibilities and the possibilities for information technology research.

Once we had the recommendations from PITAC, OSTP pulled together the Federal agencies to develop a response. And we ultimately concluded that information technology is so important that we are proposing a new Federal R&D investment of $366 million in fiscal year 2000, a 28-percent increase above and beyond our ongoing research programs.

Out of this total, Mr. Chairman, $184 million—half of the initiative—comes through your subcommittee. To develop this initiative, we worked with the agencies to examine the existing information technology research programs—of which there are several—to determine just how we could leverage them for the best returns of this new investment, particularly responsive to this advisory committee's recommendations.

We decided to make these new investments in three major areas. First, about two-thirds of the new funding—$228 million—will support long-term, fundamental research, aimed at fundamental advances in computing and communications.

The second element is $123 million to support advanced computing infrastructure—the machines and the software and the capability—as a tool to facilitate important scientific and engineering discoveries of national interest. The resulting supercomputer infra-

structure will be orders of magnitude more powerful than that currently available to the civilian science community.

Third, $15 million in new funding will greatly expand research into the social, economic and work force impacts of information technology, including the transformation of social institutions, the impact of legislation and regulation, electronic commerce, the barriers to information technology diffusion, and the effective use of technology in education. This element will emphasize finding ways to ensure that all Americans have the education they need to take advantage of the large numbers of high-wage jobs created in the new economy.

One area that highlights the importance of these three areas is our ongoing work on the human genome. By providing fundamental advances in computing, the initiative will enable progression from sequencing of the human genome all the way to the design of new drugs. It will also enhance our ability to address the important social issues that are raised by these breakthrough discoveries, such as genetic privacy.

IT is our largest R&D initiative for fiscal year 2000, but OSTP also played a critical role in developing coordinated interagency budgets and policies in the area of plant genome, food safety, emerging infectious disease, sustainable development, critical infrastructure protection, education research, and others.

I ask you today, Mr. Chairman, for your continued support of OSTP's role in coordinating science and technology policy for the executive branch and for our Nation at large. OSTP's budget request of $5.2 million, and 40 FTE's, for fiscal year 2000 represents an increase of budget authority of less than 3.5 percent, and an increase of one person—one in the FTE level. These additional resources are essential to continue to provide the highest quality of work across our broad spectrum of responsibilities.

Mr. Chairman and members of the committee, I hope this brief overview, combined with my written statement, has conveyed to you the extent of this Administration's commitment to advancing science and technology in the national interest and the importance of OSTP's role in that enterprise. Regardless of party affiliation, in the end, we can all agree that investments in science and technology are investments in the Nation's future.

I look forward to achieving bipartisan support for a national science and technology strategy that will combine the resources of industry, academia and nonprofit organizations, and all levels of government to advance knowledge, to promote education, to strengthen institutions, and to develop human potential. I ask not only for your support for OSTP's fiscal year 2000 budget request, but I also want you to know how much I appreciate the longstanding bipartisan support of the committee for OSTP and for the science and technology research enterprise.

PREPARED STATEMENT

I will be happy to answer your questions. Thank you very much.

Senator BOND. Thank you, Dr. Lane.

[The statement follows:]

PREPARED STATEMENT OF NEAL LANE

Mr. Chairman, Members of the Committee, I am pleased to appear before you today to discuss the Office of Science and Technology Policy's (OSTP) budget request for fiscal year 2000.

I very much welcome, and am encouraged by the current efforts in Congress in support of science and technology (S&T) funding. As you know, funding for S&T, like funding for education, is a high leverage investment in our continued quest for peace and prosperity. Support for such investments has traditionally been a matter of bipartisan agreement. It is imperative that we build common ground in support of a shared vision—a commitment to keep America the world's leader in S&T.

As we approach the turn of the century, it seems appropriate to take stock of the Nation's S&T enterprise, and to look to the future—to the opportunities that lie ahead as well as the challenges that we face. The Information Age, driven by rapidly advancing S&T, is bringing changes to our society that are only beginning to unfold. Already, new communications technologies are transforming the way we work, where we work, and what we need to know to be successful in tomorrow's competitive environment. Six years ago, "Internet" was still a word known mostly to those in S&T. Today, this offspring of federal research activities is the backbone of a new industry and a window to a tremendous world of information for all segments of our society, from business executives to school children.

The rapid economic growth of other nations means a future with greatly expanded markets for U.S. goods and services. Our ability to move our ideas, our goods, and ourselves swiftly to any place on the planet, with the help of new technologies, enhances our ability to share in the growth of global wealth. On the other hand, the increasing availability of these same capabilities throughout the world also means greater competition; it means increasing pressures on our shared environment, health, and natural resources; and it means more diverse dangers to our security from threats such as terrorism and the spread of nuclear and other materials of mass destruction.

DRIVING ECONOMIC GROWTH AND IMPROVING QUALITY OF LIFE

Sustaining U.S. leadership in science and technology has been a cornerstone of President Clinton's economic and national security strategy. Investments in science and technology—both public and private—have driven economic growth and improvements in the quality of life in America for the last 200 years. They have generated new knowledge and new industries, created new jobs, ensured economic and national security, reduced pollution and increased energy efficiency, provided better and safer transportation, improved medical care, and increased living standards for the American people.

Our economy has never been more driven by science and technology than it is today. Over the past three years, information technology (IT) alone has accounted for more than one-third of America's economic growth. More than 7.4 million American's work in IT today—and those jobs pay, on average, sixty percent higher than the average job. Alan Greenspan recently stated that rapid technological change has greatly contributed to eight years of record peacetime expansion, and is one of the forces producing what he called "America's sparkling economic performance."

Investments in research and development are among the highest-payback investments a Nation can make. Over the past 50 years technological innovation has been responsible for as much as half of the nation's growth in productivity.[1]

We see the fruits of this innovation every day. Many of the products and services we have come to depend on for our way of life in America—lasers, computers, magnetic resonance imaging (MRI), teflon and other advanced materials and composites, communications satellites, jet aircraft, microwave ovens, solar-electric cells, modems, semiconductors, storm windows, human insulin, and others—are the product of U.S. science support and technology policies.

These innovations also mean jobs and economic prosperity for America. They've built some of these key industries:

Computers and Communications.—A creative partnership among the Federal agencies, industry, and academia led to what has become the Internet, the backbone of a global electronic communication system. The Internet has driven the evolution of a $590 billion domestic telecommunications and information technology industry, which supports millions of high-paying American jobs. In just the past 10 years, American employment in the computer and software industries has almost tripled. Market capitalization of the top five companies alone is over $600 billion.

[1] Supporting and Development to Promote Economic Growth: The Federal Government's Role The Council of Economic Advisers, October 1995.

Biotechnology.—Discoveries in biology, food science, agriculture, genetics, and drugs upon which the private sector has been able to build and expand a world-class industry today support $13.4 billion in annual sales and more than 150,000 American jobs.

Aerospace.—Aerospace leads all other industry sectors in net exports. The latest figures show the U.S. Aircraft industry shipped nearly $40 billion worth of commercial aircraft and employed more than half a million people.

Environmental Technologies.—Almost unheard-of 10 years ago, more than 30,000 environmental technology and services businesses employ over 1.3 million Americans in high-growth, high-wage jobs. The environmental technology industry has annual sales over $186 billion, a number that is expected to grow to $214 billion by the year 2002.

Energy Efficiency.—Technology advances, developed in part through public-private partnerships, have cut refrigerator energy consumption from 1900 kWh/year in 1974 to an average today of less than 650 kWh/year, reducing consumer electricity costs by $100/year per refrigerator. A partnership with the glass industry led to the development of the oxygen-fueled glass furnace, which in just 8 years has captured 30 percent of U.S. glass production and provides annual net energy savings of $11 million. Geothermal heat pumps (GHP) reduce energy consumption by 63–72 percent compared to electric resistance heaters/standard air conditioners. Some 400,000 GHPs are now in use in the U.S., with estimated annual savings of $120 million to $160 million.

Every one of these industries has been built on federal investments in R&D, and they are not isolated occurrences. From satellites, to software, to superconductivity the government has supported—and must continue to support—exploratory research, experimentation and innovation that would be difficult, if not impossible, for individual companies or even whole industries to afford.

Recent Advances in Science and Technology

Over the past year there have been numerous scientific and technological advances, reminding us of how much there is yet to know, and of the potential of S&T to further enrich and improve our lives. It is important to note that federal funding was a key to virtually all of the scientific breakthroughs of 1998, which included:

—*The accelerating universe*.—Evidence of a rapidly expanding universe and the resurrection of Einstein's "cosmological constant", has transformed our view of the universe and posed fundamental new questions for physics.

—*Detailed workings of the cellular clock*.—A number of discoveries revealed the remarkable universality of the clock workings: across the tree of life, from bacteria to humans, clocks use oscillating levels of proteins in feedback loops to keep time. Even more remarkable, fruit flies and mice—separated by 700 million years of evolution—share the very same timekeeping proteins. By understanding the clock better, scientists can now begin to manipulate it, working on curing jet lag to brightening winter depression.

—*Analyzing and comparing whole genomes*.—Researchers for the first time finished a complete sequence of a multicellular organism, as well as several feared microbes, bringing the total number of fully sequenced genomes to nearly two dozen. This year's newly completed microbrial genomes include those of some of humankind's worst enemies: the bugs for syphilis, tuberculosis, and typhus, as well as a Chlamydia, which causes venereal disease and blindness. The genomes reveal proteins unique to these pathogens, molecules that may be targets for drug or vaccine development.

—*A new look at space*.—This year scientists provided the first image of a planet outside our solar system; evidence of ice on the moon; measurements of the largest explosion since the Big Bang; detailed study of Mars; and images of sun quakes and matter being consumed by black holes.

—*New insight into the nervous system*.—A landmark discovery reveals for the first time physical characterization of the membrane protein responsible for the selective movement of potassium into and out of cells. This finding provides new insight into understanding the workings of the nervous system.

—*Evidence that neutrinos have mass*.—Research showed that the subatomic particles known as neutrinos, long assumed to lack both charge and mass, do indeed have mass.

—*Quantum teleportation*.—Physicists boldly went where no one has gone before, turning teleportation at the quantum level into lab reality by teleporting quantum information from the nucleus of a carbon atom to that of a neighboring hydrogen atom. This transmission of information between ions lies at the heart of quantum computing, which offers the prospect of lightning-fast, superparallel calculations.

—*Microchips make advances*.—Researchers created a DNA-processing micromachine which may one day be able to sequence DNA. Researchers also developed a biochip that can screen a blood sample for cancer cells, bacteria, or other cell types and remove their DNA for analysis. Researchers are also using DNA chips themselves, where arrays of immobilized DNA snippets are used to search out small genetic variations in genes or to detect RNA messages from the genes turned on in cells. Such chips could one day screen for genetic disease.

—*Cancer prevention and treatment*.—The war against cancer goes on, but physicians now have a few new weapons to fight with. Tamoxifen, an estrogen-like molecule, already in use as a breast cancer treatment, won approval for prevention in high-risk women, and researchers announced that the antibody Herceptin significantly slows the growth of metastatic breast cancer.

—*Infections and autoimmune disorders*.—Scientists convincingly linked infections and autoimmune disorders, paving the way to better understanding and treatment of diseases such as diabetes and multiple sclerosis.

—*Hydrogen*.—Scientists developed a device to turn water and sunlight into hydrogen. This simple new device holds great promise for producing a non-polluting fuel to run internal combustion engines. Fuel cells using hydrogen can be used to power vehicles, and provide heat and electricity for commercial and residential buildings.

President Clinton's Fiscal Year 2000 R&D Budget

The President and the Vice President remain unwavering in their support for science and technology as crucial investments in our future. They maintain that such investments enable our nation to compete aggressively in the global marketplace, protect our environment and manage our natural resources in a sustainable manner, safeguard our national security from emerging threats, and spur the technological innovation that has contributed so much to our economic prosperity and quality of life. They have brought the budget into balance. They have increased the investment in science and technology. We all, but especially our children and our grandchildren, will reap the rewards.

President Clinton has submitted a balanced budget request to Congress for fiscal year 2000. Despite the tight constraint on discretionary spending, fiscal year 2000 is the seventh year in a row that the President has proposed increased investments in civilian research and development—to a total of $39.8 billion. Civilian R&D now constitutes 51 percent of the overall R&D budget of $78.2 billion.

The fiscal year 2000 budget continues the important R&D trends established by this Administration. It boosts funding for basic research to $18.2 billion, an increase of 4.2 percent ($727 million) over fiscal year 1999. The budget also strengthens university-based research, which increases by $353 million, and reflects an effort to reestablish an optimum balance between health care research and other scientific disciplines.

The 21st Century Research Fund continues to be the centerpiece of the President's R&D investment strategy. This year the Research Fund includes DOD basic and applied research programs, further evidence of the Administration's commitment to effective integration of the Nation's university-based research portfolio. The $38 billion Research Fund grows by 3 percent in fiscal year 2000 and provides for overall stability and for growth in the highest priority research programs.

The proposed R&D investments will enable the S&T agencies to achieve the President's goals for science and technology: promote long-term economic growth that creates high-wage jobs; sustain a healthy, educated citizenry; harness information technology; improve environmental quality; enhance national security and global stability; and maintain world leadership in science, engineering, and mathematics. For example:

—*National Institutes of Health (NIH)*.—Keeping pace with the Administration's ambitious goal last year for progress in biomedical research, the budget includes a 2 percent ($320 million) increase. These investments will allow continued progress on diabetes, brain disorders, cancer, genetic medicine, disease prevention strategies, and development of an AIDS vaccine.

—*National Science Foundation (NSF)*.—The budget provides $3.92 billion (a 7 percent increase) for NSF's broad base of support to all fields of scientific study. The budget provides $146 million for NSF to lead the Administration's Information Technology in the 21st Century (IT^2) initiative and also increases funding for biocomplexity research on biological, physical, chemical, and social interactions in Earth's ecosystems.

—*Department of Energy (DOE)*.—The budget provides $2.84 billion (a 6 percent increase) for basic science programs at DOE. The budget includes resources for basic research as well as continued support for construction and operation of

large scientific user facilities, including the Spallation Neutron Source. DOE's participation in IT² ($70M in fiscal year 2000) will help to accelerate scientific discovery and research.

—*Department of Defense (DOD)*.—The budget provides $1.1 billion in basic research, $3 billion in applied research, and $3.3 billion in advanced technology development. Research on counter-terrorism and on improvements in the safety and security of the Nation's physical infrastructure and information and communications systems receives a targeted increase.

—*National Aeronautics and Space Administration (NASA)*.—The budget provides $2.48 billion for the International Space Station (an 8 percent increase). NASA's budget also includes $2.2 billion for Space Science (a 4 percent increase over fiscal year 1999); and $1.46 billion for Earth Science (a 3 percent increase).

—*Department of Agriculture (USDA)*.—The budget provides a 3.5 percent increase, $837 million, for the Agricultural Research Service. The Cooperative State Research, Education and Extension Service National Research Initiative—which provides competitive grants in areas of national concern such as food safety, the environment, plant and animal research, and human nutrition—receives a 68 percent increase to a total of $200 million. Funding for the Forest Service increases 19 percent to $235 million in support of ecosystem and global change research.

—*Department of Commerce (DOC)*.—The budget includes $918 million in the 21st Century Research Fund at DOC. It provides $239 million (an 18 percent increase) for NIST's Advanced Technology Program to promote unique, rigorously competitive, cost-shared R&D partnerships. It also provides $283 million to NOAA for research to support decisionmaking on climate change, air quality, and ozone depletion.

—*Department of the Interior (DOI)*.—The budget provides $838 million (a 5 percent increase) to USGS for science that supports national resource and environmental decisionmaking. The budget also supports research and technical assistance on the scientific needs of land managers and local land use planners.

Interagency Initiatives

The budget increases investment in national priorities requiring multi-agency investments. For example:

—*High Performance Computing and Communications (HPCC) and the Information Technology Initiative (IT²)*.—The budget provides a total of $1.8 billion for these programs. IT2, which responds to the recommendations of the President's Information Technology Advisory Committee to increase funding for fundamental, long-term research, advanced applications, and research on the economic and social implications of information technology, is funded at $366 million (a 28 percent increase) in fiscal year 2000.

—*Climate Change Technology Initiative*.—The budget provides a 34 percent increase for this initiative, which includes $1.4 billion in R&D on energy efficiency, renewable energy, carbon sequestration, and improvements in nuclear and fossil technologies. The initiative also provides $400 million in tax credits to stimulate adoption of energy efficiency technologies.

—*U.S. Global Change Research Program*.—The budget provides $1.8 billion (a 6 percent increase) to observe, understand, predict, and assess the state of the Earth and how it changes in response to natural and human-induced forces.

—*Partnership for a New Generation of Vehicles (PNGV)*.—The budget provides $264 million (a 10 percent increase) for this cost-shared, industry partnership. PNGV aims to develop affordable cars that achieve up to three times the fuel economy of comparable vehicles and meet all applicable emission and safety standards.

—*Education Research Initiative*.—The budget provides $50 million ($25 million at NSF and $25 million at ED) to support large-scale, interdisciplinary research in three key areas: school readiness for learning reading and mathematics; K–3 learning in reading and mathematics; and education of PreK–12 teachers in mathematics, reading, and science.

Private Sector Stimulus

The budget provides $2.4 billion to extend the Research and Experimentation (R&E) tax credit until June 30, 2000. The R&E credit helps stimulate additional private sector investment in research and development which encourages technological advancement, leading to higher productivity, and helping to generate new American jobs.

THE OSTP MISSION

In support of our Nation's science and technology priorities, OSTP has two primary responsibilities: advising the President on S&T; and providing leadership and coordination for our government's role in the national S&T enterprise.

In the 1950's, in response to Soviet advances, highlighted by the launch of Sputnik, President Eisenhower saw the need for expert S&T counsel, and he invited James Killian, then president of MIT, to Washington to serve as the head of the first President's Science Advisory Committee, an OSTP predecessor. Since then our Nation's Presidents have drawn on the expertise of our office for S&T policy advice, and I see this as a contribution that will continue to grow in value as the challenges we face become increasingly complex.

Within our agency, a small staff of professionals analyzes developments at the frontiers of scientific knowledge, and aids the President in shaping policy. OSTP also provides scientific and technical information and recommendations to the Vice President, the White House Offices, the Executive Branch Agencies, and to Congress.

A second responsibility of OSTP is to provide leadership and coordination across the Administration. OSTP plays this role for a range of Administration priorities, including national security and global stability, environment, science, and technology. The National Science and Technology Council (NSTC) has been an invaluable partner with OSTP in developing interagency evaluations and forging consensus on many crucial S&T issues.

OSTP Budget Request

I ask today for your continued support of OSTP's role in coordinating S&T policy for the Executive Branch and for our Nation at large. OSTP's budget request of $5,201,000 for fiscal year 2000 represents an increase in budget authority of less than 3.5 percent and an increase of one in the FTE level from 39 in fiscal year 1999 to 40 in fiscal year 2000. This request will allow OSTP to fulfill its responsibilities in a White House that emphasizes the importance of science and technology in national and international affairs.

After freezing our requests at the fiscal year 1996 enacted level for two consecutive years, this increase is essential to continue to provide quality support to the President and information to the Congress. Since personnel costs constitute the largest portion of OSTP's budget, our fiscal year 2000 budget request reflects our commitment to operate more efficiently and cost-effectively without compromising the essential element of a top caliber science and technology agency—high quality personnel.

National Science and Technology Council

To meet the Administration's priority S&T goals we must combine the efforts and the expertise of multiple agencies. OSTP personnel support the work of the NSTC, a Cabinet-level Council that sponsors interagency initiatives to advance key S&T objectives.

Our distributed system of research funding also places a premium on coordination between complementary agency programs. The NSTC, now in its fifth year, is improving such coordination.

NSTC membership includes Cabinet Secretaries, heads of science and technology agencies, and key White House officials with significant S&T responsibilities. In the process of generating specific budgetary and policy recommendations, NSTC routinely reaches beyond the federal government to seek input from a wide spectrum of stakeholders in the public and private sectors.

An important objective of the NSTC is to guide individual agency budget priorities for R&D and to orient the S&T spending of each Federal mission agency toward achieving national goals. To meet this objective, the NSTC has established five goal-oriented committees, each of which is chaired jointly by a senior agency official and an OSTP Associate Director. These standing committees, along with ad hoc working groups within the NSTC, provide an effective forum to resolve cross-cutting issues such as the future role of the U.S. national laboratories, or providing a program guide to federally funded environment and natural resources (see Appendix A for a full list of NSTC generated reports from 1998.)

The President's Committee of Advisors on Science and Technology

As Assistant to the President for Science and Technology, the Director of OSTP co-chairs the President's Committee of Advisors on Science and Technology (PCAST) with John Young, former President and CEO of Hewlett-Packard Co. The PCAST, which consists of distinguished individuals from industry, education, and research institutions, and other non-governmental organizations, serves as the highest level

private sector advisory group for the President and the NSTC. (see Appendix B for a full list of PCAST generated reports from 1998.) President Clinton established the President's Committee of Advisors on Science and Technology (PCAST) at the same time that he established the NSTC to advise the President on matters involving S&T and to assist the NSTC in securing private sector involvement in its activities.

Mr. Chairman and Members of the Committee, I hope that this brief overview has conveyed to you the extent of this Administration's commitment to advancing S&T in the national interest. We are delighted that the fiscal discipline exercised over the past six years has put in reach the opportunity to place more emphasis on investments that can assure future economic progress, environmental protection, and other national priorities which depend so heavily on strong and sustained R&D.

Regardless of party affiliation, in the end we can all agree that investments in S&T are investments in our Nation's future. I look forward to achieving bipartisan support for a national S&T strategy that will combine the resources of industry, academia, non-profit organizations, and all levels of government to advance knowledge, promote education, strengthen institutions, and develop human potential.

I ask not only for your support for OSTP's fiscal year 2000 budget request, but also want you to know how much I appreciate the long-standing bipartisan support of the committee for OSTP and for the S&T research enterprise. I would be happy to answer any questions that you have.

APPENDIX A.—REPORTS

National Plant Genome Initiative, January 1998

Program Guide to Federally Funded Environment and Natural Resources R&D, February 1998

Our Changing Planet: The Fiscal Year 1999 U.S. Global Change Research Program, An Investment in Science for the Nation's Future, March 1998

National Science and Technology Council 1997 Annual Report, April 1998

A National Obligation/Planning for Health Preparedness for and Readjustment of the Military, Veterans, and Their Families after Future Deployments, August 1998

Fiscal year 2000 Interagency Research and Development Priorities (Jones-Lew Memorandum), June 1998

Networked Computing for the 21st Century/Supplement to the President's Fiscal Year 1999 Budget, August 1998

Transportation Technology Plan, November 1998

Air Quality Research Strategic Plan, November 1998

Public/Private Partnerships: Implications for Innovation in Transportation, December 1998

Endocrine Disruptors: Research Needs and Priorities, December 1998

Reports and further information may be obtained by calling: 202–456–6100 (phone) or 202–456–6026 (fax).

Reports are Also Available on the NSTC Home Page via Link from the OSTP Home Page at: http://www.whitehouse.gov/WH/EOP/OSTP/html/OSTP—Home.html

APPENDIX B.—ACTIVITIES OF THE PRESIDENT'S COMMITTEE OF ADVISORS ON SCIENCE AND TECHNOLOGY (PCAST)

In 1998 PCAST provided the following reports:

Teaming With Life.—Investing in Science to Understand and Use America's Living Capital (June 1998). Over the last few decades, a new paradigm has emerged: Improving and protecting our environment is compatible with growing the nation's economy. As part of this paradigm, we have come to recognize the essential linkage between the economy and the environment. We now understand that the sustained bounty of our nation's lands and waters and of its native plant and animal communities is the natural capital on which our economy is founded. We also realize that a sound forward-looking economic strategy requires that we protect this natural capital, rather than damage it and then spend millions or billions of dollars attempting to recreate what nature has already given us. To protect our natural capital, our Nation's biodiversity and the ecosystems within which it thrives, we need to have an extensive and frequently updated environmental knowledge base. This knowledge base is required to evaluate alternative plans for managing biodiversity and ecosystems as we work to optimize the union between the environment and the economy. The report offers strategies as to how to amplify our knowledge that will allow us to accomplish these goals.

PCAST issued the following letter reports:

Letter Report on R&D Partnerships, released March 6, 1998, reviewed the effectiveness of Federal technology partnership programs based on three studies and noted areas for improving programmatic effectiveness and efficiency.

Letter Report on Global Cooperation to Develop and Commercialize Energy Technologies to Meet the Global Challenge of Climate Change, released May 15, 1998. The report advised that the issues of climate change presents the United States and the world with one of the greatest challenges of the 21st century. The report recommended development of a plan to address the challenge of global impact of human activities through technology and development of a global collaborative framework in greenhouse-gas reductions.

Letter Report on the Education Research Initiative, released June 8, 1998. The report advised that the quantity, quality, and organization of education research in this country need renewed attention. The report recommended that the fiscal year 1999 spending constitute an initial investment in building the methodological human, and institutional resources that will move the United States to a $1.5 billion annual program of peer reviewed, politically independent, reliable, and cumulative research in education that draws on a broad base of expertise.

Letter Report on the fiscal year 2000 Budget, released November 4, 1998. The report urges the President to strongly support a broad S&T portfolio in the fiscal year 2000 budget. PCAST advised the President to continue to focus Federal resources on strengthening the U.S. research capacity through an approach such as the 21st Century Research Fund and to broaden this concept to encompass the basic research programs of the DOD.

Senator BOND. Dr. Colwell.

Dr. COLWELL. Mr. Chairman, Senator Mikulski and Senator Burns, I thank you for allowing me the opportunity to testify on the budget request for fiscal year 2000 for the National Science Foundation. This being my first appearance before this subcommittee, I also thank you for the very kind remarks.

Before I begin my presentation, I would like to turn to Dr. Kelly for the National Science Board's views on the NSF budget and a little bit of information about the current state of science and engineering in the United States.

Dr. Kelly.

Senator BOND. Dr. Kelly, thank you.

STATEMENT OF EAMON M. KELLY

Dr. KELLY. Thank you, Mr. Chairman.

Mr. Chairman, Ranking Member Mikulski, Senator Burns, I appreciate the opportunity to testify before you, and request that my written statement be entered into the record.

Senator BOND. Without objection.

Dr. KELLY. First, let me thank the subcommittee for its strong and consistent support of the National Science Foundation. Your continuing commitment to NSF programs and activities is vital to our Nation's future. Guided by the creative and energetic stewardship of my colleague, NSF Director Rita Colwell, your investment in NSF's research and education portfolio has been and will continue to be handsomely rewarded.

Second, on behalf of the National Science Board, I want to endorse the Foundation's request for $3.95 billion for fiscal year 2000. The investment represented in this budget extends across the frontiers of science, engineering and technology, and reflects the Administration's strong commitment to fundamental research. Moreover, it reflects my personal conviction that scientific research is the keystone of our economy. NSF's support for research has a multiplier effect. It is the foundation for other investments, governmental and nongovernmental alike, in research.

It is worth noting that R&D funding patterns have changed substantially. Total national R&D funding has never been higher. It

now amounts to more than $200 billion annually. However, long-term research investments, sponsored mainly by the Federal Government, have been steadily losing ground to short-term investments supported mainly by private industry. This decline is significant. Because, as the Council of Competitiveness points out in its recent report, "Going Global," and I quote: Investment in discovery research creates the seed corn for future innovation. Government at all levels is the mainstay of the Nation's investment in science and engineering research. Unquote.

The Council concluded that increased public investment in fundamental research and education is a vital need. Yet the long-term trends in national investment in research tell us we are underfunding fundamental research and, in the process, eating our seed corn.

In 1997, the Federal Government provided 30 percent of all R&D funds in the U.S., down from 60 percent three decades ago. Other numbers tell a similar story. Of the $70 billion Federal investment in R&D, only $17 billion goes to fundamental research.

Speaking as an economist, it is a fundamental economic error to underfund the basic research, either a total of $17 billion or NSF's $4 billion, that underpins much of our $8.5 trillion economy. Even the $17 billion level represents 2 one-thousandths of 1 percent of our total economic activity.

Clearly, the creation of knowledge has become a driver of our economy that we almost take for granted. Commercial and medical breakthroughs in understanding and product development, from terascale computing systems to genomics, to laser surgery, are all rooted in the support of past NSF research investments.

Today, four of the top 10 companies of the Fortune 500 are high-tech companies. None of these four was even in the Fortune 500 a decade ago.

Mr. Chairman, the payoffs flowing from our Nation's R&D system result from a balanced portfolio of research investments. Moreover, this system depends on the intertwining of research and education. So, while NSF investments spur the creation of new knowledge, they also help to educate the next generation of scientists and engineers.

As we look beyond this budget year, the National Science Board is committed to the same wise investments and priority-setting in science and technology that this committee seeks. We thank you for your support of the Nation's investment in research and education, especially at the National Science Foundation. And we look forward to working with you, Mr. Chairman, and the entire subcommittee, to help sustain the U.S. world leadership in science and engineering in the next century.

PREPARED STATEMENT

That completes my statement, Mr. Chairman, and I turn now back to Dr. Colwell.

[The statement follows:]

PREPARED STATEMENT OF DR. EAMON M. KELLY

Mr. Chairman, Ranking Member Mikulski, and members of the Subcommittee, I appreciate the opportunity to testify before you. I am Dr. Eamon Kelly, Chairman of the National Science Board and President Emeritus of Tulane University.

Since the founding of NSF in 1950, the National Science Board has exercised two roles that of a national policy body, and that of a governing board for the National Science Foundation (NSF). The latter role is similar to that of a corporate board of directors, but as a Federal entity we operate within the framework of policy guidance established by the Congress and the Administration.

The Board conducts an annual NSF long-range planning and budget review and approval to assure the health of the human, disciplinary, and infrastructure base for science and technology (S&T); to support new opportunities for the advancement of knowledge; and to make the process of priority-setting responsive to such opportunities.

I am here today first to thank the Subcommittee for its strong support of NSF. Your continuing commitment to NSF programs and activities in research and education is vital to our Nation's future.

Second, on behalf of the National Science Board, I want to express our strongest support for the Foundation's request for $3.95 billion for fiscal year 2000. The investment represented in this budget extends across the frontiers of science, engineering, and technology and is part of the 21st Century Research Fund. It reflects the Administration's strong commitment to fundamental research.

Moreover, it reflects my personal conviction that research is the keystone of our economy. And NSF's support for research has a "multiplier effect": it is the foundation for other investments agency and nongovernmental alike—in research.

Three themes are priority-setters in the Foundation's budget proposal, which Director Colwell will elaborate:

—NSF has been designated the lead agency for a six-agency initiative on Information Technology for the Twenty-First Century (or "IT2");

—Biocomplexity in the Environment represents a set of coordinated activities in environmental science, engineering, and education; and

—Educating for the Future: A 21st Century Workforce seeks to improve access to quality educational opportunities from elementary through higher education.

As NSF's priorities suggest, science and engineering are becoming more international, multidisciplinary, and collaborative in character. These trends guide the National Science Board as well. As context for today's budget discussion, let me say a word about some recent NSB activities.

The Board is in the midst of a six-month examination of research, education, and assessment on the environment. A public hearing was held in Portland in January, a symposium in Los Angeles in February, and a town hall meeting earlier this month at NSF headquarters in Arlington. This process is assisting the Board to provide policy-level guidance for the NSF's environment portfolio.

The Board also recognizes the need for better understanding of the nature of the return on the entire Federal investment portfolio and for increased accountability for research investment choices by the agencies. The Government Performance and Results Act of 1993 requires that scientific investments, like all others, be subject to strategic planning and measurement of performance as a basis for resource allocation.

As part of its national policy role, the Board is responsible by law for a biennial compilation of "indicators of the state of science and engineering in the United States." Science and Engineering Indicators serves as the authoritative source of data on the health of the science and engineering research and education enterprise, presenting not only a domestic profile, but international comparisons as well.

Science and Engineering Indicators is a valuable analytical tool for policy professionals in all sectors and the Board in particular. As the demand for accountability has grown, Indicators data have become increasingly useful for characterizing key trends in the scope, quality, and vitality of U.S. research and education.

In the 1998 Indicators volume, the Board reported quantitative trends in U.S. science and engineering, concluding that "The Nation's S&E enterprise is undergoing changes in structure and priorities as we prepare to enter the next century." This is all too clear when we look at the national picture, for example:

—R&D funding patterns have changed substantially. The good news is that total national R&D funding has never been higher. It now amounts to more than $200 billion annually.

—The not-so-good-news is that long-term R&D investments—sponsored mainly by the Federal government—have been steadily losing ground to short-term investments, sponsored mainly by private industry.

—In 1997, the Federal government provided 30 percent of all R&D funds in the U.S. A decade ago, the Federal share was 46 percent. Three decades ago, the federal share was 60 percent.

This decline is significant because, as the Council on Competitiveness points out in its September 1998 report, Going Global: "For the past 50 years, most, if not all, of the technological advances have been directly linked to improvements in fundamental understanding. Investment in discovery research creates the seed corn for future innovation. Government at all levels is the mainstay of the nation's investment in science and engineering research. . . ."

The Council concluded that increased public investment in fundamental research and education is a vital need. Yet the trend is away from long-term research. It makes NSF investments in fundamental science and engineering more important than ever.

Speaking as an economist, Mr. Chairman, it would be a fundamental economic error to underfund the fundamental research that underpins much of our $8.5 trillion economy.

The payoffs flowing from our Nation's R&D system result from a balanced portfolio of research. At the same time, the U.S. S&T enterprise depends on the intertwining of research and education. NSF investments spur the creation of new knowledge across the disciplines of science and engineering, while helping to educate the next generation of scientists and engineers.

This creation of knowledge—especially at institutions of higher learning across the U.S.—has become one of the primary drivers of our economy. Commercial and medical breakthroughs in understanding and product development—from terascale computing systems to genomics to laser surgery—are rooted in the support of past fundamental research investments.

One only has to look at four of the top 10 companies of the Fortune 500 are high-tech companies. None of these four was even in the Fortune 500 a decade ago. Many grew from ideas nurtured by American universities. As Fed Chairman Alan Greenspan recently noted: "In a global environment in which prospects for economic growth now depend importantly on a country's capacity to develop and apply new technologies, the research facilities of our universities are envied throughout the world * * *. The payoffs in terms of the flow of expertise, new products, and start-up companies, have been impressive."

Future economic prosperity, gains in our standard of living and overall well-being are increasingly dependent on innovations that emerge, in often unpredictable ways, from a bedrock of Federal investments in science and technology.

One other area of recent NSB activity demonstrates both payoffs and continuing needs. The Board stated in its 1997 report on The Federal Role in Science and Engineering Graduate and Postdoctoral Education, that "The education of graduate and post-doctoral students in a discovery-rich university research environment is at the heart of the post-World War II compact between the Federal government and universities." In the last fifty years, stresses on higher education institutions have increased and should be addressed in a comprehensive manner.

As the Board continues to examine these stresses, a major concern is the preparation of an increasingly diverse student body for the workforce of a global economy. That concern originates with the quality of education at the K–12 level.

The Board has considered the disturbing implications of the Third International Mathematics and Science Study, or TIMSS, which showed an alarming decline from 4th to 8th to 12th grade among U.S. students relative to their international peers.

Earlier this month, the Board released a report, "Preparing Our Children," that will be of interest to this committee. I ask permission to submit a copy of the report for the record. The report calls on scientists and engineers to assist teachers and schools in preparing students for higher learning and the 21st century workplace.

For a mobile student population like ours, local schools are de facto a national resource. It is therefore a national imperative to improve, through local strategies, student achievement in mathematics and science. I would add that some of the most encouraging signs of educational improvement can be found in the cities supported by NSF's Urban Systemic Initiatives program, notably Detroit, El Paso, and Memphis.

In closing, Mr. Chairman, I want to assure you that the National Science Board is committed to same wise investments and priority-setting in science and technology that this committee oversees. We thank you for your support of the Nation's investment in research and education, especially at the National Science Foundation. But we clearly see unmet needs.

Today's research opportunities are simply breathtaking. The amount and breadth of funding needed to exploit those opportunities motivates the National Science

Board's conviction to make the case not just for the NSF budget, but for the knowledge and products that will be returned to the Nation on this investment.

It is my personal pleasure to collaborate with NSF Director Rita Colwell in explaining to all our citizens the value of these long-term investments in research, education, and the future. Thank you.

BIOGRAPHICAL SKETCH OF EAMON M. KELLY

Eamon Michael Kelly was born in New York City and attended Columbia University from 1960 to 1965, where he earned the master and Ph.D. degrees in economics. Following graduation from Columbia, he joined the Penn State faculty at University Park, Pennsylvania.

In 1968, Kelly was appointed to U.S. government service by the President, serving as Director of Policy Formulation with the Economic Development Administration of the U.S. Department of Commerce. He was later named Special Assistant to the Administrator of the Small Business Administration, where he participated in planning and initiating the federal government's first minority economic development program. Kelly joined the Ford Foundation in 1969 and served as Officer-in-Charge for the Office of Social Development, the Foundation's largest domestic and civil rights division.

In 1977, Kelly served as a special consultant to the U.S. House of Representatives where he participated in drafting legislation that provided a $1.7 billion guarantee to prevent the insolvency of New York City. Later that year he was appointed Special Assistant to the Secretary of the U.S. Department of Labor. In that position, he successfully directed a government-wide investigation of the Teamster's $1.4 billion Central States Pension Fund and led negotiations resulting in the Fund being transferred to private management. After leaving the Labor Department, Kelly returned, at the request of the Secretary of Labor, to direct efforts that led to the end of a nationwide coal strike.

In 1981, he was chosen to serve as the 13th president of Tulane University. In July 1998, Kelly retired as president of the university. Currently, Kelly, whose area of specialized interest is international urban and rural development, holds the rank of professor in the departments of Economics, Latin American Studies, and International Health and Development at Tulane. He is also a founding member of the Payson Center for International Development and Technology Transfer.

Kelly is active on the boards of many professional, philanthropic, civic, and corporate organizations. In 1995, he was appointed by President Clinton to serve on the National Science Board (NSB), the governing body of the National Science Foundation, which sponsors scientific and engineering research, develops and sponsors educational programs, and helps guide national policy. In 1998, Kelly was elected chairman of the NSB.

Senator BOND. Thank you, Dr. Kelly.

We now turn back to Dr. Colwell, and start the clock anew.

STATEMENT OF RITA COLWELL

Dr. COLWELL. Thank you. Mr. Chairman, I do have a statement which I will summarize very briefly. With your permission, I ask that my full statement be part of the record.

Senator BOND. Without objection, it will be.

Dr. COLWELL. Thank you.

Mr. Chairman, Dr. Kelly has touched on some very important trends in fundamental R&D in recent National Science Board reports. Over the past 25 or so years, Federal research investments have steadily increased in nearly all fields. And that is good news. However, the overall mix of Federal investments in science and engineering has changed significantly and very dramatically, primarily through gains in the biomedical fields, at the expense of physical sciences and engineering. And the very sharp nature of the shift in funding toward the biomedical fields has taken a few people by surprise.

Now, I would be the first to tell you about the very exciting things that are happening in the biomedical field. Some of that

funding has gone to my own research. But I do know that society really cannot live by biomedical bread alone. This trend, in fact, concerns many in the medical sciences. NIH Director Harold Varmus discussed it in a speech last year. Dr. Varmus—and I think to his credit—addressed this directly, and talked about the dependence of biology and medicine on other fields of science.

So, this brings us to the fiscal year 2000 request for NSF and the need for increased investment in research and education. As you know, the NSF is the only agency whose mission covers research in all fields of science and engineering, as well as education at all levels—essentially from cradle to grave. We support the fundamental work that benefits the mission agencies, like NIH, right down the line. And so for this reason, it is important that NSF continue to support the investments that reach all fields, all disciplines. And that is the governing philosophy of our fiscal year 2000 request.

For this request, NSF is closing in on the $4 billion milestone. The fiscal year 2000 request comes to $3.95 billion, which represents about a 5.8-percent increase over the current level. And I think this is an outstanding request, given the constraints that you have already stressed, imposed by the discretionary spending caps. And the headliner in the budget is the new initiative in information technology. And the rationale, I think, is quite clear. As Internet growth has gone through the roof, IT has become the essential fuel for the Nation's economic engine.

And the numbers speak for themselves. The latest estimates show that IT has generated about a third of the recent growth in the U.S. economy. It now accounts for about 7.4 million jobs, and it pays wages that are about 60 percent higher than the private sector average.

And I think the challenge is to sustain this record of success. And so this has led to the government-wide initiative, the Information Technology for the 21st century, the IT^2. And across the government, as Dr. Lane has pointed out, IT^2 will total about $366 million across six agencies.

Now, 60 percent of this will go to support university-based research. And I think that is the real win-win for our country. The academic research investment serves double duty. It armors and enables students with advanced IT skills. And Senator Mikulski has addressed the work force issue, which is critical.

This is more than just a national initiative. It is a national imperative. It is a classic example of a long-term investment in fundamental research that works for the common good—in fact, for the global good.

This same sense of imperative comes through in a second initiative presented in the request for NSF. And this one is in the area of biocomplexity. Biocomplexity is a multi-disciplinary approach to understanding our world's environment. For generations, scientists have studied parts of our environmental system—individual species, individual habitats—in isolation. Now it is time for a better understanding of how those parts function together as a whole, as Senator Mikulski has called for. One reason it is time to tackle this task is that we now have the ability, the technologies, to grasp the complexity of our environment.

And, finally science and math education remain a priority in this budget, as it must. Last year, we got the not very good news about how our schools compared to other nations. By 12th grade, our students are near the bottom. We can and we must do better. The request sustains our current base of innovative activities and plants a few new seeds as well.

PREPARED STATEMENT

Well, that covers the basics of the budget request. I would like to close by saying that, once again, over the past 25 years, we have seen a major realignment of the Federal research portfolio. And this makes it an ideal time to look ahead and to align our investment priorities with the needs and opportunities of tomorrow's information economy. I look forward to working with all of you to meet those needs and to strengthen our Nation's investment in the future.

Thank you.

[The statement follows:]

PREPARED STATEMENT OF RITA COLWELL

Mr. Chairman, Senator Mikulski, members of the Subcommittee, thank you for allowing me the opportunity to testify on the budget request for fiscal year 2000 for the National Science Foundation.

Before I turn to details of the NSF budget request, I'd like to say a few words about how NSF fits into the overall R&D environment of our country.

My good friend and colleague Dr. Eamon Kelly—Chairman of the National Science Board—has touched on some important trends in fundamental R&D in recent NSB reports. Let me mention one other long-term research trend that is causing concern among many in the science community.

NSF's Division of Science Resources Studies has taken a close look at the mix of Federal research funding across different fields of science and engineering.

First, some good news. Over the past 25-plus years, federal research investment research has increased significantly in most fields. Overall, federal research investments have grown about six-fold in current dollars since 1970.

However, the mix of investments has changed significantly and dramatically—primarily through gains in biomedical fields and declines in the shares for physical sciences and engineering.

—In 1970, the life sciences accounted for 29 percent of Federal research spending. By 1997, their share had risen to 43 percent. Put another way, the share increased by half.

—Engineering, by contrast, saw its share decline by 12 percentage points over the same period, falling from 31 percent to 19 percent of the Federal research portfolio.

—The share going to the physical sciences dropped by more than 5 points—from 19 percent to 14 percent of the total portfolio.

The combination effect is just as significant. Engineering and the physical sciences—taken together—accounted for 50 percent of federal research spending in 1970.

That's down to 33 percent today—a drop from half of the total to just one third.

The sharp nature of the shift in funding toward the biomedical fields has taken more than a few people by surprise.

I'd be the first to tell you about the great things that are happening in biomedical fields. Some of that funding has gone to my own research. But, I also know that society cannot live by biomedical bread alone.

This trend in fact concerns many in the medical sciences. NIH Director Harold Varmus discussed it in a speech last year. Dr. Varmus, much to his credit, took the bull by the horns and talked about the dependence of biology and medicine on other fields of science. In his words: "Most of the revolutionary changes that have occurred in biology and medicine are rooted in new methods. Those, in turn, are usually rooted in fundamental discoveries in many different fields."

He then went on to cite laser surgery, CAT scans, fiber optic viewing, ECHO cardiography, and fetal sonograms as examples of these revolutionary advances.

This brings us to the fiscal year 2000 request for NSF, and the need for increased investment in research and education. NSF is the fulcrum for all of science and engineering.

NSF is the only agency whose mission covers research in all fields of science and engineering, as well as education at all levels—cradle to grave. We support the fundamental work that benefits the mission agencies right down the line.

For this reason, it is important that NSF continue to support investments that reach all fields and disciplines, which is the governing philosophy of our fiscal year 2000 request.

Let me turn now to the budget. NSF is fast closing in on a $4 billion milestone.

The fiscal year 2000 request comes to $3.95 billion, which represents a 5.8 percent increase over the current level. This is an outstanding request given the constraints imposed by the discretionary spending caps.

The Administration agreed with us when we said loudly and clearly that research investments deserve the highest priority. The positive response we got is reflected in an 8 percent increase for research project support.

The headliner in this budget is the new initiative in information technology. The rationale is clear.

As Internet growth has gone through the roof, IT has become the essential fuel for the nation's economic engine.

The numbers speak for themselves. The latest estimates show that IT has generated one-third of the recent growth in the U.S. economy. It now accounts for 7.4 million jobs * * * and it pays wages that are 60 percent higher than the private sector average. The challenge now is to sustain this record of success.

You may be familiar with the recent report by the President's Information Technology Advisory Committee—PITAC for short. PITAC concluded that federal support for long-term research on information technology has been "dangerously inadequate." In its words "support in most critical areas has been flat or declining for nearly a decade, while the importance of IT to our economy has increased dramatically."

This has led to the government-wide initiative: Information Technology for the 21st Century—IT^2 as it's called. Across the government, IT^2 will total $366 million across six agencies.

60 percent of this will go to support university-based research. That's the real win-win for America. The academic research investment serves double duty, as it armors and enables students with advanced IT skills.

NSF is the lead agency for IT^2. This was recommended last fall by PITAC, and we are glad to accept this responsibility and challenge.

We'll be putting $146 million into our part of IT^2, which will cover three sets of activities.

—First is fundamental IT research—at $100 million. This will focus on a key assessment from PITAC's report.

For all of our ability to push the high-end in computing, no one really understands how all the pieces work together. The need right now is to improve both reliability and performance. We can achieve this by understanding how systems interact and gaining new knowledge of the working whole.

—The request also includes $36 million for a terascale computing system. This will serve computer scientists and the entire science and engineering community.

—Finally, we'll take advantage of the fact that NSF's portfolio includes both the information sciences and the social, behavioral, and economic sciences. There is $10 million for research on the societal, ethical, and workforce impacts of emerging technologies.

When people ask me, why NSF and the United States should invest in information technologies—and why now—I say it is an absolute must.

It's not a national initiative, it's a national imperative. It's a classic example of a long-term investment in fundamental research that works for the common good, in fact, for the global good.

IT^2 is an investment that will strengthen the entire research and education enterprise. It will deliver tools and capabilities that will benefit every field, every discipline, and every level of education.

When we bring faster computers to weather forecasting, we save lives, we protect buildings and crops, and more—by getting better advance warning of El Nino's, tornadoes, hurricanes, and other severe events. My own research on climate and infectious diseases (El Nino and cholera) has made this dramatically clear to me.

The possibilities are limitless. We tackle the toughest challenges in science and engineering, and we put high octane fuel in this great engine of job creation and growth.

This same sense of imperative comes through in a second initiative presented in the request. This one is in the area we call biocomplexity.

Biocomplexity is a multidisciplinary approach to understanding our world's environment. For generations, scientists have studied parts of our environmental system—individual species and habitats—in isolation. Now it is time for a better understanding of how those parts function together as a whole.

This will not be easy. Taken separately, these parts are very complex. Biocomplexity is about looking at phenomena, whether they be weather or proteins or human society, at many scales. Such a viewpoint will let us identify the principles and patterns that operate at multiple levels of organization in the earth's systems, and across time and space.

Because of our planet's biocomplexity, organisms and entire ecosystems in one region can be influenced dramatically by physical and chemical changes occurring thousands of miles away. For example, wildfires in the western U.S. affect fisheries half a world away. Mercury from very hot wildfires can be blown aloft by high level winds and fall into rivers and lakes far away. Fish consume food contaminated by the mercury, presenting a human health hazard.

This is just one aspect of biocomplexity. There are many more. Around the globe, scientists in many disciplines collect and analyze environmental data on the stability of the polar ice caps, the temperatures of tropical oceans, and the health of species, forests, lakes and rivers in the United States.

Biocomplexity is about combining these efforts in a comprehensive way. It is an ambitious concept, but one that could have enormous payoffs in the years ahead.

One payoff would be better environmental decision-making on the part of governments, industries and individuals. "Ecological forecasting"—as some call it—could have far-reaching benefits for agriculture and other industries dependent on changes in the environment.

Another payoff could be a better handling of the difficult problem of non-native or invasive species.

One reason it's time to tackle this task is that we now have the ability, the technologies, to grasp the complexity of our environment.

From computational algorithms to mathematical models, from remote sensing to new kinds of sensors, and of course to genome sequencing and the molecular basis of metabolism and heredity * * * the technologies have arrived, as have the opportunities in research.

Finally, science and math education remains a priority in this budget, as it must. Last year we got the not-so-good-news about how our schools compare to other nations.

By 12th grade, our students are near the bottom. We can and must do better. The request sustains our current base of innovative activities—and plants a few new seeds as well.

One of those promising seeds is the new Graduate Teaching Fellows program. The program may seem small at only $7.5 million, but it is an important beginning with a potential impact well beyond the dollars. It will broaden graduate education, and boost the science, engineering, and technology content in K through 12 classrooms.

I'll just mention a few other highlights before closing.

The Plant Genome Research Program will continue to increase. Its funding will increase by $5 million to a total of $55 million.

This builds on an existing research base of $20 million—bringing the total investment to $75 million. This will provide the scientific underpinning in the future to improve nutritional content of our food crops, both in quality and yields.

A new start in the budget is the Network for Earthquake Engineering Simulation. We are providing $8 million in fiscal year 2000 toward a total investment of $82 million over the next five years. This is modeled after the highly successful nanofabrication network NSF began several years ago. This will lead to a national, fully-interconnected network of major earthquake research facilities.

Finally, we will be continuing investments in a number of major infrastructure projects. One is the modernization of the South Pole Station, which remains on schedule and on budget, thanks in large part to the forward funding provided by the subcommittee in past years.

That covers the basics of the budget. Let me conclude by adding that by its very timing, a budget for the first year of a new millennium takes on added significance.

That applies doubly so to NSF. The year 2000 marks the 50th Anniversary of the National Science Foundation.

Given the increase we have received in this very tight budget environment, it is clear that this is a "golden anniversary" investment. This is also an appropriate time to step back and think about the long-term importance of investments in science and engineering.

Unfortunately, our fast-paced world makes it hard for us to focus beyond today's problems and concerns. It's a challenge to make a case for investment in our children's future.

Thankfully, the VA/HUD subcommittee has taken a more long-term view, even though the payoffs from some basic research may come ten or twenty years from now.

You have consistently supported NSF's investments over the years in a bipartisan manner. For this, let me thank you again. I look forward to working with all of you to strengthen our nation's investment in the future as we approach the next millennium.

Thank you.

OVERALL FUNDING PRIORITIES

Senator BOND. Thank you very much, Dr. Colwell. I congratulate you on your ability to receive such strong support from the White House in your first budget request. But we need to talk a little reality and cold water here. We could be facing a very tight budget. And we really do not know just what the constraints will be.

In the worst-case scenario, assuming we are not able to provide any funding increase for NSF overall, what would you recommend in funding priorities? And then, what would you have to forego?

Dr. COLWELL. We would make every effort to pursue the Information Technology Initiative and Biocomplexity and Educating for the Future. These are priorities. They are critical. And what we would try to do is invest as best we could.

I think the biggest challenge that I face as the Director of NSF is to sustain and maintain our strength and leadership in the basic disciplines, while at the same time reaching out for the opportunities, the strategic opportunities.

PRIORITY OF INFORMATION TECHNOLOGY FUNDING

Senator BOND. Where would you cut if you pursued IT^2?

Dr. COLWELL. Fortunately, the roots of IT^2 are embedded in the past initiatives—High-Performance Computing, the Second Generation Internet and the KDI—which have all been brought together to encompass the next evolutionary step. Being a biologist, I can see how this evolved quite nicely.

Senator BOND. So you could take that, you could shift the focus from those into your new IT^2?

Dr. COLWELL. We would make every effort to keep Information Technology going.

PLANS FOR INFORMATION TECHNOLOGY

Senator BOND. Where does the Information Technology fit in with the KDI and the other things? Is that a logical extension? Is it going in a different direction? That is the thing I really have trouble understanding.

Dr. COLWELL. It is clearly a logical extension. Several years ago, the investment was made in High-Performance Computing to get the supercomputing together. Then partnerships were developed to bring computing to every part of the system. That is critical. And what the IT Initiative will allow us to do is to expand that further.

In fact, nominee Deputy Director Joe Berdogna and I have a commitment to go the last mile, to make sure that every part of the country is connected to the computing infrastructure and that science and engineering is brought to every part of the country.

The Internet has done that. The Next Generation Internet will allow even speedier communication and connection.

So all of this has built on each other. The KDI recognized, from the proposals coming in from the field, from the constituents, that there was a need to bring computing into biology, into chemistry, into behavioral and social and economic sciences. So that has been an evolutionary step. And now with our focus on information technology, we will be able to maintain our leadership and bring all of this from the past into a coherent whole.

Senator BOND. Dr. Lane, we do note some major shifts in the President's fiscal year 2000 budget and their research and development priorities, a shift toward more civilian R&D funding, and a much greater emphasis on information technology, which seems to be a departure from some of the past focus on health sciences. What is the rationale for the changes? And as the President's Science Advisor, what do you foresee in the near future in terms of Federal R&D policy, what direction is it going to go?

FUNDING NIH

Dr. LANE. Mr. Chairman, with regard to the funding that the President is requesting for biomedical research—NIH in particular—the request that the President has sent over for fiscal year 2000 is consistent with the plan that he presented last year for the outyears.

As you know, Mr. Chairman, I think the President requested just below the order of 8 percent for NIH for fiscal year 1999, but the Congress appropriated roughly twice that amount. And so the 2-percent request that the President sent over for NIH this time around puts the funding actually slightly above what the President had originally planned. So it in no way suggests that biomedical research is not a high priority. It remains a very high priority for the administration.

INFORMATION TECHNOLOGY

The Information Technology Initiative, as Dr. Colwell has indicated, is really a grassroots need that has been developing over a number of years. It crystallized, I think, in the recommendations of the President's Advisory Committee, that represents experts from universities and industry, who came together and said, Look, you do have to set priorities. Given that information technology is critically important to the economy of the Nation and to people's lives in so many different ways, having tripled the jobs available—we are talking about a $600 billion piece of the overall economy—the Nation must remain at the cutting edge in information technology. And now, how do we do that?

Well, you do that by making an investment early on in the research that is going to guarantee you stay there 10–15 years down the road. And what the committee said was that the current programs are very important, and they do not question the wisdom of the past, it is just that we are not investing sufficient dollars in the fundamental, long-range questions—software, for example.

And so we need to add money to the Nation's R&D investment in information technology, and we need to do it in specific areas.

The committee laid those areas out and the initiative is responsive to those committee recommendations.

Senator BOND. Well, I would like to ask you and Dr. Colwell—I remain puzzled about what distinguishes this from the HPCC initiative and the NGI initiative. Last year you were telling us KDI was the greatest thing since sliced bread and canned beer. And we thought this was the wave of the future. And it seems that KDI has kind of dropped out of the scene. Is this IT^2 just the new flavor of the day? Are you just continuing along with the same thing and just gave it a new name? And has KDI disappeared and NGI? Are they all encompassed in this new IT^2?

Dr. LANE. Mr. Chairman, the High-Performance Computing and Communication Initiative, of course, is a mature initiative. It was a very wise choice at the time, and it continues, as one can see in the budget. The purpose of that initiative was to make available the computing infrastructure to tackle very important problems in science and engineering. It has been very, very successful.

The NGI was to get the networking infrastructure out across the country that is needed for R&D and that ultimately gets picked up by the private sector and contributes to the economy. The explosion we have seen in e-commerce derives from the investment the Federal Government has made in networking all the way along—most recently in NGI, which was authorized in 1998.

So those two programs remain very important. What the President's Advisory Committee said is now you need to look 20 years down the road. Now you need to be sure that you are investing enough money in fundamental questions about software that are not being addressed right now. Right now we are talking about 150 million people or machines on the Internet all around the world. But what if you have 10 billion devices connected to the Internet, how do you deal with that?

We do not know the answer to that question. That is a very fundamental research question. But the numbers are, in fact, realistic. Because what we see down the road is all kinds of sensors—not just people interacting with one another, but sensors—on systems, on airplanes, in transportation systems, interacting through the Internet. We have to know how to handle those. That is a very basic research question. And the committee said: You need to do more to answer that question.

Senator BOND. Dr. Colwell, anything you want to add?

FUNDING BREAKDOWN WITHIN THE IT^2 INITIATIVE

Dr. COLWELL. Yes. I would like to add to that. The way the NSF will be spending the money is $100 million will be in basic research in new computer languages, new ways of linking, let us say, 1,000 processors for higher-speed computing, databases. Senator Mikulski mentioned large databases. We need to interpolate those databases so that the information from atmospheric physics and atmospheric chemistry, along with ecological databases and also demographic databases—to bring the social aspect of it together—can help us to understand how the complexity of our planet really works. This will come from the new investment in software research that is very important.

Ten million dollars will go to understanding the human/computer interface. The fact is, when we walk into our homes now, we probably have minicomputers, tiny computers, doing a variety of things. Eventually these will be connected, so that we may be able to "talk to our coffeepot" and ask it to turn on. These are the kinds of things that are coming in the future.

And then, $36 million would be for the system, to expand high computing capability, so that every part of the country—every part of the country—is tapped into this very-high-capacity computing. It is really a look into the future and very, very important.

Senator BOND. Well, Dr. Colwell, that is all very interesting, but please spare me from talking to my coffeepot. [Laughter.]

There are a lot of exciting things that I would like to do, but that is not one of them.

Dr. COLWELL. Okay. Thank you.

Senator BOND. Senator Mikulski.

FUNDING R&D

Senator MIKULSKI. Thank you, Mr. Chairman.

Dr. Lane, I want to ask a few questions about scientific funding and then go to both the new initiatives and yet NSF's core program. When I came to the Senate and this committee, the way science, and particularly R&D, was funded was 65 percent went into defense and about 35 percent went into civilian. That was a decade-plus ago. What now is the proportion between the DOD R&D and then what goes to civilian? And has that increased substantially?

Dr. LANE. Senator Mikulski, I think for the first time the balance has shifted, that it is now 51 percent civilian R&D and 49 percent defense R&D. I believe that is correct.

Senator MIKULSKI. And a substantial amount of that—or, according to Dr. Colwell's testimony—there has been an increase in the biomedical; is that correct?

Dr. LANE. That is correct, Senator.

DISTRIBUTION OF FUNDING ACROSS SCIENTIFIC DISCIPLINES

Senator MIKULSKI. Though NIH still is—well, let us see, when we started out, it was $8 billion; it is approximately double now, over a decade, at $15 billion. NASA has stayed steady state at $13 billion. NSF has moved ahead just with what we have tried to do with modest incrementals, et cetera. So could you tell us where most of the money is going and how that works out?

And, Dr. Colwell, did you want to elaborate on that, and where we are falling behind and what we need to keep in mind?

Dr. COLWELL. Yes. What I think is a concern is the reduction in engineering and the physical sciences. We know, for example, that the advances in laser surgery for cataracts comes from basic research—chemistry, computer sciences, physics. We know that imaging—CAT scans and so forth—all traces back to basic research in physics and chemistry.

Now, what is happening of course is that physics and biology are converging, so that there is a great deal of physics to be contributed to.

Senator MIKULSKI. Well, it is not converging in the Congress—what I am trying to get at—as we looked at the funding of these programs and these old categories. So, would you say that that would give you—and when I say "you," I mean jointly——

Dr. COLWELL. Yes, Senator. I think that we do need a balance in the physical/biological/behavioral sciences. This is a concern.

MAINTAINING U.S. LEADERSHIP IN THE FUTURE

Senator MIKULSKI. Well, this is an issue that is really—not to go into the details at this subcommittee—but it comes to—well, let me ask this question—you see, I believe, first, that the initiative to raise biomedical research, of which I have been one of the movers of that, is indeed a worthwhile endeavor. However, a lot of this is congressionally driven. And all of Congress knows what NIH does. Am I correct in that? But all of Congress does not know, nor necessarily support, what the other scientific agencies do.

For example, over at Commerce, no matter how able Secretary Daley is or his predecessors, even in the other party, nobody kind of gets NOAA. They certainly do not get NIST. And we can just look over there.

And in our own Congress, you have the Commerce Subcommittee, you have Labor, HHS, with all that they are dealing with, you have us. So, I believe that what we need and what the Congress needs is really not only a State of the Union Address, with bells and whistles and ruffles and flourishes, but really for the science community within the Federal Government, the leadership, really I think to present on a bipartisan basis and a bicameral basis where we need to go and where there are glide paths down which give one pause. Because it is in the practical engineering we solve—practical engineering helps us clean up those brownfields, helps us clean up those Superfund sites, waste water treatment and clean water.

We cannot have an EPA without engineering. Otherwise we are just like a regulatory agency with no tools. So that I think is something really to be considered for the administration. And I note that, with your crosscutting initiative here and the private sector councils, was really what we had worked to establish under President Bush and your predecessor. So this is something we have been working on for some time and I know talking about this.

But I think this country needs a millennium agenda. And I think we need a millennium agenda that both parties support, that all presidential candidates can embrace with fiscal prudence and so on. And I think there needs to be some type of presentations. Because I have got colleagues that are now scrambling to learn high tech.

Anyway, I could elaborate on this, but it is a source of great concern to me. And the synergistic and cumulative effect of that I think is also inspirational to our American people and to our young people who need to get into it. Because all of a sudden I think geek is becoming fashionable and geek is becoming profitable.

Dr. COLWELL. Senator, I could not agree with you more.

Senator MIKULSKI. Geeks are in. [Laughter.]

Dr. COLWELL. I really agree, because we are working at NSF to put together a list of what we call "unmet opportunities". There are

things that we are not able to do because we are not able to explore in the directions that will maintain a highly competitive economy. In fact, a report from the Competitiveness Council was just published in Science Magazine this week that showed the United States has now dropped from first place in innovation, and Finland is ranked at the top, using a variety of measures, including international patents and that sort of thing.

So it is a great concern that we really maintain leadership and that we have a balanced portfolio and that we move in these directions.

AVAILABILITY OF INFORMATION ON SCIENCE IN THE FEDERAL GOVERNMENT

Senator MIKULSKI. Let me ask this, because my own time is going and I have other questions that are a little bit more targeted. Is there a one-stop-shop book or booklet or something that says what every scientific agency does in the Federal Government?

Dr. LANE. Senator, there is a biannual report that OSTP puts out. And that report does in fact offer, in my view, a pretty good description of what each agency does, what the administration's priorities are, what the national program is, and then the role of each agency. But I think we should have a look at that and see whether it, in fact, satisfies the requirements that you lay out.

Let me also say that the President's Committee of Advisors on Science and Technology, PCAST, is right now in fact working on putting together particularly good examples to illustrate the impact of the Federal investment in science and technology on people's lives in order to get the story out and help everyone understand the points that you just articulated so clearly.

Investment in biomedical research is important. We do care about that.

Senator MIKULSKI. Absolutely. And I am for it. And we do not fund FDA. FDA is very skimpy. And, therefore, we are running into problems. And I am not so sure it is the regulatory environment.

Dr. LANE. My own view is that all of the agencies need an appropriate investment in R&D, including basic studies. But every agency cannot do all of the research that is necessary. So the interagency coordination that you talked about earlier is critically important. And that is done through the President's National Science and Technology Council. I think that does follow on to the FCCSET process that was begun under President Bush.

Senator MIKULSKI. Well, my time is up. I will come back to my more specific questions.

Senator BOND. Thank you, Senator Mikulski.

Senator Burns.

FUNDING FOR THE EXPERIMENTAL PROGRAM TO STIMULATE COMPETITIVE RESEARCH

Senator BURNS. I have got just three areas. Thank you, Mr. Chairman.

I was sitting there listening, and said, Okay, we have got some redundancy that we should root out to save some dollars maybe and to maybe increase dollars in some areas. And then you come

back and say, Well, maybe that redundancy is okay, that every agency should be doing some things. I happen to think that we have got a little too much redundancy. I can see it. I can see it in FAA and NASA, some of those areas on R&D and engineering, but, nonetheless, we will deal with them later.

EPSCOR

I have a couple of concerns, Dr. Colwell. You did not ask for any more money in EPSCoR in your initial request. And I think we should. High-performance computing and high-speed networking are vital to rural areas. We have taken several steps to help our States, but connections remain costly. And I think we should be looking into that and maybe relieving some costs there, to where our rural areas can participate, especially in high-speed computing.

I know you are trying to include more researchers from the EPSCoR States on advisory and peer review committees, and I would suggest that we continue making some progress in that way.

And, Dr. Lane, I look forward to working with you on the Next Generation Internet. We think that is very important.

Those are areas where I have concerns in your request, which I think we can address. And I look forward to working with you on this appropriation. And I just commend you, and keep up your good work.

Dr. COLWELL. Thank you, Senator. I would like it to be a hallmark of my time at NSF that we brought science and engineering and technology to every part of the country. And we are looking at ways of moving to the next stage for EPSCoR. And we think that one direction might be strong partnerships with the States to leverage investments.

Senator BURNS. Those funds are meshed by State funds.

Dr. COLWELL. Yes.

Senator BURNS. And I think what I am concerned with is a little, when we get into allocating dollars out to institutions and this thing, I do not like the idea of the haves and the have-nots. And, of course, EPSCoR was designed to sort of spread that out across the country. Because I do not think all the brainpower in America is found between here and Boston. End of story.

I have got another appointment. [Laughter.]

Dr. COLWELL. Thank you, Senator.

Senator BURNS. And I thank you. Those are the areas of my concern, and I look forward to working with you on that.

Dr. COLWELL. Yes, sir. It will be a pleasure.

GEOGRAPHIC DISTRIBUTION OF FUNDING

Senator BOND. I share your concerns, Senator Burns. And I was going to follow up and ask, I would like Dr. Colwell and Dr. Kelly, as well as Dr. Lane, to address the question specifically. There is no more money in the budget, do you share the concern that Senator Burns and I have? Not that we are against the corridor between here and Boston. Would you address that question? And what specific steps can you take? What is happening?

FUNDING FOR EPSCOR

Dr. COLWELL. Well, actually, we are doing quite a lot. It does not appear in the line that says EPSCoR, but we are making every effort—for example, through the science and engineering centers—to link minority institutions. We are making a very strong effort in the IT Initiative to ensure that funding will also include other than the top 100 or the top 50 universities.

In fact, the trend—I did an analysis before I came here—and the trend is that more institutions are involved in research funding.

Senator BOND. And that will happen in IT^2?

Dr. COLWELL. Yes. We are making a very strong effort.

DISTRIBUTION OF SUPPORT FOR PLANT GENOME RESEARCH

Senator BOND. And on Biocomplexity, will there be that opportunity as well?

Dr. COLWELL. Yes, indeed. As a matter of fact, I do think the plant genome has been an ideal demonstration of how we can use a large sum of money. We have 400 institutions involved. And we have been building on the strength of an institution—the University of Missouri. Many people do not know it, but historically the really exciting work in understanding genes was done by Louis Stadler and eventually also his son, David Stadler, working in Missouri. Through corn genetics, tomato genetics—agricultural research—they developed an understanding of just what a gene is and how transposons move genetic information around in the chromosome.

So we are building on that historical strength, including partnerships among many universities. This is the way to go—partnerships within the community and also partnerships among the agencies.

DISTRIBUTION OF R&D FUNDING ACROSS THE UNITED STATES

Senator BOND. Dr. Kelly, would you like to comment on the question of the smaller institutions, the area that Senator Burns raised?

Dr. KELLY. This has been discussed at the Board level fairly extensively. And I think the Board is committed to an effective distribution of our science and research funds across the United States. From my earlier comments, you know there is a strong belief that not only does science, engineering and technology have a tremendous impact on the quality of life, but it is key to economic development.

So, in terms of the economic development capacity of all of the different States, we see that science and engineering is a driver there. And therefore, the effective distribution of those funds is critical. And we support what the Director has just said in terms of the distribution of our intellectual firepower across the country.

However, part of the question you have with all of the various initiatives going on is the question of resource allocation. And right now we have dropped behind Germany, Japan and France in terms of the percentage of our R&D that is going into research—not just basic research, but research totally. As that develops—and, as you mentioned, information technology—that is going to become very

important both in terms of international as well as domestic competitiveness.

You know, Moore's Law that information technology productivity would double every 18 months started in 1980. Everybody thought it would last for 10 years. We are now projecting that Moore's Law will be maintained for another 15 years. So, the Information Technology Initiative is critical to our international competitiveness. And our proportion of resources going into research and development is declining. It is critical internationally and it is critical domestically. And it is critical for all of the States in the United States.

PLANT GENOME RESEARCH

Senator BOND. Dr. Colwell, to follow up on the plant genome research, as I indicated, we appreciate the support for it. You have had an opportunity to look at it. Where do you see the research going? And can you give us any thoughts from your own professional background as to the benefits or to the potential breakthroughs you see coming if you can move forward and progress on this initiative?

Dr. COLWELL. I think it is an extraordinary initiative—very, very important. And if it had not already been started, it is one that I would have started, because I think it is one of the top priorities for the country, especially for agriculture. I see some directions that we should be going in understanding the genomes of the pathogens that infest and affect wheat and corn and soybeans and also the genomes of the insects.

Because if we are going to devise a workable, sustainable, sensible method for improving agriculture, it is necessary to understand how these interact and how genes move amongst them. Thus, we need to progress in understanding the genetic basis of our productivity in agriculture.

BENEFITS AND DANGERS OF BIOTECHNOLOGY

Senator BOND. As I discussed with Dr. Colwell, I have a great example of the pathogens, a great testing laboratory in what I thought was going to be a chestnut orchard. But let me ask a broader question that is of concern to us. And I would welcome the comments of all of you.

We are seeing, even in the Midwest, growing concern about attacks on biotechnology generally. There are organized groups. There are very well-publicized individuals who, in my unprofessional opinion, are modern-day representatives of the Flat Earth Society, who think that any genetic engineering or biotechnology advances are bad. We know that in all of these things, whenever you are making progress, there have to be parameters.

And I also note, I believe the National Academy of Sciences has made this a sufficiently high priority to fund their own study on it. Because we have major newspapers, unfortunately, who are flogging the dangers without understanding the benefits.

Can you comment on the benefits versus the dangers, the best way of responding? How do we develop an accurate and adequate scientific response to the attacks that, frankly, have become widespread in Europe and are raising their heads throughout the

United States, as well? And I would like to have the comments of all of you on that.

Dr. COLWELL. This is a manifestation of the serious problems we have in science and math education. It is critical that we have public education, as well. And NSF will be focused on this.

In fact, one of the programs that we are launching—and it is a very exciting one—involves graduate students in elementary, middle and high schools. We have a program that just started which was going to be a pilot program, but the response was so positive we have gone ahead and gotten it started. And as part of our budget, it is only a modest amount—$7.5 million.

The approach is to have a school system and the university, together as partners, propose an educational initiative, whereby graduates students receive a stipend and their tuition and fees are covered, but they will do their teaching in the elementary, middle and high schools under the pedagogical oversight of the expert teacher. In this way, it will bring content and excitement into the classroom, along with the mature experience of a teacher.

So these kinds of things are really very, very important in educating the public.

Now, with respect to biotechnology, I have been involved in that for a long time and I will try not to be too long-winded in this answer.

Senator BOND. It is extremely important, I think, to all of us.

Dr. COLWELL. I chaired the BSAC, the Biotechnology Science Advisory Committee for EPA for several years. And I have been on the NIH Policy Board for Biotechnology and also FDA.

I realized when I was on the FDA Food Committee, and the FLAVR–SAVR tomato was brought up for discussion, that it was very obvious that here a very tiny change that allowed just a deletion in the DNA, that allowed slow ripening naturally, was somehow viewed as being dangerous, when, in fact, the current method was to classically select tomatoes, for example, that would remain hard—sort of like golf balls, if you will—bring them into the supermarket and then spray them with chemicals to fast-ripen. And it seemed to me that there was a disconnect here in understanding that, in one instance, you were working with natural processes, and regulating them, and in the other you were more or less artificially treating the product.

So we have an educational problem that is absolutely critical and one that we have to address.

Senator BOND. Dr. Lane.

BIOTECHNOLOGY

Dr. LANE. If I may add a comment, Mr. Chairman. I certainly agree with Dr. Colwell's points here: it is fundamentally an educational issue. We also have similar issues in the area of human health and what we would do at the genetic level there.

But you made the point about the international side of this. There are many countries—many of them in Europe—that take a very strong view about biotechnology, and where the public attitude I think is, in fact, far less supportive of genetically engineered foods than has been the case in this country.

As you know, there is this biodiversity treaty that we have not yet put in place. And under that treaty is the Biosafety Protocol. And this last year, since we are not at the table to formally be a part of those discussions, we barely missed some serious problems that would have major implications for trade in the area of food because of restrictions that would be placed on our exports to other parts of the world of genetically engineered foods. This is a serious matter domestically, but also very serious in terms of international trade.

And I think it is very important in the future to try to ensure that the United States is at the table at those kinds of discussions. Because this is going to be of growing importance to our country. As you say, Mr. Chairman, it is a very important issue. It is both education, but it is also, in terms of international relations, a challenge to us.

Senator BOND. Dr. Kelly?

NEED FOR PUBLIC EDUCATION IN SCIENCE

Dr. KELLY. I would agree with everything that has been said, especially the emphasis on education. We really have not done as good a job as we could in terms of science and education in this country, starting with public education. We have seen some preliminary but very encouraging public education results, in terms of the statewide systemic initiatives and the urban systemic initiatives at NSF, in terms of the science and math education of public school children. But it is too early really to do full-scale evaluations of that. But it has been encouraging.

We also have the education of the—and the National Science Board has taken on as a specific task—public education in general. The Nation has really a very, very limited understanding of the impact of science on its quality of life as well as its economy.

As Dr. Lane said, from an international standpoint, it also has become a singular world. And we have developed an international task force to see how we can address the problems that Dr. Lane has described in terms of the international ramifications of science.

Finally, there are, especially in the life sciences, serious ethical questions that we have been discussing in terms of gene therapy. But that really is more in the life science than it is in the agricultural and biocomplexity areas. But these are issues that the Board is addressing. But the central one from our vantage point really is the public education issue.

Senator BOND. Senator Mikulski, if you do not mind, I want to just ask a follow-up, and then I will allow you to conduct your questions.

Senator MIKULSKI. Sure, why do not you go ahead. I think this is a very interesting conversation.

EDUCATING THE PUBLIC ON BIOTECHNOLOGY ISSUES

Senator BOND. I am very much worried. We talk about public education and getting the information into schools. That is vitally important, and I am concerned about the education. But we have a major public perception problem that is being, in many instances, spawned on the network news at night. And somebody has got to be there to give a sound scientific response. And I do not know the

responses. But we need somebody who is speaking up and saying, This is a legitimate concern; that is not a legitimate concern. This is a real danger; that is not a danger.

What is the right institution to do that? Where do we send these naysayers when they come—they come after us and they say, We do not believe you because you are elected politicians. That is probably not a bad assumption. But to whom do we refer them? What is the right locale to get this information, to get a sound scientific answer?

Dr. Lane?

Dr. LANE. Well, I think you mentioned the National Academy of Sciences on this. The Academy has come forward in many questions of this kind that are quite controversial in order to put the credibility of the scientists behind those answers.

But I actually think this is an area where credibility on the part of the public is going to come by hearing a consistent story from all sides that they trust, including government. So I think we have to speak out on this kind of scientific subject, but I also think the nongovernment side, which has much to lose if we continue to go down this road of misinformation, also has to speak up. And I think that is an area where we can do this in partnership.

Senator BOND. The NSF, is this something that you can provide us a script and step out in front of the cameras and lay out an appropriate scientific description of the benefits, the potential dangers and the necessary controls?

Dr. COLWELL. This is actually part of our educational effort. For example, we are providing funding to the American Society for Microbiology for a four-part series on microorganisms, to understand the fundamental basis of microbiology and the genetics of microorganisms, and how that has provided for the extraordinary explosion and revolution in the biosciences. Oregon Public Broadcasting has been the key television station that has been involved.

It is these kinds of presentations that are public service kinds of activities that are a very, very important part of the educational process to get that story, that message, in its full scientific veracity and authenticity, to the public.

Senator BOND. Thank you very much, Dr. Colwell.

I will submit the rest of my questions for the record.

I now turn the questioning over, and the gavel, to Senator Mikulski. I am going to have to leave for a meeting with the Attorney General here shortly. But I will allow you to run the meeting.

Senator MIKULSKI. Well, you know you have constitutional protections. [Laughter.]

And I will be there for you.

Senator BOND. I really appreciate that.

MANAGING PUBLIC FEARS RELATED TO SCIENCE

Senator MIKULSKI [presiding]. Thank you, Mr. Chairman.

I think the chairman—this is just by way of a comment, but then I am going to get to my questions—we raised this with FEMA. There were other issues that we have raised in hearings on terrorism, and also a recent one on bacteria-resistant disease that Dr. Frist had. And here is the point that I am saying. Very often we

have a bigger problem in managing the fear than we do in managing the problem.

And, Dr. Colwell, you remember when we had the terrible outbreak of pfisteria in our Maryland rivers, for which there was great pause and concern. And the media kept showing the same three dead fish that looked like they had been mutilated by an X file creature. And it was serious. And it was real. And we then had almost a rapid plummeting of the Maryland seafood industry and Maryland tourism, for which we then did not know.

Now, your Federal elected officials said we need scientific inquiry. And the day we announced that it was going to be done through responsible agencies, and CDC was going to come to see about public health consequences, where I said, you know, where there is a killer, you need a detective, and who is better than the medical sleuths. But just once the community heard that CDC was going to come, things calmed.

Now, the point I think that Senator Bond is making in all of this is there needs to be I think a realistic approach. There will be problems in the United States of America, some because of other countries, some because of other groups, some just because of accidents, some whatever. But we need to have, I think, a relationship that the administration needs to lead with the media, that on a volunteer basis, they do not exacerbate the fear.

That does not mean you do not report the news. That does not mean that you do not provide the public education and information. But just now that we have gone through a pretty rigorous hearing on Y2K, we are not only concerned about the functioning of the United States of America and the world, but we are worried about exacerbating the fear even now.

So, we are not going to go into it in this committee, but I think this is all part of an initiative. And I know my own time will go, but there has to be some voluntary code of conduct among the media, where they report the news, but they do not become participants in exacerbating the panic.

Dr. COLWELL. I agree with you. And part of the problem is the ignorance of the distribution of the organism. That is, the lack of information. We do not have—or we are just beginning to get—a fundamental understanding of the molecular composition of pfisteria. That is, what it is.

Senator MIKULSKI. They did not need a science lesson, though, Doctor. They did not need to know the molecular composition. What they needed to know was do not panic when you drank a glass of water in Bethesda.

Dr. COLWELL. Yes, I understand that. But, you see, we were not able to actually detect where it was. And we will be able to do that in the future—close the gap. But I understand your point and I agree with you. There needs to be a mechanism for bringing this information to allay the fears.

Senator MIKULSKI. No. I think that there has to be a White House summit on really a way that where there are issues that occur at a national level that could produce panic, that there is a voluntary—and I stress the word "voluntary"—code of conduct, where news and information is given to the American people, but

not also in a way that exacerbates hoarding, panic, evacuation. That is what I am talking about.

Dr. COLWELL. I agree. I agree with you. Indeed, it is a very, very powerful point.

FOOD SAFETY COUNCIL

Dr. LANE. Senator, let me also mention that the President has put in place a Food Safety Council, which I am pleased to co-chair with Secretary Glickman and Secretary Shalala. Of course, the focus is on ensuring that our Nation's food, which is the safest in the world, continues to be, and is even safer, and to recommend the steps to be taken to make it safer. But this issue that you raise relates to food safety——

Senator MIKULSKI. It is broader than a particular segment. It could be food. Then it could be the water. It could be an accidental chemical spill—an accidental chemical spill, not even a terrorist attack of a weapon of mass destruction.

Dr. LANE. I will raise the issue at the Council.

PREPARING TOMORROW'S WORK FORCE

Senator MIKULSKI. Let me come back to what my own questions are, because we are moving beyond this committee. And, of course, it points out that in the Senate we do not have a science committee. We have a series of committees that work on it.

Now, I want to talk about the President's initiatives and programs, but, first, I really want to talk about education. And what I so like about science and technology is that it has none of the traditional barriers. It does not matter if you are black or white. It does not matter if you are blind or cannot see. It does not matter if you are male or female. That, essentially, in the information technology world, there should be none of the old, often prejudicial, barriers that stop people from participating in the work force. It really should not matter anymore.

And this, to me, is one of the greatest opportunities that this coming century will be able to provide. And, again, I will reiterate that I am deeply concerned, though, that we are already beginning to segregate out. And it is usually on the basis of social class, and then race and ethnicity. So, the "same olds, same olds" are occurring for circumstances that are not necessarily the old bigotry barricades, but other barricades.

Now, my question is, one, generally for our country, what are the cross-cutting—you have cross-cutting on research—but what are the cross-cutting initiatives on literally I will call it work force readiness, not only at the elementary school, but, even more specifically also, if you could talk about the community college, which is often a gateway to higher education, particularly for new populations where no one has been to college? I have a great passion for the community college, and I think they might be overlooked or undervalued in this.

Could I just hear those thoughts, and then where they might fit into this appropriation?

Dr. COLWELL. Absolutely. As you know, the H–1B visa funds are targeted for scholarships. And we have allocated more than 70 percent to the 2-year community colleges and 4-year colleges, because

that is where the work force issue really is highlighted. And in every one of our science and engineering technology centers, we have a linkage with the minority institutions and other than the research I institutions.

Within every directorate there is an educational component in the major research funding that is given. That does not appear as part of the education budget, but it is there. It permeates all of the directorates. It is critical. And I am very pleased to say that the Assistant Directors for each of the seven directorates understand this. And so the focus on work force is a major one. In fact, $10 million for the IT Initiative is focused on the interface and work force issues.

As you say, the IT Initiative is critical in many, many ways because——

Senator MIKULSKI. Let me rephrase this, because we will come back to the IT Initiative.

Dr. COLWELL. Okay.

Senator MIKULSKI. I know that we have the Urban Initiative.

Dr. COLWELL. Yes.

Senator MIKULSKI. We have had other initiatives. We have initiatives, et cetera. My question is, just as you have this really very exciting multi-agency approach on IT^2, is there a parallel one in education?

Dr. COLWELL. There are partnerships developing. As you know, the Department of Education——

Senator MIKULSKI. They are developing, but there is not one like existed here?

EDUCATION RESEARCH INITIATIVE

Dr. LANE. Well, there is, Senator, in the fiscal year 2000 budget, the Educational Research Initiative, between NSF and the Department of Education. This is the second year of the initiative and a request to double the funding. The initiatives purpose is to address issues of whether our kids are ready for school and, in particular, what can technologies do to ensure there are not the barriers that are in place right now, to help kids learn to read and help kids learn mathematics. So that is one example of an interagency education initiative.

EDUCATIONAL RESEARCH

Senator MIKULSKI. Well, do you feel that that has really got an "umph" to it—I mean, that it has energy, commitment and vitality? Or is it a lot of people meeting, processing and they will tell me that the process is the journey?

Dr. COLWELL. No, I think it is genuine. And let me say that one of the emphases that we will be placing in education will be on learning. I think we have spent a lot of time and money on teaching, but I think we need to do research on how children learn. And one of the partnerships we are developing is with NIH, where research has been done, and the Institute for Child Development. The NSF and NIH have a brain research program going. That kind of information can be brought to bear.

GRADUATE TEACHING FELLOWS IN K-12 EDUCATION

Senator MIKULSKI. Well, I think that all sounds very good in terms of the basic research. But probably one of the most interesting things I heard in all of this, this morning was the fact that graduate students and undergraduate students were going into the classroom. Because particularly at the elementary school, where their emphasis has been on basic reading, which we really need our teachers to be able to do, but they do not have degrees necessarily in biology or some of these new, advanced programs. How does that happen? Does somebody pay for them to do that?

Dr. COLWELL. Well, normally graduate students—who have teaching fellowships—would spend 20 hours a week as a lab instructor in the undergraduate classroom. But it seemed to us that this is an extraordinary capability that could be brought into the elementary, middle and high schools. So that 20 hours a week that would be spent in the undergraduate laboratory teaching can now be spent working with children in the elementary, middle and high schools. But the partnership is critical between the university and the——

Senator MIKULSKI. So it is like a teaching fellow program?

Dr. COLWELL. Yes, Senator.

Senator MIKULSKI. Do they go into middle schools?

Dr. COLWELL. Yes, Senator.

Senator MIKULSKI. Do the middle schools have a priority?

Dr. COLWELL. We have not set priorities. We have gotten a large number of responses, and we will see how that sorts out. But if it turns out that it needs to be——

Senator MIKULSKI. Well, Dr. Colwell, let me just say this, again, just to move along. I do not want to be prescriptive in terms of programs, but I would say this. All of the research indicates—all of the data we have, from the CDC and NIH, NIMH, and child development, et cetera, says this, that it is in the middle—that by the third grade, if you cannot read, you leave. And particularly the little boys already start to do their truancy and so on, and little girls start to kind of mentally drop out, but they hang in there.

Where little girls definitely start to drop out, if not intellectually, is in the middle school. That is where they decide they do not want to learn math. Or that is why they really begin an intellectual withdrawal, if not a truancy problem. Boys have a different variance of that, but, again, if they make it to the sixth grade, that is determinative of whether they go on to high school and what a lot of their focus is, also, in high school, where a high school related to vocational training would still need science and math.

So, again, I would really like you to explore the deployment where you are most needed, where children are making their most decisions. Children make decisions along the way, and a lot depends on what is happening in the classroom, because unfortunately the classroom is becoming their new home.

Dr. COLWELL. I accept your suggestion, and I am delighted——

INNOVATIONS FOR MIDDLE SCHOOL LEARNING

Senator MIKULSKI. And there is a great body of knowledge on that.

Now, I am going to go to one other point, which goes to your informal learning budget, and I will come back in terms of its adequacy. The Centers for Disease Control—and, again, the Drug Czar and Justice says—that children are most—you know, our old channel 11, "It's 11 o'clock, do you know where your children are?"—most people know where their children are at 11:00; they do not know where they are from 3:00 to 8:00, or where they are gives them pause. It is the structured after-school activities. It is in the structured after-school activities where some of the biggest gains can be made.

Because to go to another great American, General Colin Powell said, in order for children to learn, they have to be involved with a caring adult, either in the home, the classroom or in some other activity. I visited a PAL program, some of these programs, in Baltimore. These structured after-school activities are where kids are learning computers. They are doing their homework. And they love it, because they are working on little projects and things like that.

And, again, if we are talking about deployment of defined resources, I think you need to go where you are most needed, not where the teaching fellows of the university thinks they should go. I think there should be guiding principles. And I would really encourage, then, conversations with not only the Department of Education, that has a great body of knowledge on this, but also CDC, Justice and so on. Because I think what we are talking about here is not only work force readiness, but it could be one of the sources of enormous prevention to either dropouts or not engaging in the basics that will take them to these new fields.

And they might not go on to be a Ph.D. at the University of Maryland, but we want them to be a lab tech at the University of Maryland. Or even if you are going into fire technology, I mean the construction industry, you know, we need lab techs, we need a multilevel work force. But all will be based on science, technology and a grasp of information technology.

So this is what I really urge you—really urge you—to really take a look at so that we maximize some of these new innovations and that we also then take a look at what our initiatives have produced—like the Urban Initiative and so on.

Dr. COLWELL. Believe me, Senator, I am resonant to what you are saying. In fact, that is part of the focus on learning. Because it is where and how you can have the most impact on children and their capacity to learn and to enable them to become productive citizens. Your suggestions are very well taken.

Senator MIKULSKI. See, there is already a body of knowledge of when young people make decisions.

Dr. COLWELL. Yes.

Senator MIKULSKI. And we can go on into that in another detail.

IMPORTANCE OF COMMUNITY COLLEGE

Dr. LANE. Madam Chair, let me also comment about the importance of community colleges. I think that is a very important observation. And the program that NSF and the Department of Education work together on with the community colleges has done an extraordinary amount I think to pull together those colleges, with the universities on the one hand and high schools on the other

hand, to try to remove those holes that the kids fall in at that critical stage. It is a different critical stage, but it is also very important to allowing people to get the education that give them the jobs that they deserve and that they need.

ADDRESSING FUTURE EDUCATION NEEDS

Senator MIKULSKI. I could go on about this, but they are questions that I would like to discuss with you privately because of the time of the hearing and so on. It is just a really straightforward one.

Just as our response to Sputnik and so on, which was a national emergency and a threat to the security of the United States, we passed something called the National Defense Act, which was really the building block of getting teachers ready to go into the classroom and people ready for the future. It served the Nation well.

And my question now is, on the brink of the new millennium, do we need a new version of that, like a Universal Digital Education Act? I am not saying what it should be. I would like to have your thoughts on it, to see about this. But, again, everything is going into piecemeal. But let us do that later.

Dr. COLWELL. Yes, I would love to do that.

ADEQUACY OF FUNDING FOR NSF PROGRAMS

Senator MIKULSKI. I would like to now just return to the President's initiative, which I find enormously exciting. And let me say this. As everyone knows, my whole strategic initiative idea—but this is what I was talking about—this is exactly what I was talking about—organizing around national goals and everybody being best at what they are most needed for and best at what they do. And this is exactly the conceptual framework. It was not industrial policy and winners and losers and everybody learning—it was not an occupational research program.

Now, let me, though, go before to the new initiative, this question. In the President's budget, do you feel that the existing programs are adequately funded, or are there some that are more spartan that you would like that we have to really ensure that are the core NSF funding in the directorates, as well as very important programs like EPSCoR, and also the academic research and facilities? I cannot go anywhere in Maryland to any higher education facility without being hustled for a building, a laboratory or laboratory equipment.

Dr. COLWELL. I understand very, very well.

Senator MIKULSKI. Yes. I mean, really.

Dr. COLWELL. Yes. We are very busy putting together, our 2001 budget, as we discuss here the 2000 budget. And the unmet opportunities that we have got to address in order to remain competitive, to have a vibrant work force, to have a very strong, successful educational system, are the kinds of things that we are considering.

And I would say that we have tried very, very hard in this budget to maintain balance. For example, I think the IT Initiative is critical for the social and behavioral sciences, because the databases that can now be mined through the IT Initiative are extraordinary. We are addressing some of this in the fiscal year 2000

budget because of the crossover into all the disciplines that the IT Initiative provides.

Even though it appears as a budget item in the computer and information science and engineering science budget, IT^2 really is an initiative within NSF that has been developed by discussions with all of the AD's, including participation—strong participation—by the math and physical sciences AD and the education AD. So that permeates throughout the agency. It is a very important cross-disciplinary initiative.

I should also say that it is a very powerful interagency initiative, because indeed, as the designated lead agency, we have been working with the other agencies.

Senator MIKULSKI. I am going to come back to that. But I asked you, do you have enough money to keep the other programs going at the level that they should?

Dr. COLWELL. Well, spartan, but yes.

Senator MIKULSKI. You are scrapping, but yes. But where are you scrapping?

Dr. COLWELL. I think that, as we said earlier——

Senator MIKULSKI. Because, I tell you, the scientists and your wonderful people who work at the Science Foundation and how this is also out in America—it is not an institute of science, it is a Foundation of Science—the only way you can attract and maintain people is "show me the money."

Dr. COLWELL. Right.

Senator MIKULSKI. And if they think we go from one glitz and one glory to another——

Dr. COLWELL. I am concerned about the disproportionality in engineering, in the physical sciences—physics, math, chemistry, engineering. I am concerned about that.

Senator MIKULSKI. The ones that were outlined in your testimony?

Dr. COLWELL. Yes, Senator.

INCREASING NSF AWARD SIZE AND DURATION

Dr. KELLY. Senator, from a national perspective and policy standpoint, it relates to what I was talking about before, in terms of the general, overall funding for research in the country. And people do not like to talk about it because it is not attractive, it is not sexy. But the fact of the matter is, with the underfunding, the amount of the average NSF grant and the duration of the average NSF grant is much too low to create the kind of stability that will make for good science and for improving the science in the field. We also do not have appropriate equipment and facilities budgets for the institutions.

But those are—it is just a basic question right across the entire science, where, in the basis sciences, you do have that kind of underfunding and short-duration, low-amount grant, where most of our faculty spend most of their time developing proposals.

Dr. COLWELL. The average principal investigator-driven grant at NIH is about $250,000. The average investigator-driven grant at NSF is about $83,000.

OVERALL SCIENCE BUDGET

Dr. LANE. Madam Chairman, may I add a comment about the overall science budget?

I think that if you look at the President's fiscal year 2000 budget, he really submitted a very aggressive research budget, given the constraints on the fiscal year 2000 budget. He submitted a balanced budget. In fact, we have this wonderful situation of a surplus. The President has made clear that surplus is off the table until we deal with social security and medicare and other important issues. But it was a very good budget for science and technology. He would like to do more.

I think one way to think about the Federal investment in science and technology is to what extent are we failing to utilize the extraordinary talents and capabilities of the people who are out there, the young people who are going to be the next generation, but also the existing scientists—scientific and engineering researchers in the country?

My sense is we are significantly underutilizing this extraordinary resource. We are, in some sense squandering some of our earlier years' investment in higher education, because we have so many talented scientists who cannot get their funding from NSF and cannot get their funding from NIH just because the competition is so incredibly stiff. The grant sizes, we hear from all directions, are too small on the average. And there are many kinds of programs that simply do not exist at all. And the initiatives are there to try to help address those kinds of things.

So these initiatives are very important or the President would not be bringing them over here. But there is only so much money. And so something has to give.

VALUING HIGHER EDUCATION

Senator MIKULSKI. Well, that is exactly right, and this is in no way to throw water on the initiative. I happen to think the initiative is crucial. I like the fact that it is interdisciplinary and the fact that you have NIH, NASA, the Department of Energy, NOAA, and the Department of Defense involved. It is like uniquely American. You have Defense and NOAA, NIH working. This is really extraordinary. And each working, hopefully, on maintaining the national security interests of the United States.

So I am for it. But I do also worry about the basic sciences that essentially were outlined in your testimony. And I think it gives us pause about how we do the new initiatives, and yet are able to sustain the others at a level.

And I think we, again, with candor, when one thinks that a recent graduate from a land grant college in software engineering could make $67,000 a year and no sweat, and being recruited with a subsidized lease for a BMW and all the other little Gucci things that—you know, Starbucks for life, vouchers, all of those kinds of things, and then you think of someone graduating, again, from the University of Maryland, or Hopkins, or the University of Missouri, and then that they are going to have to go through more debt to go for a master's and a doctorate, and then once they get it, forage for funds to pursue research. And if they are young, they have to

stand in line because—just like at NIH, there are senior people who tend to be able to also garner that.

So it is the young, the innovative, exactly what you said, Dr. Colwell, the innovation index. And so I worry about that. And I worry about how to recruit them and encourage them to go on for their advanced education and to do the type of research. And, at the same time, while they are working and feeling like a temp at many of our colleges—and many of our young people feel like temps at college—they are making $38,000 a year, or something like that, and say "Why?" And I am not talking about where they would leave and go to law school and intellectual property or something; they leave and go into other science fields.

INFORMATION TECHNOLOGY INITIATIVE

Dr. LANE. Madam Chair, I think one thing that makes me feel particularly good about the Information Technology Initiative, even if it is in a tight budget, is that it indeed is going to impact virtually every area of scientist and engineering research and education. I cannot think of an initiative that is as far reaching in terms of the broad spectrum of scientific and research activities, but also in getting at some of these very important social work force issues.

There is no rule that says somehow our young people cannot have better jobs, more fulfilling jobs, happier and healthier lives than their parents did. That is what we all want to see. I think these kinds of technologies, if properly used and consistent with our societal values, are precisely the kind of things that are going to make people's lives better. So I feel very good about it and believe that it is going to provide precisely that incentive to get the best minds focused on such critically important national issues.

Senator MIKULSKI. I believe lives will be better. But, at the same time, if we are talking about learning at a community college, someone has got to be in that classroom. The question is, who is that somebody going to be? And maybe they do not worry about research, but how are they going to get into that classroom. And I think these are really big issues, particularly the education of the master's degree person, who often does find their way into the assistant and associate professor at community colleges or geographic areas that are sparsely populated that have a difficult time in recruiting.

So we have got to think about this and how we are going to encourage people to go on for their graduate degrees. Yes, the private sector is alluring, and I think it is wonderful, but there could not have been a NASDAQ without infotech. I mean we could go to Wall Street. We could go to the New York Stock Exchange. And what do we see at the New York Stock Exchange? Everybody at a computer.

Look at what the New York Stock Exchange did a few weeks ago. They had their own Y2K drills. It was phenomenal, with Wall Street really working several Saturdays in a row, everybody at their computers, making sure that the financial services will be fit for duty at the turn of the century.

But all of that exists because of information technology, not only science and savings lives and MRI's. At the same time, we need

people who are willing to go into scientific research and stay there. And we cannot undervalue them or underfund them. And the competition now is so great, I think that is one of your biggest challenges. That is one of your biggest challenges for minorities going on to higher education. Am I correct?

Dr. COLWELL. You are absolutely correct.

Senator MIKULSKI. I mean just the level of recruitment is phenomenal for the bachelor's degree. And I think it is great that, if you are the first in your family and you have got an engineering degree, you go back into that neighborhood and you can show that education does lead to prosperity, I think it is fantastic. But then I worry also about them going into science, advanced degrees in science research.

EDUCATION OF FOREIGN INDIVIDUALS IN THE UNITED STATES

Dr. LANE. Madam Chair, there is no more important issue for our country, I think. This discussion also underscores our very real dependence on foreign people coming to this country for their education and to stay. And thank God they did. Otherwise we would not be a leader in science and technology, I believe, at this time in our history.

But many of those young people are not going to come to the United States for their education in the future. The whole world is developing its educational system and its own niche in science and technology. We have got to find a way to ensure that all of our citizens from all communities, all cities, all family backgrounds are able to participate in this extraordinary career in science and technology. We have got to find a way to do that. And our administration is committed to making those efforts.

Senator MIKULSKI. I want to thank you for this hearing. As you can see, there is no end to the interest and certainly no end to the interest that Senator Bond has. You might note that there were not many colleagues here, but the President, as we spoke, was holding a 60-member briefing on the Kosovo situation. Many of our members—in fact, most of our members—were participating in that, on both sides of the aisle. And so do not view the attendance as an interest index. It was really because of the pressing emergency with the Kosovo situation.

I will conclude this hearing by saying that I think that there needs to be an education of the Congress itself about what the Federal agencies do, and then their synergistic and cumulative effect with one another.

ADDITIONAL COMMITTEE QUESTIONS

We want to thank you. We want to thank you for the ideas. We look forward to what happens on the budget debate, if we can operationalize these good intentions. And we look forward to working with you.

[The following questions were not asked at the hearing, but were submitted to the Agencies for response subsequent to the hearing:]

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF SCIENCE AND TECHNOLOGY POLICY

QUESTIONS SUBMITTED BY SENATOR BOND

PITAC REPORT

Question. I understand that the IT^2 initiative was developed in response to the President's Information Technology Advisory Committee (PITAC) report to the President. In addition to the panel's concerns about managing the initiative, the report also states that new modes of research support and new implementation strategies will be required. PITAC also recommended that the Federal government "must not subsidize activities left to the private sector."

Is the private sector investing in long-term, high-risk information technology research?

Answer. The IT sector has more than doubled its annual R&D investment over the past 10 years. But this private investment is largely focused on the near-term development needs of a intensely competitive marketplace—only 5 percent to 10 percent of industry's R&D expenditures go toward non-product research, and a substantial share of that investment is for applied, not fundamental, R&D. Industry recognizes that their investment is insufficient to cover many critical long-term research needs. In addition, the market rarely provides industry with incentives to make substantial investments in basic scientific and engineering knowledge, whether derived through application of advanced computing tools, as proposed by IT^2 , or through other means of scientific discovery. In both cases, the compelling national interest to ensure adequate R&D investments justifies a continued and strengthened Federal role.

Question. Do you expect the private sector to be involved in the IT^2 initiative?

Answer. We anticipate that industry will compete to supply the high-end computing and communications infrastructure that will be procured under the advanced computing component of the initiative. This would not be possible without industry contributions (in-kind or cost share) to the research effort to build and operate the new infrastructure. Also, industry has a strong track record of partnering with government and academic researchers in order to speed the development of fundamental breakthroughs into commercial applications. A rather dramatic example of this is the collaboration between the Next Generation Internet's (NGI) research partners at universities, who are engaged in basic networking research, and the manufacturers of advanced network equipment, who contributed $500 million in equipment for use in NGI partner testbeds. Clearly beneficial to both researchers and their industry partners, such collaboration also accelerates bringing the benefits of basic research to the economy.

Experience strongly indicates that these two kinds of industrial participation—vendors and industry partners—will carry over into IT^2 activities.

Question. How will NSF and OSTP determine which activities should be funded by the public and which ones should be best left to the private sector?

Answer. The research agenda outlined for the IT^2 initiative corresponds to the priority fundamental research areas—and specific research topics within those areas—identified by the President's Information Technology Advisory Committee (PITAC) as requiring increased and sustained Federal support. The IT^2 is a multi-agency effort. Although NSF and OSTP have leadership roles in coordinating the initiative, each participating agency will determine which research it will fund. Agency expertise and agency mission will be important determining factors in selecting research that contributes to the goals of the initiative.

IT^2 MANAGEMENT

Question. I would now like to discuss how the IT^2 initiative will be managed. NSF has been designated as the lead agency for this major initiative and I understand that OSTP will play a significant role in the oversight of its implementation. With five other agencies involved, managing this initiative will be a major challenge to NSF. Both the NSF Inspector General and the President's Information Technology Advisory Committee (PITAC) have raised this as a serious management challenge and recommended that NSF needed to ensure that adequate resources would be devoted to programmatic oversight. I also recall from last year's hearing that Dr. Lane expressed his concern about the Foundation being asked to take on larger challenges.

As Director of OSTP and Science Advisor to the President, do you still have the same concerns you expressed last year about NSF's capacity for taking on larger initiatives?

Answer. NSF has a sound track record of leadership in major multi-agency programs that support information technology R&D. It has maintained a leadership role within the High Performance Computing and Communications (HPCC) program since its inception in 1991. NSF also consistently has been one of the top funders of information technology research and infrastructure development supported through that program. Because the IT^2 initiative builds on past and ongoing R&D activities in the HPCC program, we currently are merging coordination of IT^2 and HPCC into an integrated management structure in which NSF will continue to have a leadership role. I am confident that NSF will continue to ably exercise its leadership in the integrated programs.

Question. Is the issue related to NSF's management resources been an area of discussion for the Administration? How is the Administration addressing this matter?

Answer. Although the NSF enjoys a leadership role in the planning and implementation of the IT^2, the initiative is a multi-agency effort. Therefore management of the initiative is being assured through mechanisms that draw on multi-agency resources and provide coordination across all participating agencies.

The IT^2 initiative will be coordinated through the NSTC as part of an integrated program that incorporates related ongoing Federal information technology R&D programs. A Senior Principals Group has been established to provide policy guidance and leadership. I chair that senior management team, whose members currently include the NSF Director, NASA Administrator, Under Secretary of Energy, Under Secretary of Commerce for Oceans and Atmosphere, NIH Director, Under Secretary of Defense for Acquisition and Technology, and senior OMB and NEC officials. Once the IT^2 and HPCC program have been merged, the Senior Principals Group may be expanded to include appropriate senior policy officials from other participating agencies.

An operational Working Group chaired by the NSF Assistant Director for Computer and Information Science and Engineering will coordinate research and infrastructure planning while promoting full and open competition policies. The Working Group includes members with ties to related ongoing multi-agency research programs. I have tasked the National Coordination Office (NCO) for Computing, Information and Communications R&D, which assures coordination of the HPCC programs, to support the Working Group during and after the transition to integrated coordination of IT^2 with the ongoing programs.

INDIRECT COSTS

Question. I want to raise some concerns about the amount of scarce federal R&D dollars that are not going directly to researchers—namely, indirect costs or overhead. I am concerned that the federal government pays a significant amount of money for indirect costs at universities and other research institutions. I am also troubled by the numerous examples of inappropriate or questionable charges for indirect costs that have been uncovered in recent years. This reinforces my fear that the federal government is not able to do as much oversight when costs are being defined as indirect rather than direct. And despite numerous attempts to contain indirect costs, a lot of funds are still being spent on non-research purposes.

Last year's NSF authorization act mandated an OSTP study and report to Congress on indirect costs. Can you please tell us about the progress of the study and your preliminary findings?

Lastly, what recommendations do you have regarding the payment of indirect costs?

Answer. Much attention has been focused in recent years on the indirect costs paid to universities for the conduct of research. These costs are a real and necessary part of the total costs of research, but it is in the interest of both the universities and the Federal government to ensure that these costs are not excessive.

OSTP is on schedule to deliver the indirect cost study to Congress as required by last year's NSF authorization bill. Our preliminary findings show that since 1991, universities have reduced indirect cost rates significantly. I look forward to forwarding the completed report to you later this year.

POLICY ISSUES AT OSTP

Question. I have read articles that indicate a growing interest in the field of nanotechnology. I also understand that the administration is reviewing this area and may recommend a major strategic initiative on nanotechnology similar to the information technology initiative.

Do you view nanotechnology as an emerging field of interest for the federal government? Are you indeed planning a major nanotechnology initiative for fiscal year 2000? If so, what funding amount are you projecting to propose in the budget and does this mean that the information technology initiative will not be a major emphasis next year?

Answer. Nanotechnology is a very exciting new realm of scientific discovery that has the potential to impact chemical processes, electronics, biology, information technology and advanced materials. I stated in my April 1, 1998 testimony to Congress that "* * * if I were asked for an area of science and engineering that will most likely produce breakthroughs of tomorrow, I would point to nanoscale science and engineering often called simply "nanotechnology * * *" Nanotechnology has the potential to be a very big economic engine for the 21st century. As such, the Administration has been coordinating an effort with key federal activities to assess where the federal government is currently investing in nanotechnology and where it might make sense to expand funding to put the United States in a competitive position to exploit discoveries that could emerge from nanotechnology research.

Question. Besides nanotechnology, what do you see as the primary issues facing OSTP over the next few years and what are the major science policy issues, as well as R&D funding priorities, that face the Nation over the next few years?

Answer. I have attached, for your information, a copy of a joint memo from OMB and OSTP prepared for the fiscal year 2000 budget process that highlights the Administration's goals for science and technology, the principles that guide our investment decisions, and specific funding priorities. A similar memorandum is being prepared for fiscal year 2001, which I will be happy to share with the Committee when it is complete.

INFRASTRUCTURE

Question. Are there any particular federal programs or activities that are available to help research institutions with research infrastructure needs such as laboratory equipment, growth chambers, greenhouse space, modernization of existing laboratories and other necessities?

Answer. There are a few programs that are available, but they tend to be directed at research sponsored by particular agencies. For example, the NSF has a program for acquisition, renewal, and development of shared laboratory equipment, but its selection criteria requires the associated research be of the sort sponsored by NSF. NIH has a joint program with NSF for similar purposes, but to be eligible, investigators must be funded by both agencies. There is funding available for modernization of laboratories from NIH, but only for NIH sponsored activities. In general, most agencies provide some money for laboratory equipment for their sponsored researchers.

Question. Do you believe there is a substantial unmet need for infrastructure purposes? Do you have any cost estimates on these unmet needs?

Answer. Yes, there is a widespread need for such funds, both as regards research equipment and conventional infrastructure (refurbishments of buildings, roofs, sewers, etc.) across many agencies. There is no good estimate on research equipment needs, but the estimate on conventional infrastructure needs have been estimated in various reports to be higher than $10B when looked at across all agencies. The 1998 NSF "Science and Engineering Indicators" estimates $7B for unmet conventional infrastructure needs at universities and colleges and another $1.4B in research equipment at those institutions.

Question. Do you have any suggestions on how we can meet these unmet needs?

Answer. The NSF report cited above and two reports from the National Research Council and the GAO have stated that as budgets have gotten tighter infrastructure fixes have been postponed so that operations could continue. Thus an obvious solution to modernize research equipment is increased funding. The solution to conventional infrastructure needs could also be met in that way, but there may be other solutions. In this latter case there may be a broader array of funding scenarios such as third party financing, GSA or private parties. We should add that one component of the indirect costs assessed on federal grants to research institutions addresses ongoing costs for maintenance and refurbishment of the infrastructure. In general, however, these charges do not provide the capital needed for major infrastructure development and renewal.

DEVELOPMENT OF IT[2]

Question. While the goals of the initiative seem worthy, I am concerned that this idea may have been driven by the White House and not something that was developed in response to the demands of the scientific community.

Can you describe how this proposal was generated and to what extent the scientific community was involved in its development?

Answer. The PITAC was established in February 1997, pursuant to Congressional authorization in the HPC Act of 1991. Over the past year, the PITAC has undertaken an evaluation of Federal research programs to support development of advanced information technology.

In a letter to the President in early June 1998, the PITAC urged that public investments in computer, communication, and other information technology research be significantly expanded to ensure an ever-increasing standard of living and quality of life for our people. Their findings were subsequently detailed in an Interim Report to the President, released in August 1998.

The President asked me to prepare a detailed plan that addressed the PITAC findings. Following the release of the PITAC interim report, I held a meeting of the principals from our key R&D agencies. I requested that they help me craft an initiative which not only strengthens our investment fundamental research, as recommended by the PITAC, but which also provides the strongest possible computational support for advancing applications in science and engineering. We convened an interagency working group to develop the initiative.

Throughout the fall, as the initiative took shape, we looked to the research community for guidance. This included soliciting feedback on the PITAC interim report and the appropriate Federal role to address its findings, through: briefings to the Congress; briefings to major scientific advisory boards (e.g., the National Science Board and the President's Committee of Advisors for Science and Technology); speeches and presentations to major national and international scientific associations (e.g., AAAS and NAS conferences, the Town Hall meeting at "SC98," an annual international supercomputing conference, meeting of the G–8 science ministers); and consultations with major computer industry leaders.

We also drew upon the results of a widely attended July 30–31 workshop, co-sponsored by DOE and NSF at the National Academy of Science, on the potential for a high-performance computing initiative to address large-scale scientific problems. DOE and NSF had already begun working with the scientific community to propose a program in this area, and those ideas were incorporated into the overall planning for an initiative.

Finally, we asked the PITAC to convene working panels to flesh out more detailed research agendas within the priority areas that they had identified.

QUESTIONS SUBMITTED BY SENATOR BURNS

Question. In helping put together the fiscal year 2000 request for the Next Generation Internet (NGI), how were decisions made as to which federal department or agency would have which responsibilities and how were responsibilities divided among the agencies?

Answer. NGI agency roles and activities are set forth in the NGI Implementation Plan issued in July 1997. These basic roles and activities remain unchanged in fiscal year 2000, although there have been some adjustments to milestones due to Congressional funding decisions for the fiscal year 1998 and fiscal year 1999.

Question. In putting together the fiscal year 2000 request for the NGI, was any consideration given to which parts of the proposal would be especially useful or applicable to rural/EPSCoR states and if so what are the results?

Answer. NGI is a research and development program to provide the technologies and applications required as foundations for the next generations of the Internet. Institutions with fundable research proposals must not be disadvantaged in competing for NGI awards merely because of their location. In fiscal year 2000, some NGI funds will continue to be used to help rural/EPSCoR institutions connect to the NSF's high speed network, the vBNS, which is part of the NGI testbed. NSF already has expanded the High Performance Connections program to cover all 50 states and has made 33 grants in 18 EPSCoR states.

Question. What portions of the fiscal year 2000 NGI program would be most helpful to rural states? Which parts of the NGI budget do you believe the rural states would be most competitive in?

Answer. Eventually, NGI research on wireless, hybrid, and satellite technologies may reduce the cost and improve the services available to all users including those in geographically remote areas. In the meantime, associated funding to expand the reach of the NSF's High Performance Connections program in rural states will greatly enhance opportunities for rural/EPSCoR institutions with fundable proposals to compete for NGI awards.

Institutions that will be most competitive for NGI awards will be those where research is emphasized and where there are fundable proposals in advanced networking research or applications. These qualifications are not necessarily linked with the geographic location of the institution.

In the annual review of the NGI which was submitted to Congress on April 28, the President's Information Technology Advisory Committee (PITAC) noted that the NGI program is not an infrastructure program, and therefore cannot directly address reach to rural, inner-city, minority, or small institutions. The PITAC has recommended that Congress consider additional funding for a program where the NGI research institutions act as aggregators and mentors for these institutions. Since this is an infrastructure issue, and not research, it is not covered by the NGI or the proposed Information Technology for the Twenty-First Century (IT^2) initiative.

NATIONAL SCIENCE FOUNDATION

QUESTIONS SUBMITTED BY SENATOR BOND

COMMITMENT TO IT^2

Question. The Administration's information technology initiative was proposed in response to the President's Information Technology Advisory Committee's (PITAC) recent report and recommendations. PITAC specifically recommends additional funding for information technology of $4.743 billion over the fiscal year 2000—2004 period and over $2 billion annually thereafter.

Is the Administration budgeting the PITAC-recommended amounts? If not, what exactly is the Administration budgeting for this program in the outyears?

Answer. The PITAC Report recommended a multi year funding plan. NSF believes that this is necessary to expeditiously realize the PITAC goals, recognizing that more than one year is needed to provide and maintain both the needed fundamental research and high-end computing capabilities in the outyears. Future year requests are dependent on the fiscal constraints that are in place at the time, and program plans by the participating agencies will be adjusted to meet their appropriated budgets.

Question. If the requested funding amounts are not provided for IT^2, will NSF use existing resources within its Computer and Information Science and Engineering account or other accounts such as the Integrative Activities account?

Answer. The planned IT^2 program is integrated with and expands upon ongoing research, adds new emphases, and changes the balance of ongoing activities. NSF plans to address the IT^2 initiative's priorities as closely as funding levels permit, even if it means reducing attention in some currently supported areas.

DEVELOPMENT OF IT^2

Question. While the goals of the initiative seem worthy, I am concerned that this idea may have been driven by the White House and not something that was developed in response to demands of the scientific community.

Can you describe how this proposal was generated and to what extent the scientific community was involved in its development?

Answer. The science and engineering research community was actively involved in identifying needs and recommending research priorities for the IT^2 initiative. Prior to and early in the fiscal year 2000 budget development process, NSF funded studies to identify research opportunities and challenges, and how best to take advantage of the rapidly developing computational capabilities in high-end computing in cutting edge research. A series of workshops were held in which members of the external scientific and engineering community identified many important problem areas requiring attention and important scientific problems whose computational needs are not met by computational capabilities currently available to the general science and engineering research community. At roughly the same time, the Department of Energy (DOE) was developing a plan to implement high end computing for their mission related applications. In addition, a joint NSF/DOE workshop was held at the end of July 1998 to study these latter issues.

A significant outcome of all of these efforts was the identification of major research opportunities and needs in computer science and engineering. The President's Information Technology Advisory Committee (PITAC), working independently, drew many of the same conclusions. Specifically, these parallel activities noted that there was a pressing need for considerable expansion of federal investments in basic research, information and computing infrastructure, and the development of human resources if the nation's leadership in this field is to be maintained.

Consequently, several agencies joined together to develop a broad fiscal year 2000 response to the PITAC recommendations. Further planning for the IT^2 initiative has taken place through an intensive interactive process involving, among others, the President's Science Advisor and the National Science and Technology Council.

PITAC REPORT

Question. I understand that the IT^2 initiative was developed in response to the President's Information Technology Advisory Committee (PITAC) report to the President. In addition to the panel's concerns about managing the initiative, the report also states that new modes of research support and new implementation strategies will be required. PITAC also recommended that the Federal government "must not subsidize activities left to the private sector."

Is the private sector investing in long-term, high-risk information technology research? Why or why not? Do you expect the private sector to be involved in the IT^2 initiative (e.g., cost-sharing)?

Answer. In general, the private sector does not invest heavily in long-term fundamental research in information technology because of short term market pressure, the need to develop new products, the highly competitive nature of the industry, the high risks associated with long-term basic research, and an inability to exclusively capture the results of basic research. As a result, the federal government has been the principal source of funds for basic research in information technology. There is considerable evidence that this governmental investment in fundamental research on communications and computing technologies has led to U.S. domination in the information technology industry sector, and to the creation of multi-billion dollar industries.

NSF has a long-standing practice of partnering with industry in a variety of ways, including significant cost-sharing involving either direct funding or in-kind contributions. This practice will continue in IT^2 activities. Joint efforts may include participation in research centers and projects, prototyping and real world testing of advanced computers, training for industrial researchers in new high-end technologies, research sabbaticals, and training of graduate and post-doctoral students.

Question. How will NSF determine which activities should be funded by the public and which ones should be best left to the private sector?

Answer. NSF is the only Federal agency mandated to promote the health and vitality of research and education in science and engineering across all fields and disciplines. NSF emphasizes the initiation and support of basic scientific research and research fundamental to the engineering process. Past experience indicates that the majority of this research will be carried out at the nation's colleges and universities.

The determination of research priorities in information technology, as well as the other areas supported by the Foundation, will be based heavily upon advice received from experts in the relevant external academic, industrial and governmental research communities. One of the hallmarks of NSF is its merit review system. The Foundation relies on a system of merit review by independent experts to judge the quality and impact of research being considered for support. Community input on overall priorities is also received through a variety of mechanisms, such as informal discussions, workshops, special studies and Directorate Advisory Committees.

Research planning for IT^2 will be coordinated through a National Science and Technology Council interagency process in order to minimize overlap and duplication of effort among all the federal agencies involved. In addition, where appropriate, industrial scientists and engineers will take part in the review and evaluation of proposals not only to help assess scientific merit but also to help preclude the funding of proprietary research.

EVALUATING IT^2

Question. The goals of the IT^2 initiative seem laudable, yet broad in some respects.

How will we be able to assess whether the program, if funded, has achieved its objectives? Would an audit and evaluation of the IT^2 initiative be undertaken by the executive branch or an external source?

Answer. Active monitoring and progress assessment are important elements of IT^2, both on the individual project and broad initiative scales. PITAC recommends that an annual review of the research programs be carried out to insure that the investment portfolio is properly balanced, comprehensive and well-coordinated. Such a review would be carried out under the NSTC, with high-level external advice provided by PITAC. In addition, progress under IT^2 would be part of Government Performance Results Act (GPRA) reporting procedures. Impact evaluation over a longer time frame would be carried out through a commissioned independent study, similar

to the National Research Council evaluation of the HPCC initiative—the 1995 "Brooks-Sutherland Report".

IT^2—MANAGEMENT

Question. NSF has been designated as the lead agency for this major initiative and I understand that OSTP will play a significant role in the oversight of its implementation. With five other agencies involved, managing this initiative will be a major challenge to NSF. Both the NSF Inspector General and the President's Information Technology Advisory Committee (PITAC) have raised this as a serious management challenge and recommended that NSF needed to ensure that adequate resources would be devoted to programmatic oversight. I also recall from last year's hearing that Dr. Lane expressed his concern about the Foundation being asked to take on larger challenges.

First, please explain how NSF as the lead agency will manage this initiative from an interagency perspective. For example, will NSF direct NASA's activities? How will NSF work with the other agencies to coordinate, set priorities, and implement the program?

Answer. NSF has been designated as the "lead" agency for this initiative in keeping with the President's Information Technology Advisory Committee (PITAC) finding that basic research in information technology is critical to maintaining U.S. leadership in information technology. Each agency will be responsible for establishing the priorities required to carry out its mission. NSF's role is to coordinate individual agency efforts so that they complement each other to meet the overarching goals of the IT^2 program. In addition, NSF is also responsible for maintaining the basic research emphasis in IT^2.

Management of the IT^2 initiative is coordinated through the National Science and Technology Council (NSTC). A Senior Principals Group has been established that includes the NSF Director, NASA Administrator, Under Secretary of Energy, Under Secretary of Commerce for Oceans and Atmosphere, NIH Director, Under Secretary of Defense for Acquisition and Technology, and senior OMB and NEC officials. This group assists in establishing overall priorities and ensuring balance in the national information technology portfolio. An operational working group, which meets weekly and is chaired by the NSF Assistant Director for Computer and Information Science and Engineering (CISE), coordinates research and infrastructure planning while promoting full and open competition policies. Subsidiary working groups organized around appropriate focus areas of IT^2 research and development will coordinate research activities, propose new initiatives, and address programmatic objectives related to their research focus areas.

Question. Second, does NSF have the staff resources and management structure to manage this effort in addition to its current workload? Have you discussed these management issues with the IG and will you ask the IG's office to provide advice?

Answer. At present, the Foundation does not have believe that it has sufficient staff resources to manage the increased level of activity resulting from the IT^2 initiative. Additional staff will be needed, with the number depending on the funding level and the proportions of the particular activities that are implemented, e.g., the type and number of research projects supported and the implementation of the terascale computing system.

We believe that, given the proper resources, NSF has the experience to successfully meet the management challenges listed by the Inspector General in the case of the IT^2 initiative. NSF is presently developing the internal management structure for the IT^2 initiative that draws upon prior Foundation experience in the selection and management of research carried out by individuals, teams, and centers, and interagency efforts in the High Performance Computing and Communications (HPCC) and the Next Generation Internet (NGI) programs. The Inspector General participates in policy discussions among senior management in which many of these issues are considered. NSF's demonstrated ability to establish quality merit-reviewed research programs in coordination with other federal agencies, such as the NSF/EPA partnership, will help ensure quality management of this effort. We have also gained considerable experience from partnering with agencies such as the Defense Advanced Research Projects Agency (DARPA), the National Library of Medicine, NASA and the Library of Congress in the Foundation's expanding digital libraries program. Other examples of NSF's ability to establish a productive management structure include our management of networking research, building NSFNET, and focusing on new research challenges after the Internet was established.

PERFORMANCE MEASURES

Question. This subcommittee has been concerned about the Foundation's failure to provide a budget justification that meets the requirements of the Government Performance and Results Act. We believe that it is important for all NSF initiatives and programs to be identified with specific funding as well as quantifiable goals and milestones. The goal statements for much of the fiscal year 2000 performance plan—especially in the areas of research investments and training—appear to be as general and nonquantitative as last year.

How does NSF propose to comply with our concerns?

Answer. NSF has expressed its performance goals for results as descriptive standards under the Government Performance and Results Act (GPRA) option for use of the "alternative format". NSF's use of the alternative format, approved by the Office of Management and Budget, allows the agency to express its performance goals for results in descriptive terms, rather than in quantifiable and measurable form. The descriptive standards in NSF's Plan include definitions for "successful" or "minimally effective" performance outcomes. This is permissible under Section 1115.b.1.A of the Results Act. NSF's level of success in achieving these results-oriented goals will be determined through external assessment processes. This approach allows for a responsible and comprehensive assessment of the continuous flow of results from NSF-supported activities. These results will be highlighted in NSF's annual GPRA performance reports. Since both the substance and the timing of outcomes from NSF-supported activities are unpredictable, performance standards for the results of NSF's investments in research and education cannot be adequately expressed in quantified, annual performance goals. Further, the discrete alignment of program funds with specific performance goals is difficult to attain, because NSF investments generally work toward more than one of the performance goals simultaneously. Also, because research results are unpredictable in a given year, it is not possible to tie resources in a given year to outcomes obtained in the same year. Nevertheless, as we gain experience from application of the GPRA process, we will continue to seek techniques to more closely tie resources to the categories of investment presented in our performance plan.

MATH AND SCIENCE EDUCATION

Question. This month the National Science Board released a report on math and science education. I understand that this report and its recommendations are in response to the so-called "TIMSS" report that basically said our middle and high school students are not doing well in math and science education compared to their international counterparts.

How is NSF responding to the Board's report and recommendations? Are there any related IT^2 activities that will benefit science and math education at grades K–12?

Answer. The National Science Board (NSB) report underscores NSF's commitment to providing national leadership in K–12 science and mathematics education. Over the last decade, NSF has pursued a comprehensive strategy for developing standards-based curricula, instructional strategies, and assessments. To promote their implementation, NSF has created innovative strategies for reforming entire education systems (i.e., state, urban, rural, district levels). The NSB report also highlights the critical role of partnerships. Most of our programming requires meaningful collaborative working relationships with major stakeholders that bring the broad ownership critical to success. Current NSF priorities include: education research, teacher education, systemic reform, efforts promoting diversity in science and engineering, and applications of learning technology.

The NSB report focuses on two components of NSF's K–12 program portfolio critical to improving student performance—curriculum development and teacher education. NSF has supported the development of exemplary, comprehensive instructional materials that promote inquiry-based learning, are rigorous in content and age appropriate, and improve the education of all students. All curriculum materials embody the essential principles of the National Council on Teachers of Mathematics (NCTM) standards and the National Academy of Science (NAS) science standards. All supported materials now include embedded assessments to guide classroom instruction, and go through extensive pilot and field-testing. Standards-based, large-scale assessments are in demand by states and districts. We are focusing increased attention on development and implementation of these assessments since they are critical in strengthening science and mathematics education, as well as determining the effectiveness of NSF programming.

A growing body of evidence documents that teachers more knowledgeable in content and effective in teaching practice improve student performance. Our teacher

education programs—preservice and inservice—strengthen both content and pedagogy. We are developing new components within our teacher education programs, examining needs at different career stages—especially at the start of a teaching career when so many talented individuals are lost to the classroom—and strengthening the infrastructure necessary to train new generations of effective science and mathematics educators and administrators. We walk a fine line in this arena, balancing long-term and short-term needs.

As part of the IT^2 initiative, NSF will support research aimed at investigating pipeline issues that affect the participation of underrepresented populations (e.g., women, minorities) in these fields. In addition, NSF does support related activities in K–12 mathematics and technology education, including the National Science, Mathematics, Engineering, and Technology Education Digital Library (NSDL). Further, within the Computer and Information Science and Engineering (CISE) Directorate, a new initiative, Teaching Experiences for CISE Students, introduces graduate and upper-level undergraduates into K–12 learning environments.

The Senate VA–HUD Appropriations Committee has asked NSF to develop a strategic plan that can help address the deficiencies in U.S. student performance identified by TIMSS. We will share this plan with the Committee.

INDIRECT COSTS

Question. I want to raise some concerns about the number of scarce federal R&D dollars that are not going directly to researchers—namely, indirect costs or overhead. I am concerned that the federal government pays a significant amount of money for indirect costs at universities and other research institutions. I am also troubled by the numerous examples of inappropriate or questionable charges for indirect costs that have been uncovered in recent years. This reinforces my fear that the federal government is not able to do as much oversight when costs are being defined as indirect rather than direct. And despite numerous attempts to contain indirect costs, a lot of funds are still being spent on non-research related purposes.

Dr. Colwell, how much and what percentage of NSF dollars are going towards indirect costs? Please provide this data for the last 10 fiscal years. What sort of things are we paying for under the indirect cost heading? Lastly, what recommendations do you have regarding the payment of indirect costs?

Answer. The amount and percentage of NSF dollars which funded indirect costs for the last 10 fiscal years are shown in the table below:

Fiscal year	Indirect $ (in millions)	Percent of total
1998	$639	19.7
1997	$668	21.2
1996	$578	18.9
1995	$527	16.9
1994	$481	17.0
1993	$456	17.6
1992	$457	18.8
1991	$414	17.9
1990	$366	18.8
1989	$342	19.1

Indirect costs, as defined in OMB Circular A–21 for colleges and universities, include the following cost categories: (1) facility costs such as depreciation and use allowances, interest on debt associated with certain buildings, equipment and capital improvements, operation and maintenance expenses, and library expenses; and (2) administrative costs such as general administration and general expenses, departmental administration, sponsored projects administration, and student administration and services. The percentage of indirect cost dollars to total dollars funded by NSF is significantly below the average indirect cost rate negotiated on a government wide basis (which is close to 50 percent of modified total direct costs).

NSF considers indirect costs legitimate costs of doing business. All research projects benefit from the expenses categorized as indirect costs. For example, research is conducted in buildings and laboratories that generate costs which should be shared by all users and beneficiaries of the facility. Indirect costs simply allocate these shared expenses to the appropriate research projects or users. In addition, some of the indirect costs incurred by research institutions are the direct result of their compliance with Federal mandates, e.g. environmental requirements.

The area of indirect costs, particularly those of colleges and universities, which are negotiated by the Department of Health and Human Services and the Office of Naval Research, has been studied and reviewed over the last decade by numerous groups. These studies have resulted in several major revisions to the cost principles, some of which NSF believes may have gone too far in limiting reimbursement of indirect costs. For example, OMB Circular A–21 currently places a 26 percent cap on administrative costs for educational institutions; this area may need to be re-evaluated as to its fairness relative to other research performers, such as non-profit organizations, and the effect it has had on the federal/university research partnership. Another example is the reclassification of certain personnel costs in A–21 as "Organized Research," which, by effectively lowering the institution's indirect cost rate, may have created disincentives for institutions to contribute effort to Federally supported research. This issue was noted in the recent report in response to the Presidential Review Directive on the Government-University Partnership. Except for those issues, NSF believes the cost principles are reasonable and suggests they be allowed to remain stable and constant for the foreseeable future.

MERIT REVIEW PROCESS

Question. Last December, the NSF Inspector General submitted a report to the Congress outlining the 10 most serious management challenges facing the Foundation. one of those challenges relates to the merit review process, which this subcommittee has also been concerned about. We have asked for an outside group to evaluate the impact of the new merit review criteria that NSF adopted at the start of this fiscal year.

What do you see as the most serious challenges facing the merit review system? How do you intend to broaden the representation of the panelists selected to review proposals?

Answer. Merit review is critical to the way NSF conducts business. NSF believes the merit review system is essential for maintaining high standards of excellence and accountability in the proposal decision process.

From NSF's perspective, the most serious challenges facing the merit review system are: (1) engaging the scientific community in the use of the new electronic system for submitting reviews, to ensure quality and consistent reviewer input; (2) reducing the burden on the reviewing community; and (3) reducing the complexity of a process which has become quite complicated due to potential conflicts of interest, as partnering and/or collaborations increase. Both NSF staff and the scientific community are receiving training in the use of the new electronic system.

NSF's policy on the selection of peer reviewers stresses the importance of wide representation—including characteristics such as geography, type of institution, and underrepresented groups. NSF's advisory system involves approximately 50,000 scientists and engineers a year, about 20 percent of whom have not previously served as a reviewer at NSF. NSF is constantly looking for and identifying new reviewers in the merit review process. Broadening the reviewer base is accomplished by having NSF staff identify potential new reviewers. This is best done by NSF staff meeting the potential reviewers at their institutions or at scientific meetings, and also by asking for recommendations from existing reviewers.

BIOCOMPLEXITY IN THE ENVIRONMENT

Question. Biocomplexity in the Environment has been described as a priority in the NSF budget request. In the past couple years, NSF emphasized a similar theme called "Life and Earth's Environment." The increased level and emphasis on Biocomplexity in the Environment also appears to be in contrast to the National Science Board's position of not establishing a National Institute for the Environment in NSF.

First, does the Biocomplexity priority mean that you will be revisiting the establishment of a National Institute for the Environment?

Answer. NSF is very much aware of the importance of a sound environment to the United States and to the world. NSF's initiative on Biocomplexity in the Environment seeks to enhance our understanding of the complex dynamics of environmental systems. It will facilitate interdisciplinary research that spans temporal and spatial scales, considers multiple levels of biological organization, crosses conceptual boundaries, uses and fosters the development of new technologies, and links research to societal application.

With respect to a National Institute for the Environment (NIE), NSF's report to Congress outlined our belief that the most appropriate way to implement the goals of the proposed NIE is through an interagency partnership coordinated by the National Science and Technology Council with significant NSF involvement in associ-

ated fundamental research and education activities. We continue to believe that this approach is the best way to advance the overall environmental research agenda and that the creation of a stand-alone NIE is not an effective means of achieving the proposed intellectual goals of an environmental institute.

Question. Second, are the activities under Life and Earth's Environment (LEE) now included in Biocomplexity in the Environment (BE)? To what extent is LEE different from BE? Please explain.

Answer. NSF activities formerly included in Life and Earth's Environment (LEE) are now included in Biocomplexity in the Environment (BE). However, BE goes beyond LEE, including the new biocomplexity initiative which emphasizes integrative and interdisciplinary work in environmental areas that capitalizes on the extraordinary advances in related technologies including genome sequencing, new computational algorithms and mathematical methods, sensors and monitoring devices, and remote sensing. The scope of Biocomplexity in the Environment includes both focused initiatives and core research programs aimed at fostering research on the complex interdependencies among the elements of specific environmental systems and the interactions of different types of systems. It reflects the evolution of NSF thinking about how NSF-supported research on the environment can best take advantage of opportunities provided by advances throughout science and engineering and, at the same time, be most valuable to the developing program of federal activities related to the environment.

GRADUATE EDUCATION SUPPORT

Question. The fiscal year 2000 budget request provides an increase for science and math education at the pre-college level, but a decrease at the undergraduate and graduate level. While I applaud the increased funding request for the pre-college level, it seems especially strange to reduce the graduate education budget when Congress just went through a major rewrite in the immigration area and increased the number of visas for foreign high tech workers due to a shortage in American trained workers.

What is the rationale for reducing support for graduate education?

Answer. Programs which benefit graduate education cut across the spectrum of activities within the Education and Human Resources (EHR) account. In fiscal year 2000, these programs are supported out of two Subactivities within EHR: (1) Graduate Education funds individual fellowships and research traineeships; and (2) Undergraduate Education funds the NSF Graduate Teaching Fellows in K–12 Education (GK–12), which involves both undergraduate and graduate education, and the National Science Mathematics, Engineering and Technology Education Digital Library (NSDL) initiatives. Summing all of these efforts, overall support for graduate level education actually increases by $3.5 million.

Question. What is NSF going to do differently to address the needs of U.S. students at the K–12 level?

Answer. NSF continues to maintain a comprehensive portfolio of programs that address the needs of K–12 education, including systemic reform, instructional materials development, teacher education, and informal science education. New K–12 efforts include: (1) the NSF Graduate Teaching Fellows in K–12 Education, initiated as a prototype in fiscal year 1999, that supports graduate and advanced undergraduate SMET majors as content resources for teachers, and (2) the National Science, Mathematics, Engineering, and Technology Education Digital Library (NSDL) that will be a national resource for increasing the quality, quantity, and comprehensiveness of internet-based K–16 SMET education.

Several efforts explicitly address growing needs of the high-technology workplace. The Advanced Technological Education (ATE) program will continue to strengthen the science and mathematics preparation of the high technology workplace through large-scale Center efforts and special projects targeted at the secondary grades and community college levels. A number of these efforts link academic and industrial partners and, in fact, focus on information and communication technologies. In addition, NSF—with support from the H1–B Nonimmigrant Petitioner Fees collected under Title IV of the American Competitiveness and Workforce Improvement Act of 1998 (Public Law 105–277)—will provide scholarships to low-income individuals pursuing degrees in computer science, engineering, and mathematics; establish academic enrichment opportunities for K–12 students; and support systemic reform activities, especially for projects that seek to link K–12 reform with technical workforce development.

Question. Does NSF plan to collaborate with the Department of Education?

Answer. NSF and Department of Education (DoED) staff interact in programmatic areas of complementary interest. The agencies are currently collaborating on the

Interagency Education Research Initiative (IERI) that focuses on the use of information and computer technologies to promote improvements in the teaching and learning of mathematics, science, and reading. In addition, NSF is developing and field testing materials to train undergraduates who will receive DoED Work-Study support for tutoring students in middle-school mathematics. Among other recent collaborative efforts are projects to promote parent engagement in standards-based education, as well as jointly sponsored survey and analysis efforts under the Third International Mathematics and Science Study (TIMSS). DoED has also been supportive of the leveraging of its Eisenhower, Title I and Title II funds by NSF systemic reform and teacher education projects.

ANTARCTIC PROGRAM

Question. In fiscal year 1998, NSF initiated the modernization of the South Pole Station with an appropriation of $70 million. The fiscal year 2000 request of $5.4 million continues this work and we expect to spend $127.9 million over the fiscal year 1998–2001 period. NSF is also requesting $12 million to complete upgrades for its fleet of polar support aircraft.

First, how is the modernization of the South Pole Station going? What major challenges do you expect to face this year and expect to continue to face as the modernization progresses? I would especially be interested in the status of the major logistics support contract.

Answer. South Pole Station Modernization (SPSM) is currently on schedule and within budget. The acceleration of funding ($70 million in fiscal year 1998 and $39 million in fiscal year 1999) has made it possible to move up procurement of materials and construction of the Dark Sector Lab, a 3000 square foot building which will support astrophysics research. The accelerated funding will make it possible to combine previously separate procurements for major components—structural steel, wall panels, and other construction materials—into several large purchases instead of a greater number of smaller purchases. In addition to providing for consistency of materials for the station, simplifying long-term maintenance, this approach will likely result in saving procurement labor costs and inflation. Also, perhaps most importantly, the acceleration helps guard against possible procurement-associated delays in the future, and thus against schedule-driven cost increases.

Future challenges include the extreme weather conditions under which the project will be completed; the short period (100 days per year) for exterior construction; and the possible transition to a new support contractor. Uncertainties in the weather are mitigated by transporting as much material as possible during favorable weather. The shortened construction season is offset by scheduling exterior work during the austral summer (November through January) and subsequent interior work during the austral winter.

The major risk associated with the possible transition to a new contractor during South Pole Station Modernization is increased labor costs due to lost time as a result of a new contractor's lack of familiarity with the project or the unique requirements and conditions of working in Antarctica. This risk is mitigated by the following:

—*Continuity*.—The design and review responsibilities are vested in separate architectural and design contractors. These responsibilities will not be affected by any contractor transition.

—*Procurements*.—NSF is currently discussing with Antarctic Support Associates (ASA), the current contractor, a procurement option that would substantially accelerate (by two years) the procurements associated with SPSM. If this is determined to be feasible, a majority of the procurements will have been completed by the end of the possible transition between the old and new contractor.

—*Contractor selection*.—The selection of a new contractor will be based on technical expertise and cost pricing to ensure that the contractor selected has the experience necessary to complete the project and that the cost will be reasonable.

—*Phase-in period*.—The phase-in period provides 6-months for the old and new contractors to work together, on-site, in order to bring about a smooth transition. Several key NSF staff participated in the most recent contractor transition and will bring valuable experience to the next transition, if needed.

—*Retention of experienced labor pool*.—It has been NSF's experience that when contractors change, a significant portion of personnel, from mid-management to skilled labor, is retained by the new contractor.

—*Planning and oversight*.—All documentation, including designs, planning and project management software, and other project documents, belongs to NSF and would be available to a new contractor. NSF has been conducting quarterly

SPSM project audits during which ASA and NSF staff discuss engineering activity schedules, procurement and construction plans and schedules, cost accounting for the project, and other administrative matters. This ensures that NSF staff are as knowledgeable as ASA staff on the status of the project.

—*On-site management*.—During recent Antarctic summer seasons, NSF has placed several of its experienced managers at McMurdo Station and the South Pole to provide oversight and management, both for logistics and operations, and for facilities management. These managers have an average of nearly 20 years of Antarctic and construction management experience and are thoroughly familiar with the project.

A Request for Proposals (RFP) for recompetition of the Antarctic support contract was issued on September 14, 1998, and proposals submitted in response to the RFP are currently being evaluated. A contract will be awarded in October 1999.

Question. Second, with the Air National Guard in control this year, how are they doing?

Answer. The New York Air National Guard (NYANG) met all mission requirements this season and exceeded expectations with respect to delivery of materials for South Pole Station Modernization. NSF continues to work with NYANG on the management relationships among the various parties involved in providing support to the U.S. Antarctic Program. These relationships are important for the smooth operation of the program. NSF is also working closely with NYANG on developing procedures and training for remote field operations.

"FASTLANE"

Question. The IG has expressed concerns about NSF's implementation of its electronic processing proposal and award information system called FastLane.

How is the implementation of FastLane progressing and what challenges do you face? To what extent are grantees having difficulties in implementing the new system?

Answer. The implementation of FastLane is progressing on schedule. As of February 1999, there are over 1,500 registered institutions. These institutions account for over 90 percent of the proposal and award activity at NSF. In fiscal year 1998 NSF received over 5,000 proposals, 21,000 proposal reviews, and 3,400 post-award administrative requests and notifications via FastLane, and FastLane was used to disburse 94 percent of NSF's research budget. As of December 1998, over 85 percent of NSF's grantees used FastLane to submit their Federal Cash Transaction Reports (which represents 95 percent of the dollar value of all active NSF awards).

We do, however, face a number of challenges as we continue to implement FastLane:

—*Electronic signatures*.—NSF is receiving many business transactions electronically, but there are documents that for legal reasons require a signature on paper. The resolution to this issue must be an inexpensive, rapid-response, widely available system. NSF is working as a participant with the Federal Commons project on pilot projects to satisfy this requirement.

—*Printing of proposals in color*.—The electronic submission of proposals (many of which contain color images) does not immediately eliminate the need for paper copies. Printing in color is both slow and expensive. To address this issue and be consistent with our long-term vision of eliminating the printing of proposals, NSF is exploring a variety of possible resolutions to this problem such as conducting a pilot with our reviewers in which we would only provide proposals to them electronically.

We think the research community is rapidly accepting the use of FastLane. Based on feedback we have received from our grantees, we believe that the primary difficulties our grantees have in implementing FastLane are:

—*Concern about Federal research funding agencies developing their own systems*.—As a member of the Federal Demonstration Partnership (FDP), NSF works with other Federal research funding agencies and member grantee organizations on a variety of issues. A common concern is that each agency will develop its own independent "FastLane-like" system, thus forcing the grantees to learn a variety of systems. In response to this concern, NSF is participating in the development of the "Federal Commons", an internet-based electronic "commons" providing access to grant availability, status, award and other key grant administration functions that will be accessible to the entire federal grants community, including federal agencies, state and local governments, universities and other grant recipients and stakeholders. The Federal Commons is now in its early stages of planning, design, and development.

—*Internet response time.*—Depending on how a grantee is connected to the Internet (firewall architecture, Internet service provider, equipment speed, etc.), grantees may experience slow response times when using FastLane. Generally the response time is excellent in the morning, and then begins to deteriorate as activity increases. In the late afternoon (about 6:00 PM Eastern time), response time begins to improve again. Although the grantee's Internet connection is largely responsible for the response time that he/she experiences, NSF has made every effort to build a solid FastLane architecture to avoid contributing to the problem and we continue to look for ways to provide even better, faster access.

TRAVEL FUNDS

Question. The NSF Inspector General has expressed concerns about the lack of sufficient support for oversight by NSF program staff. One of the cited causes for this problem is the lack of sufficient travel resources. In your fiscal year 2000 request, $1.2 million is being cut from your travel account yet you are requesting authority to use research and education funds for "award related travel."

Are these changes designed to respond to the IG's concerns? How much total funds to you expect to allocate for travel? Please give us a breakdown in terms of how much you propose to spend out of your salaries and expenses "general operating" expenses and how much would come out of your other program accounts.

In regard to the $1.2 million travel funds cut from your general operating expense category, are these funds being reallocated? If so, for what purposes?

Answer. The request to fund oversight and outreach travel in the research and education program accounts is designed to respond to the IG's concerns. Inspector General reports continue to cite the lack of travel funds for oversight of NSF awards as a major management challenge. If the request is approved, all award-related travel will be funded in the program accounts. Staff travel for training and participation in conferences will continue to be funded in the Salaries and Expenses (S&E) Account.

The increase of $1 million in award-related travel is requested to maintain a reliable merit review process and to provide additional oversight to implement GPRA goals and new program initiatives.

Reallocated funds of $1.2 million in the S&E account will be used to support planned investments in information infrastructure. The Foundation continues to make major investments in new technology to support improved business operations and to keep pace with an increasingly complex workload.

TRAVEL BY ACCOUNT

[In millions of dollars]

	Fiscal year	
	1999	2000
Salaries and Expenses	4.0	2.8
Research and Related Activities	5.5	7.1
Education & Human Resources	2.4	3.0
Major Research Equipment	0.1	0.1
Total	12.0	13.0

OUTREACH EFFORTS

Question. I understand the NSF conducts regional outreach or grant seminars periodically. I think it is critical, especially for smaller institutions, to receive some sort of technical assistance training so that they are able to develop competitive research proposals of their own.

Do you have any outreach efforts planned for fiscal year 1999? Please describe these plans. Beyond those outreach efforts, what other steps is NSF taking to better inform and involve faculty and students about your programs?

Answer. NSF conducts a number of outreach efforts to assist all parts of the research and education communities. For example, NSF Regional Grant Conferences provide "outreach" information on proposal/grant requirements; the merit review process; policies and issues such as conflict of interest, cost sharing, etc.; NSF electronic initiatives such as the NSF FastLane System; as well as NSF's purpose, pro-

grams, budget trends and emphases. For the past several years, NSF has conducted two regional grants conferences annually, in conjunction with host universities. Attendees are principal investigators and research/sponsored project administrators, primarily from educational institutions. NSF regional conferences have been well received and the demand for such events continues.

In fiscal year 1999 NSF conducted two Regional Grants Conferences. In October 1998 a conference was hosted by the University of Kansas in Lawrence, Kansas. This was the first NSF Regional Grants Conference held in an Experimental Program to Stimulate Competitive Research (EPSCoR) designated State. Given the success of this conference, NSF plans to routinely incorporate visits to EPSCoR States in these outreach events. In March 1999 a second conference was held in Los Angeles, co-hosted by the University of Southern California, the California Institute of Technology, University of California, Los Angeles, and University of California, Santa Barbara. In fiscal year 2000, NSF plans to hold conferences at the Colorado School of Mines in October and at Louisiana State University in March.

NSF has also been actively engaged in other outreach activities. For example, in October 1999, NSF will host an all day training event at the Society for the Advancement of Chicanos and Native Americans in Science. We have also hosted "NSF Days" in connection with the last five annual meetings of the National Council of University Research Administrators (NCURA) which has a membership of approximately 800 institutions.

NSF also has an active information dissemination program to provide the latest information about funding opportunities, deadline dates, program contact information and award information. NSF relies on electronic dissemination as the principal method of distributing information about the agency. NSF's web site (http://www.nsf.gov) is accessed by about 9,000 visitors each weekday. Web-based systems such as the "Online Document System" and the "NSF E–Bulletin" let our community know about funding opportunities.

In addition, NSF has developed the "Custom News Service," a free subscription service that alerts subscribers to information of interest. Introduced in early 1997, the e-mail and web-based system allows subscribers to sign up for specific types of information (for example, news about new programs). This popular service has nearly 17,000 subscribers and has helped enormously with our outreach efforts.

NSF also conducts an expanded outreach initiative for EPSCoR states. In the last two years, more than 230 trips to EPSCoR states have been made by administrative and program officers from all around the Foundation. Generally, NSF program staff describe their program's requirements and make themselves available to researchers for advice and guidance. These visits are made in addition to the regular site visits for existing projects. The EPSCoR program also awarded a grant to the American Association for the Advancement of Science (AAAS) to assist EPSCoR institutions and researchers planning to submit proposals for the high performance computing and networking connections program at NSF. Working closely with NSF and EPSCoR state Project Directors, AAAS also conducts regional conferences where technical assistance is provided to individual researchers.

EARTHQUAKE ENGINEERING RESEARCH

Question. The fiscal year 2000 request includes $7.7 million to start a new earthquake research activity called Network for Earthquake Engineering Simulation (NEES). NSF is estimating that the total cost will be $81.9 million over a five-year period.

Will NSF bear the entire cost of creating and operating NEES or will cost-sharing from other entities be involved? If other sources of funds will be leveraged, please provide an estimate of the funding amounts and sources that you expect to receive these funds from.

Answer. NSF does not plan to require cost sharing by awardees during the creation of NEES. No support is anticipated from other agencies for NEES development and implementation. However, approximately 50 percent of operating costs will be supported by user fees.

Question. Please detail how these funds will be used for purposes such as new construction of facilities, equipment purchases, and infrastructure.

Answer. NSF plans to spend fiscal year 2000 funds on:

—*Developing the network that will link and integrate the various NEES facilities.*—The network will provide the capability to remotely operate and view experiments, to collaborate on research, to store and analyze data, and to perform simulations. Further planning has indicated that it would be most efficient to implement the network first to ensure a uniform platform for all facilities.

—*Selected Facilities*.—Fiscal year 2000 funds may be used to support facilities that can be brought on-line most quickly. This may include facilities requiring only minor upgrades and mobile or field facilities. Making support available for these facilities early in the project life allows NEES to provide benefits throughout the construction period.

Question. What sort of entities do you expect to operate and maintain NEES?

Answer. In fiscal year 2000–2004 while facilities are being constructed, each component of NEES will be operated by individual host institutions, which are expected to primarily be academic institutions. After this period, the entire network will be operated and maintained by a consortium of host institutions and users that has been selected through a competitive process.

Question. Who will have access to NEES?

Answer. Proposals to conduct experimental research at the NEES facilities will be accepted from all sectors of the earthquake engineering community. These proposals will be competitively evaluated by peer-review. It is expected that NEES will be accessed primarily by academic researchers. However, the results of NEES experiments will be available to a wide range of users. NSF expects the network to promote the development of research tools such as integrated databases and user-generated software and to be a major resource for government agencies—including the National Earthquake Hazards Reduction Program (NEHRP) agencies, the professional engineering community, hazard response managers, K–12 educators, and the general public.

INFRASTRUCTURE

Question. Are there any particular programs or activities at NSF that are available to help research institutions with research infrastructure needs such as laboratory equipment, growth chambers, greenhouse space, modernization of existing laboratories, and other necessities?

Do you believe that there is a substantial unmet need for infrastructure purposes? Do you have any cost estimates on these unmet needs?

Answer. NSF supports a variety of programs that help research institutions with the type of instrumentation needs you have described. For over a decade, NSF has annually invested approaching 10 percent of its research funds in instrument development and acquisition. In fiscal year 1998, this investment totaled nearly $200 million.

In addition to supporting instrumentation on individual research and education grants, the Foundation supports instrumentation through more than 15 targeted programs. In fiscal year 1999, for instance, funds for instrumentation will be provided through programs including:

—Major Research Instrumentation (MRI). This program, supported at a level of $50 million, is a large-scale instrumentation effort designed to improve the condition of scientific and engineering equipment for research and research training in our Nation's academic institutions. The MRI program allocates funds in the range of $100,000 to $2,000,000 for instrumentation that is not readily available from other NSF programs.

—Advanced Technological Education (ATE) program, initiated in 1995, which provides instructional equipment to technician education programs, principally in two-year colleges.

—HBCU Program, which was initiated in 1998 and supports instructional equipment within the context of curriculum and faculty development activities.

—Course, Curriculum and Laboratory Improvement program, which builds on the former Instrumentation and Laboratory Improvement program and provides support for instructional instrumentation.

It is clear that there is a substantial unmet need for infrastructure purposes. In 1992, an NSF survey asked the heads of 300 science departments and facilities in U.S. research colleges and universities for their single highest priority need for instrumentation. The requested items cost a total of more than $1.2 billion. This need for instruments extends far beyond these research-intensive institutions into the teaching-intensive four-year colleges, community colleges, and K–12 school systems.

Despite efforts to address the issue, the pace of technological change implies a continuing need for revitalization of laboratories and instrumentation. A recent NSF workshop, Information Technology: Its Impact on Undergraduate Education in Science, Mathematics, Engineering, and Technology (NSF 98–82), found that both faculty and students will require high-speed connectivity to access educational innovations and broader information essential to a modern education, and gives an indication of the cost challenges posed by establishing and maintaining an information technology infrastructure for education.

QUESTIONS SUBMITTED BY SENATOR BURNS

Question. As you know, Montana is an EPSCoR state and EPSCoR has been very important to developing our state's research infrastructure and capabilities. I was disappointed that you did not recommend any increase in the budget for the EPSCoR program. Does this mean that developing a nationwide science R&D capability is not a high priority for NSF?

Answer. The commitment to developing science and engineering capabilities in all regions and states is a high priority for NSF, and NSF's budget request for EPSCoR for fiscal year 2000 reflects that priority. In addition to the $48.4 million that is requested for the EPSCoR program itself, the program will leverage $15 million from research programs across the Foundation to support meritorious projects. The co-funding effort between EPSCoR and NSF research programs enables EPSCoR researchers to participate more fully in NSF research activities. In the last two years, NSF has increased the level of co-funding from NSF research programs from approximately $10 million to $15 million.

Question. High performance computing and high-speed networking are vital to rural areas such as Montana. NSF has taken a number of steps to help our states but connections remain costly and we need to insure that our institutions are included in applications use of this infrastructure. What is NSF doing to address these issues?

Answer. Many academic institutions have questions regarding how and when to integrate advanced networking resources, including how to develop financial and technical plans to integrate these new technologies into their ongoing research and education activities. As a result, the Foundation has put into place additional support, outreach, and planning capabilities for such institutions. A special project funded by NSF will help institutions obtain technical information, planning assistance, and communications/networking analysis needed for integrating advanced networking functions into their operations.

More specifically, NSF is considering a series of planning workshops designed to enable:

—campus Chief Information Officers, researchers, and partners to provide advice on the nature of programs and requirements following the period of the vBNS cooperative agreement;

—institutions and regions to evaluate their readiness for advanced networking, and to plan and provide input regarding their related requirements; and

—the Partnerships in Advanced Computational Infrastructure and the leading edge supercomputing sites to evaluate and make recommendations regarding future networking resource needs, and means for enhancing education, outreach and training activities and broadening the spectrum of institutions involved.

NSF is also in the early stages of exploring how best to more deeply involve these institutions in collaborative research in universal libraries.

In addition to bringing computing and high speed networking connections to the EPSCoR states, NSF has undertaken two actions that will allow EPSCoR researchers to understand the potential uses of this infrastructure and to compete more effectively for awards that capitalize on earlier investments. First, the American Association for the Advancement of Science (AAAS) is assisting EPSCoR institutions and researchers who plan to submit proposals that will utilize the networking infrastructure. Working closely with NSF and EPSCoR state Project Directors, AAAS is conducting regional conferences that will provide technical assistance to individual researchers. In addition, NSF has expanded outreach efforts to EPSCoR states. In the last two years, program officers from NSF research directorates have made more than 230 trips to EPSCoR states to describe research opportunities and explain NSF policies and procedures that govern proposal submission.

Question. I know that NSF has been trying to include more researchers from EPSCoR States on advisory and peer review committees. What progress are you making?

Answer. Participation in NSF review and advisory panels provides familiarity with NSF programs, characteristics of successful proposals, and contacts across the national research community. In fiscal year 1996, the EPSCoR program distributed its first list of over 1,900 highly qualified EPSCoR scientists and engineers to NSF research programs with the objective of increasing their involvement in these important activities. By the end of fiscal year 1998, the most recent year for which NSF has complete data, a total of 385 EPSCoR scientists and engineers had been used by NSF programs as reviewers and panelists. This number is approximately 16 percent above the fiscal year 1996 benchmark.

QUESTIONS SUBMITTED BY SENATOR CRAIG

Question. As you know, Idaho participates in the Experimental Program to Stimulate Competitive Research (EPSCoR). This program has been very helpful to the state in developing its research capacity. We are making progress, but we need to make more. How can we expand EPSCoR in order to become competitive for some of the larger research and center grants at NSF?

Answer. NSF is undertaking a number of efforts to improve the competitiveness of EPSCoR states. In fiscal year 1998, NSF expanded outreach activities in EPSCoR states, increasing opportunities for NSF program staff to meet on-site with institutions, researchers, and administrators. These outreach visits provide information on funding opportunities across NSF research programs. EPSCoR states report that meeting directly with NSF staff provides important insights into the requirements for submitting proposals to NSF. Several EPSCoR states share Idaho's interest in the large-scale research and center grant programs and have asked relevant NSF staff to attend state EPSCoR meetings, make presentations, and/or meet with selected researchers. We strongly encourage those research faculty interested in becoming competitive for such awards to contact cognizant NSF program officers to request outreach activities; EPSCoR staff can assist in making appropriate contacts. To date, more than 230 program staff have participated in the EPSCoR outreach effort, including six outreach visits to Idaho.

Question. What steps can NSF take to insure that EPSCoR states such as Idaho participate fully in new NSF research initiatives?

Answer. In addition to numerous NSF outreach efforts, the American Association for the Advancement of Science (AAAS) has received an NSF award to assist EPSCoR states in increasing participation in new program initiatives at both NSF and other federal agencies. For example, AAAS conducted a workshop in Coeur d'Alene for individuals interested in applying to Small Business and Innovation Research (SBIR) programs administered out of a number of federal research and development (R&D) agencies. Following this workshop, AAAS provided technical assistance to Idaho small businesses to aid in preparation of their proposals. Currently, AAAS is planning a similar effort that will assist Idaho researchers in gaining an increased understanding of emerging opportunities in environmental science research.

Question. Telecommunications and networking are very important to the University of Idaho and other institutions in our state. The University has received a BNS award from NSF, which will allow it to connect to the high speed network. How can we ensure that our institutions will now participate in the research and applications for the high speed networks?

Answer. Many academic institutions have questions regarding how and when to integrate advanced networking resources. These institutions need to develop financial and technical plans to integrate these new technologies into their ongoing research and education activities. As a result, the Foundation has put into place additional support, outreach, and planning capabilities for such institutions. A project funded by NSF will help institutions to obtain technical information, planning assistance, and communications/networking analysis needed for integrating advanced networking functions into their operations.

More specifically, NSF is considering a series of planning workshops designed to enable:

—campus Chief Information Officers, researchers, and partners to provide advice on the nature of programs and requirements following the period of the vBNS cooperative agreement

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—the Partnerships in Advanced Computational Infrastructure and the leading edge supercomputing sites to evaluate and make recommendations regarding future networking resource needs, and means for enhancing education, outreach and training activities and broadening the spectrum of institutions involved.

NSF is also in the early stages of exploring how best to more deeply involve these institutions in collaborative research in universal libraries.

In addition to bringing computing and high-speed networking connections to EPSCoR states, NSF has undertaken two actions to increase EPSCoR researchers' understanding of potential uses of this infrastructure and to strengthen their ability to compete effectively for awards. First, NSF has expanded its outreach efforts to EPSCoR states. Site visits by NSF program officers provide a good opportunity for EPSCoR researchers to talk to NSF program staff about potential networking applications. Second, the AAAS is assisting EPSCoR institutions and researchers who want to submit proposals utilizing the networking infrastructure that has been ex-

tended to EPSCoR institutions. Working closely with NSF and EPSCoR state Project Directors, AAAS has conducted regional conferences and provided technical assistance for individual researchers.

NATIONAL SCIENCE BOARD

QUESTIONS SUBMITTED BY SENATOR BOND

DEVELOPMENT OF IT^2

Question. While the goals of the initiative seem worthy, I am concerned that this idea may have been driven by the White House and not something that was developed in response to demands of the scientific community. What are the

Board's views on IT^2? What kind of feedback have you heard regarding this initiative?

Answer. Increasing the Federal investment in information technology, as proposed by the Administration, has received the support of the NSB in a resolution (NSB 98–212) passed on November 19, 1998. The Board thoroughly reviewed NSF's IT^2 proposal, was briefed by PITAC on its findings, and concluded that the proposed increase represents a solid investment in a rapidly changing area. In specific terms, Moore's Law holds that the productivity of computer information technology doubles every 18 months. That's been the rate since 1980. Projections suggest that this rate of growth will continue for another 15 years. Such a scientific record of productivity growth, combined with the prospects of continued change, was a critical element in the NSB discussions and resolution.

As for community feedback on the initiative, I can report that communications to Board members have been enthusiastic. In addition, witnesses before the Subcommittee on Basic Research, House Committee on Science March 16, 1999, expressed support for the initiative, with PITAC Co-chairman Ken Kennedy stating "Our initial response to the program is positive." Speaking at the National Research Council, former NSF Director Erich Bloch applauded the increased investment but urged that to be effective it must be sustained for the long term. And Stephen S. Wolff, of Cisco, strongly supported the principal findings and recommendations of the PITAC report, lauding the Administration's responsiveness in the form of the IT^2 initiative.

PERFORMANCE MEASURES

Question. This subcommittee has been concerned about the Foundation's failure to provide a budget justification that meets the requirements of the Government Performance and Results Act. We believe that it is important for all NSF initiatives and programs to be identified with specific funding as well as quantifiable goals and milestones. The goal statements for much of the fiscal year 2000 performance plan—especially in the areas of research investments and training—appear to be as general and nonquantitative as last year. What are the Board's views on our concerns?

Answer. The Board supports NSF reliance on quantitative and qualitative indicators as appropriate for capturing outcomes associated with basic research goals. For all parts of the NSF portfolio, quantitative performance measures are being developed where sensible. A Board committee reviewed the development of NSF's strategic and performance plans. It continues to work, through its Committee on Audit and Oversight (A&O) and in conjunction with NSF staff, to improve the quality of GPRA planning and review. I would note that the recent COSEPUP report, Evaluating Federal Research Programs, supports qualitative indicators as consistent with GPRA. This is reinforced by the finding from numerous studies that the long-term rate of return on investment in R&D exceeds 30 percent.

MATH AND SCIENCE EDUCATION

Question. This month the National Science Board released a report on math and science education. I understand that this report and its recommendations are in response to the so-called TIMSS report that basically said our middle and high school students are not doing as well in math and science education compared to their international counterparts. Would you please highlight the key findings and recommendations of the Board from this report?

Answer. Triggered by the disturbing TIMSS results, the National Science Board report, "Preparing Our Children: Math and Science Education in the National Interest" (NSB 99–31, March 3, 1999), outlines what can be done to improve math and science achievement. TIMSS helped us calibrate what our students were getting in the classroom relative to their age peers around the world. We learned that U.S.

textbooks, teachers, and the structure of the school day do not promote in-depth learning.

To reduce what the TIMSS analysis discerned—a diluted, "mile-wide" range of material taught at each grade—the Board report recommends local community action in the national interest to:

—Adopt rigorous content standards in math and science that reflect a consensus on skills and knowledge that guides classroom teaching and learning;

—Ensure that teachers are well-prepared in the subjects they ultimately teach; and

—Develop accountability mechanisms that tests students on what they are taught, teachers on the content that prepares students for admission to higher education and the workforce, and schools on their success in educating all students.

Above all, the Board report suggests how scientists and engineers, both individually and through their institutions, can assist in creating a more seamless K–16 system for the teaching and learning of math and science. Scientists and engineers represent a special resource for improving local schools, supporting teachers, and boosting student achievement.

BIOCOMPLEXITY IN THE ENVIRONMENT

Question. Biocomplexity in the Environment has been described as a priority in the NSF budget request. In the past couple years, NSF emphasized a similar theme called "Life and Earth's Environment." The increased level and emphasis on Biocomplexity in the Environment also appears to be in contrast to the National Science Board's position of not establishing a National Institute for the Environment in NSF. Does the Biocomplexity priority mean that you will be revisiting the establishment of a National Institute for the Environment?

Answer. The Board carefully considered the NIE and expressed its views clearly in a resolution (NSB–98–65, March 1998). While the Board concluded that it would not be beneficial to establish an NIE, it concurred on the need for expanding research, education, and assessment on the environment. Consistent with this view, the Board created (NSB–98–161, August 1998) a Task Force on the Environment. Its purpose is twofold: to assist in defining the scope of the Foundation's role in environmental research, education, and assessment, and in developing policy guidance that NSF will use in designing an appropriate portfolio of activities, consistent with the overall National Science and Technology Council strategy. The Task Force report will be submitted to the Board at its May 1999 meeting.

SUBCOMMITTEE RECESS

Senator MIKULSKI. This subcommittee stands recessed until April 15, when we will take testimony on the VA budget.

Thank you very much.

[Whereupon, at 11:30 a.m., Tuesday, March 23, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT AND INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2000

THURSDAY, APRIL 15, 1999

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:33 a.m., in room SD–138, Dirksen Senate Office Building, Hon. Christopher S. Bond (chairman) presiding.

Present: Senators Bond, Burns, Craig, Hutchison, Mikulski, Leahy, and Harkin.

DEPARTMENT OF VETERANS AFFAIRS

STATEMENT OF HON. TOGO D. WEST, JR., SECRETARY

ACCOMPANIED BY:

KENNETH W. KIZER, M.D., M.P.H., UNDER SECRETARY FOR HEALTH, VETERANS HEALTH ADMINISTRATION

JOSEPH THOMPSON, UNDER SECRETARY FOR BENEFITS, VETERANS BENEFITS ADMINISTRATION

ROGER RAPP, ACTING UNDER SECRETARY FOR MEMORIAL AFFAIRS, NATIONAL CEMETERY ADMINISTRATION

MARK CATLETT, DEPUTY ASSISTANT SECRETARY FOR BUDGET

OPENING STATEMENT OF CHRISTOPHER S. BOND

Senator BOND. Good morning. The subcommittee will come to order.

Today we meet to consider the fiscal year 2000 budget request for the Department of Veterans Affairs. We welcome Secretary Togo West; Under Secretary for Health, Ken Kizer; Under Secretary for Benefits, Joe Thompson; Acting Under Secretary for the National Cemetery Administration, Roger Rapp; Deputy Assistant Secretary for Budget, Mark Catlett; and other VA officials here this morning.

VA's appropriation request totals $42.5 billion, including $23.3 billion in mandatory entitlements and $19.2 billion in discretionary funds. Overall, discretionary spending for VA programs would be $56 million below the current level under the request submitted to us by OMB.

The request includes $17.68 billion, a freeze at the current level for medical care, research and other programs within the Veterans Health Administration.

The budget also includes $912 million for general operating expenses, $296 million for construction program, and $97 million for the National Cemetery Administration.

At the outset, let me say that the budget situation that we face this year will be incredibly tough. The caps on discretionary spending are roughly $30 billion below the fiscal 1999 level. And there is a general agreement on the need for significant additional resources for defense and education spending.

These priorities could further reduce the pot of funds remaining for other discretionary spending items. Unfortunately, the President's budget has made the situation more difficult by increasing spending by almost $25 billion above the budget caps for various Administration priorities, raising expectations that we simply will be unable to fill.

Sadly, veterans programs were not among those priorities. Compared to many other departments and agencies, VA has fared quite poorly in the Administration's fiscal 2000 budget proposal.

Mr. Secretary, I have to say I am deeply troubled by the budget before us.

While many other programs are proposed for increases in the President's budget, VA would be held at current levels. While we are committed to maintaining the caps, you must set appropriate priorities within those caps.

VA medical care should be among the priorities. The Disabled American Vterans call the budget horribly inadequate, and I think they may not be far off the mark.

The conference agreement on the budget resolution, which is based on assumptions only, assumes an increase of $1.7 billion for VA medical care. Unfortunately, that is not likely to wind up in terms of dollars available to us for the VA.

Unfortunately, given that these funds are not in the President's budget, and given that the caps represent a real cut below current levels, it will be extremely difficult for us in the Appropriations Committee to find the funds to come anywhere close to what is assumed in the budget resolution.

VA'S MEDICAL CARE PROGRAM

Today, we hope to ascertain with more precision what the needs are in the medical care program.

The Veterans Health Administration recently identified several new critical requirements such as treating veterans suffering from Hepatitis C with a new and very expensive treatment regimen; increasing the emphasis on alternatives to institutional long-term care, which is extremely important in view of the aging veteran population; and the provision of emergency services in non-VA hospitals; not to mention normal inflationary requests.

These requirements top $1 billion, and most of them are really what we would consider must-do requirements, not discretionary items. Yet, there are no new funds in the President's budget to accommodate these needs. Further exacerbating the problem is the fact that the VA will have less carryover funds next year than it does in the current year.

VA was able to carry almost $500 million in medical care cost recovery funds from fiscal year 1998 into fiscal year 1999, thus eas-

ing the budgetary situation. Yet, less than half of this amount is projected to carry into fiscal year 2000.

VA's budget is predicated on its ability to come up with at least $1.1 billion in so-called management efficiencies. Yet, no details of these management efficiencies are provided in the budget. I am very much concerned about this objective and about the lack of detail.

Where are the management efficiencies going to come from? How many hospitals will close their in-patient services? How many additional consolidations will there be? Are these management efficiencies really going to result in better care to more veterans?

In this instance, I have to say: I am from Missouri, and you are going to have to show me.

One has to question whether the goals VA has set for itself are realistic. VA's budget assumes the reduction of about 8,500 FTEs. Last year, VA reduced 3,600 FTEs, but fell short of its own target by about 300 FTEs.

GAO, which submitted testimony today that I will refer to, tells us VA will also fall short of its 1999 target of 2,598 FTEs. The reason is simple: The staff reductions, particularly if they are accomplished through reductions in force, are tremendously difficult even if fully justified.

Despite the downward trend line for staff reductions, VA assumes it will achieve employment reductions more than three times greater than the 1999 estimate. GAO in today's testimony submitted for the record, indicates if the Department fails to meet its savings goals, "VA may need to use less desirable management actions, including large scale employee furloughs that could adversely affect veterans quality of care, especially waiting times."

GAO believes that the VA's transformation is losing momentum and that targets may not be met. Furloughs and other management actions which impact quality of care are not acceptable.

Let me be clear about one thing: I do have a great deal of confidence in the VA medical system. VHA has been engaged for the last three and a half years in a dramatic reorganization and has managed to provide care to more veterans with fewer resources. It discovered there were a lot of wasteful practices in the system and has sought to make better use of the resources at hand.

VA has been moving successfully toward meeting at least two components of the 30–20–10 initiative announced in the fiscal year 1998 budget to decrease per-patient cost by 30 percent and increase the number of patients by 20 percent, by the year 2002 from the 1997 level.

The changes VA has implemented have been remarkable, including a new emphasis on ambulatory services, which involved closing tens of thousands of unneeded in-patient beds and opening up hundreds of outpatient clinics; reducing unneeded administrative staff; establishing primary care case management teams; smarter procurement practices for pharmaceuticals and supplies; and merging the management of many medical facilities.

However, since VA has already implemented scores of major realignments including a reduction of about 18,000 personnel in the past few years, I am just not confident that there are significant opportunities for additional savings without jeopardizing the qual-

ity of care for veterans or—dare I say it—closing under-utilized facilities which VA has not proposed.

I understand, Mr. Secretary, you have vowed there will not be closures. GAO in its testimony says, "This decision seriously threatens the continued progressed of VA's health system transformation."

Mr. Secretary, your announcement was perplexing in view of the fact that according to GAO, VA is spending hundreds of millions of dollars operating unneeded VA buildings. These dollars can and should be put to better use for veterans. VA should not be about maintaining buildings, but about providing the best care for veterans.

I am also troubled about whether VA is making promises it cannot keep. Last year, VHA implemented an enrollment system as mandated by the 1996 eligibility reform law. VA chose to allow all veterans, not just the service-connected disabled and low income whom VA is mandated to care for, to sign up for care.

GAO projects that by the end of the year, there will be 4.4 million enrollees, while VA projects to provide care to only 3.6 million veterans.

While we know that not all enrollees will actually use VA medical services, each of them will be entitled to a full benefits package. And while we know the enrollment is only for one year, it creates an expectation that care will be available next year.

The other critical concern that we have in VA's budget is its reliance on collections from third parties. VA's budget is predicated on its ability to collect $749 million in third part reimbursement and co-payments. Collections are to be the only source of increased revenues for VA.

Yet VA has consistently performed quite poorly in this area and probably will fall below its fiscal year 1999 budget target.

The Veterans Service Organizations, in their independent budget, said, "We have lost our faith in the ability of the VHA to collect an adequate amount to make up for any budget shortfalls or to even reach their goal."

Improvements in this area are clearly essential, and VA ought to give strong consideration to privatizing or at least centralizing this function.

Other critical concerns in the medical care program include whether VA is adequately managing its affiliations with medical schools as it continues its transformation to an outpatient-based system of care; and whether VA is providing adequate support to its special care programs which are so fundamental to VA's mission, such as spinal cord injury, blind rehabilitation and post-traumatic stress disorder.

VETERAN BENEFITS ADMINISTRATION

On the benefits side, VA's budget includes an increase of roughly $50 million for the Veterans Benefits Administration and would provide 440 additional staff in the compensation and pension program.

Additional resources are needed to address the unacceptable backlog of more than 400,000 pending claims and to improve the timeliness and quality of claims processing. While VBA recently

implemented a reorganization similar to that in the Veterans Health Administration, and has underway numerous initiatives aimed at improving the processing of veterans claims, there continues to be an unacceptable length of time to process original disability claims, and it is getting worse, not better.

VBA is lagging far behind its own target of 99 days to process rating-related claims this year, and it is taking more than 190 days to process an original disability claim. And apparently, next year's targets will not be met either. Forcing a veteran to wait more than six months for decisions on a claim is just not acceptable.

We understand there have been some improvements in the quality of claims processing and that you have deemed this a higher priority than timeliness. Clearly, making the right decision on a claim is critical, and this should be of equal if not greater importance than timeliness. But when only about two-thirds of the claims are adjudicated right the first time, there clearly is tremendous room for improvement here as well.

Mr. Secretary, the mission statement of the Veterans Benefit Administration is to provide benefits and services to veterans and their families in a responsive, timely and compassionate manner in recognition of their service to the nation.

I wonder, however, whether a sign which apparently hangs above the desk of an employee of the Washington, DC, Regional Office is more reflective of reality. I understand that that sign reads, "I can only please one person a day, and today ain't your day, and tomorrow isn't looking too good either."

VA claims that customer service is one of its top priorities; yet, according to a recent Washington Post article, a VA review of the Washington, DC, Regional Office found an abysmal state of affairs including a backlog of 10,000 pending cases, many of which were more than six months old. VBA's national objectives of timeliness, quality and customer service, apparently, have not filtered down to this regional office.

I am concerned, Mr. Secretary, despite all of the initiatives that are being undertaken, that the DCRO may not be just one bad apple but reflective of the system generally. This is extremely troubling.

OTHER CONCERNS IN VA'S BUDGET

Other concerns in the VA's budget include VA's decision to slash the state home construction program. This, in our view, is a cost-effective program with a proven record and a backlog of more than $100 million in priority projects.

Before I close, I also need to say I am very disturbed about what has been reported to us as a pattern of questionable practices at the highest level of the Department. We are not going to go into specific details, but there have been allegations that have come to us from within the Department and elsewhere about waste, excessive travel expenditures, the hiring of limousines, chartered aircraft, lavish parties in honor of non-VA officials financed by the Representation Fund, and other actions which may not be illegal but certainly raise eyebrows.

We have a lot more important issues to discuss than these allegations, and we know the Inspector General is investigating them.

We have referred these to the Inspector General. I am troubled about what we have heard because there is a perception of abuse and morale problems that have been created.

That leads to questions about the commitment of the VA leadership to the mission of the Department. And we will await the review of the Inspector General as to whether there is any basis to these allegations.

We have asked the General Accounting Office to provide a written statement for the record, which I have referenced today, and which provides an excellent overview of some of the critical issues VA faces in its medical system.

I ask unanimous consent that it be included following Secretary West's testimony.

[Pause.]

Senator BOND. Hearing no objection, it will be so ordered.

I will now turn to my ranking member, Senator Mikulski, for her opening statement.

Senator.

STATEMENT OF BARBARA MIKULSKI

Senator MIKULSKI. Thank you very much, Mr. Chairman. And in the interest of time, I ask unanimous consent that my full statement be placed in the record.

Senator BOND. Without objection.

Senator MIKULSKI. Mr. Chairman, since the VA was founded, we have fought two World Wars, a Cold War, a Gulf War, and now our troops are engaged in both peacekeeping operations as well as a war in Yugoslavia.

And this really shows that the conflicts, new conflicts are producing a new generation of people who will be veterans with unique needs.

Today I want to say just simply that we have promised our veterans, our military that if they place themselves in harm's way, that we assure them, when they come back, a grateful nation will have a Veterans Administration that will help them have an education, be able to buy a home, and health care that is deemed necessary.

We want to make sure that promises made are promises kept. And as we look at the budget this year, we want to look at particularly the veterans organization—VA generally, but I believe, as always, focus on VA medical because it is one of our largest areas of spending.

VA set for its goal the 30–20–10 policy objectives, and we will be looking forward to a status report on the 30–20–10 objectives. In addition to that, we want to be sure that issues related to the management of VA are being addressed. I have been concerned for some time about our ability to recoup from third parties or other parties a payment for our medical care.

There are substantial questions that have come up about our ability to recoup essentially what we feel are bona fide areas of collection. VA collections are running behind projections, and there is a need for timely collections.

The medical care budget assumes $740 million in private insurance collection for fiscal year 2000. This is a $124 million increase

over 1999. And the GAO has expressed skepticism about the VA's ability to recoup this. This will be essential in terms of our ability to recoup to really be able do the services we want.

In addition to that, in the area of medical care, I hope through the questioning that we can talk about, of course, the unique needs of women and how that is being addressed, particularly in primary care facilities, and also long-term care.

VA is a cameo of what the entire private sector health is facing: The excess beds in acute care; the need to decentralize and make more efficient primary care; and then with people aging in this country, the issues for long-term care; and then how we would meet the needs of veterans through long-term care facilities and even innovative thinking like home health care and assisted living. And we welcome your thoughts on innovative approaches that would meet compelling human need and yet be cost effective.

Also, another area that I am concerned about is the long waiting time for disability benefits. And when I was chair, it took 180 days. We deemed that unacceptable. That was now—gee, Carrie, you were my staffer then—a decade ago, and we have reduced by 12 days. I understand it is 168 now.

At this rate, I am going to have to sign up to be Strom Thurmond's——

Senator BOND. It is 190.

Senator MIKULSKI. Either way, I am going to have to sign up as Strom Thurmond's protege if we are going to do this one day a year—[laughter] aAnd be able to reduce this. However, really, veterans should not have to be in long waiting lines for disability claims. And either we have too many rules, too many regs, or we do not have the modern technology to be able to process the claims in a timely way.

There are other issues that I would like to also raise, but let me say: We are very proud of the VA and that we are grateful for the facilities that are in Maryland. We have flagship institutions, our acute care facility in Baltimore that also does outstanding research. We have Fort Howard that has done an outstanding job in Perry Point that serves emotionally disturbed veterans or those with dementia.

The community-based outpatient clinics that have grown are also meeting needs.

And on another note, you know, I am a big believer in VA medical research because it is practical patient-care research. And what I like about VA medical research is it goes directly to practical patient care, but it also quickly moves into the civilian community. Like at University of Maryland, there is VA and it is staffed by professors and medicine from the University of Maryland.

My recent gall bladder surgery that was all over CNN—so much for medical privacy. [Laughter.]

But it was—the technique, that not only I but others have benefitted from, this laparoscopic approach, was developed by Drs. Zucker and Bailey in Baltimore using an aging veteran population that had so many medical complications traditional surgery would have placed them further at risk.

That has now moved into the entire civilian population, saving lives, a quicker, faster return to private sector marketplace. And

this is the kind of way where we can just see what the VA is doing that benefits not only veterans but all of America.

So I look forward to pursuing these lines of questioning.

Thank you very much.

Senator BOND. Thank you very much, Senator Mikulski. We share your pride in the VA medical research. At the Truman VA in Columbia, we work very closely with the University of Missouri at Columbia.

Senator Mikulski did mention the GAO report. And for my colleagues who have not read it, I do commend it to your attention because it gives a broader perspective on some of the issues that we will be dealing with here today.

Senator Leahy, do you have an opening statement?

STATEMENT OF PATRICK LEAHY

Senator LEAHY. Thank you, Mr. Chairman. I will make it brief, because we are also having a markup in Judiciary, and I have to go to that.

I think it is clear VA is facing a financial crisis. The balanced budget agreement of 1997 has flatlined VA health care funding at a time when health care needs of aging veterans has never been greater.

Now, Mr. Secretary, you have been very good to meet with I think just about any member of Congress who has asked you to of either party. You know well the situation the Northern New England veterans are facing. You met with Senator Jeffords and myself and Congressman Sanders at some length on that. I do appreciate that.

We Vermonters appreciate the time and effort you have been giving to our particular situation, the VA Hospital in White River Junction. I still want you up there at some time, so we can show you that.

But, Dr. Kizer, I am so delighted you are coming on Monday. And I think that people are very much looking forward to that meeting. We will try to provide nice weather for you. If it is bad weather—remember, we are very close to New Hampshire, and sometimes the weather comes over to our side. [Laughter.]

But if it is good weather, it is all Vermont weather. [Laughter.]

I know the story of the problems we face in Vermont is being duplicated in a lot of the states around the country. I think—sometimes, I think of you as the fire fighter. You know, you get to the raging fire, you turn on the hose, and a little bit of water comes out. And then we say to you, "Why haven't you put out the fire?"

We have—you need resources. I hear from veterans who have to wait months for medical appointments or have to travel long distances for care. VA doctors are telling me they are leaving the system, very good doctors that are trained well through the system, that we have a lot of time and effort invested in them. But they are leaving the system because they worry about the future viability of it and all.

But an anesthesiologist who left the VA, he was then hired by a private hospital and then was contracted back to the VA at twice his original salary, and that is—you know, that is not a way of doing it either.

I do not think the Administration's medical care request of $17.3 billion is adequate. I hope that we can do something about that, we in Congress, and we can consider some of the areas outlined in the independent budget created by veteran service organizations.

Mr. Chairman, I know you and Senator Mikulski struggle with this each year, and I—if I had to figure out how you get that through, I would have probably even less hair than I have now, as I tear it out. [Laughter.]

I will leave, if I might, Mr. Chairman, some questions especially regarding computerized medical records and data control. I will leave those to be submitted for the record, if I might.

Senator BOND. Without objection.

Senator LEAHY. And I ask that my whole statement be put in there.

Senator BOND. Okay.

Senator LEAHY. But I did want to—I did want to express my appreciation of the Secretary's time—the amount of time he has spent with those of us who have concerns.

PREPARED STATEMENT

And I want to express my appreciation to you and to Senator Mikulski for the amount of time you have spent and the amount of time you have spent listening to individual members of this committee.

[The statement follows:]

PREPARED STATEMENT OF SENATOR LEAHY

Mr. Secretary, as we enter the new millennium, it seems clear to me that VA is facing a financial crisis. The Balanced Budget Agreement of 1997 has flat-lined VA health care funding at a time when the health-care needs of aging veterans have never been greater.

Mr. Secretary, you know well the situation that Northern New England veterans are facing. We in Vermont appreciate the time and the effort that you have been giving to our particular situation at the VA hospital in White River Junction. I still want to invite you to come visit us in the near future.

But I know that the story in Vermont is being duplicated in many states around the country. I cannot help but liken your situation to the fireman who turns on the hose only to find a trickle of water instead of a stream. I hear from veterans who have to wait months for medical appointments. I hear from veterans who have to travel long distances for care. I hear from VA doctors who are leaving the system because they are concerned about its future viability. In one case, I know of an anesthesiologist who left the VA, was hired by a private hospital, and then was contracted back by the VA at twice his original salary. I hope that is not indicative of VA's larger efforts to become more efficient.

I do think that the Administration's medical care request of $17.3 billion is not adequate and I hope that we in Congress can consider areas of concern as outlined in the Independent Budget that was created by veterans service organizations.

Senator BOND. Thank you, Senator Leahy.

As is the practice in this committee, the record will be kept open for seven days for questions from other members of the committee or statements that they wish to add to the record.

And the statements that are—the questions that are submitted, we would appreciate, Mr. Secretary, you responding within five days, five working days if you can, for the record. We will, of course, welcome any additional statements or comments you wish to make.

Let me turn now to Senator Hutchison for any opening statement that she wishes to make.

STATEMENT OF SENATOR KAY BAILEY HUTCHISON

Senator HUTCHISON. Yes. Thank you, Mr. Chairman.

And I do want to say that I noted the distinguished ranking members story of her gall bladder surgery and was pleased that she did not emulate a distinguished former President by showing us her scar. [Laughter.]

Senator BOND. Now, I am out of that. You all can handle that. [Laughter.]

Senator MIKULSKI. Lyndon Johnson.

Senator BOND. Yes.

Senator HUTCHISON. Yes, it was. It was a great Texan, as you know. [Laughter.]

Let me say that I do appreciate the efforts that you are trying to make. And I know that many of your problems are a bigger veteran population and budgets that perhaps, you believe, do not meet the increase in your requests.

But I also want to say that when I see veterans who are—feel that they have not had the promises kept to them that were made to them, it makes me feel like sometimes we are doing new programs and new things for people that have not yet been able to experience these programs. And we are not fully keeping the promises that we have made to people who have already served.

And I would like to think that our priorities are not that skewed, that we do, in fact, keep the promises because so many of these people did serve, they have kept our country free and secure, and I want to make sure that we are a country that keeps its word, even though the people have already done their part.

So with that in mind, I want to say that I think there are some good things you are doing with your budget requests, and then I think there are some problem areas. So I hope that all of us will work together to make sure that we are keeping the promises that we make.

And I would say the biggest is medical care. The veterans expected to have good quality medical care. And I think we ought to be continuing to look for innovative ways to keep that promise. And as we have closed active duty medical facilities or downsized them, the veterans are the ones that have been squeezed out. So I think it is important that we keep as many of the veterans facilities as possible.

My state has almost 2 million veterans. And we have a very active state program. And one of the things that I appreciate that you are doing is sharing in costs where our state is adding to veterans medical care state facilities. You are contributing so that it is less cost for you than having to serve those people without state help, and it is also helpful to the state to have that encouragement.

So the extensions that you are doing in Floresville and Temple with state help, I think, is a good and innovative approach perhaps, which might be helpful in other states as well.

But our state is more veteran supportive than most states, as you know. So we are happy to make the contribution and it helps to have the federal donation to go with that.

But there is one—there are two particular areas in Texas that I want to leave as questions, and I am going to have to leave as some of my other colleagues are, but I would like to have answers. One is the veterans hospital in Kerrville about which Senator Gramm and I wrote to Dr. Kizer in February and the severe downsizing that we are looking at for that facility which serves 17,000 veterans for South Texas. So I hope that we will get a look at that and, hopefully, not see that kind of severe cut with that kind of service.

Second, Texas with its very large number of veterans is broken up into three veterans integrated service networks. The centers controlling these areas are outside the state, and many veterans have said they have a lot of difficulty in getting service through these out-of-state centers.

And I would leave the question with you for an answer on how we are going to improve the integration of these services and if there is any possibility that we could consolidate perhaps into one integrated service so that they would not have to go to separate places out of state where they do not feel that they are able to get as hands-on treatment.

So those are the specific questions that I would like to have written answers for, and in general I share my colleagues' concerns about the number of days that it takes to get medical care.

And I think we must be going in the wrong direction, and I hope that we will try to reverse that knowing, of course, that you do have severe budget constraints, but necessarily I think we have to put the priorities to keeping our word to these people.

Thank you.

Senator BOND. Thank you Senator Hutchison.

Senator Craig.

STATEMENT OF SENATOR LARRY CRAIG

Senator CRAIG. Mr. Chairman, thank you very much for the welcome and letting me spend a few moments sharing some concerns that are not unlike what you have heard from my colleagues.

Let me focus on the budget you have brought to us against our Boise VA Hospital and Center. And I do that—and I do it annually to try to see what current budgets do to ongoing operations in an area that I know something about, because this is a veterans hospital that I visit at least twice a year, and just came away from visiting with that hospital and its director and medical staff a few weeks ago.

So the thing that catches my eye most of all when we lay that facility against your budget are some of these figures. For example, the budget does not provide any money for about a 4.8 percent pay increase, inflationary increase, and the increases in the mandatory workloads.

What your budget does do to a facility that has already met the standards of downsizing and reshaping—and this is also a facility that has been building at our request, building a new outpatient facility, pharmaceutical facility, building a facility to expand another primary care team.

The budget will force a reduction in staff of 5 to 10 percent of the 1999 levels, and that is 2856 full-time employees, and elimi-

nate programs such as substance abuse, potentially, post-traumatic stress disorder, and long-term care.

Now, the reason these are important figures is because of this headline. Mr. Chairman, I want to put this in the record.

Senator BOND. Without objection, it will be so admitted.

Senator CRAIG. It says "600 Idaho Veterans Await Care," not "are not getting care," but are being put on a primary care list, saying—they come because they need help, "But we cannot give you help, so we will put you on a list. You just wait until we get to you," except, of course, for the very extreme cases.

I am not sure that I can figure any way of finding that acceptable. And yet, it is strange that we have modernized this facility. We have made—it is a regional facility by definition in that region of the country, serving almost all of Idaho—except the north end that goes toward Wallawalla—and part of Nevada, parts of eastern Oregon, clear to almost over to the Blue Mountains of Oregon.

So it is a very large facility, serving a regional population. And I am not sure what the numbers are as to that population base.

But we now have created a facility for a fourth primary care team and cut the budget at a time when we knew these demographics were turning on us because of our aging veterans population. And why we have done what we have done there at that facility to expand its capabilities, expecting that 70, 80-plus-year-old World War II vet to be soon coming—well, they are there, and they are standing in lines waiting.

I am not going to let that happen. I cannot let that happen. I do not think this committee is going to let that happen.

So we will work together because I appreciate your challenges. I am not disputing them in any sense of the word. And I am all for downsizing, and I am all for wringing out inefficiencies.

The last at least two budget cycles, and maybe three—and I have watched it happen because of my regular visits to that facility. I have watched the inefficiencies come out. I have watched the leaning up and the cleaning up of those staffs. And now, I see a waiting list growing. That is just not acceptable.

And so we will work together to see if we can resolve that because we must for the sake of that facility and all that it does, like others. It has a wonderful working relationship with the University of Washington Medical Center for geriatric care, and it is leading the region, if not the country, in a lot of marvelous work as was reflected by the Senator from Maryland as our VA hospitals and centers do.

But when I am faced with headlines and when I am faced with veterans who are standing in lines that produce those headlines that some 600 are now waiting to be served, then we have a problem. And I hope we can solve it.

Mr. Chairman, I have several questions that I would ask—I am going to have to go to another hearing. And I will submit those for the record. But those questions will be: Where are the efficiencies to come from, reflecting your budget and our cuts and our need to change?

And I have submitted for the record, of course, the news article that really speaks to the hub of the issue and is probably reflective of many centers around the country and how we monitor and han-

dle that situation because I want to go home after this budget cycle and say that—what I would really like to say is that we have put enough in the budget to establish the fourth primary care team as planned, as designed and built for because of the aging populations we knew were coming.

And that is not what we are saying, and that is not what this budget says. That is what I would like to say at the end, and that is what I am going to work for, Mr. Chairman.

Thank you very much.

Senator BOND. Thank you very much, Senator Craig. We will submit your questions for the record.

I would refer you to, as I have all members of the committee, the GAO report on where possible savings might be adopted.

Senator CRAIG. Yes.

Senator BOND. And also we have attempted in each year to provide more funds than requested in the President's budget, but there is still very, very extreme stress throughout the VA system.

With that, Mr. Secretary, we are ready for your testimony. We will, of course, have the full statement that you have submitted as part of the record, and would ask, if you could, to summarize for perhaps about ten minutes. And we will have some questions, orally. And then it appears that you will have a bounty of questions to answer for the record.

So, Mr. Secretary, welcome to the committee.

STATEMENT OF TOGO D. WEST, JR.

Mr. WEST. Thank you Mr. Chairman. You have already identified the members seated at the table with me.

Mr. Chairman, members of the committee, I thank you for the opportunity to appear before you to present and discuss the President's proposed budget for the Department of Veterans Affairs for fiscal year 2000.

The total budget authority is $43.6 billion. It is devoted to continue to provide high-quality care and services for our veterans and their families. It is a commitment, as you have also pointed out, and other members of the committee, within the broad principles of fiscal responsibility to which both this body and this Administration are committed.

Statutory caps on spending have undeniably affected this budget request, as they have to a greater or lesser extent, for every other department or agency in the Executive Branch.

On the other hand, that discipline has, to the credit of both the Congress and the President, produced a level of economic performance that benefits veterans and Americans, I might also add, to the credit of Americans everywhere.

Nonetheless, the improvements that VA has accomplished in recent years and that we produce in this budget are based on our continued mission of providing the highest quality of care and service.

Our goal, Mr. Chairman and members of the committee, is to provide full enrollment of veterans for health care. And then to provide to those veterans the quality of treatment to which they are entitled.

Transformation, as has been noted several times by this subcommittee, of VA health care, that is the Veterans Health Administration, is well underway. And we are now beginning to turn our attention to the transformation of the benefits delivery system.

For veterans health care, the Veterans Health Administration's emphasis will continue to be to improve both its quality and its access; to continue to bring more health care to more veterans, closer to where they are and in circumstances that are conducive to the treatment they require.

The budget provides $18.1 billion for health care, which includes $749 million in medical collections, to support 174,420 FTE to provide medical care to eligible veterans. This is an increase, when added together, of $200 million over the 1999 enacted amount. We plan to provide for 3.6 million patients, 54,000 more than in fiscal year 1999.

We intend to support more than 673,000 inpatient visits to VA medical centers and 40 million visits to outpatient clinics.

We are proposing $50 million in additional funding for homeless veterans, $40 million in health care, and $10 million in mandatory transitional housing subsidies.

We are continuing our aggressive response to Hepatitis C infection among veterans by increasing the $114 million set aside in 1999 to $250 million in fiscal year 2000.

The budget also proposes to increase spending by $106 million in VA's long-term care alternative programs, and offers continued support for our goal that has been mentioned several times here, to decrease the cost of caring for each patient by 30 percent from the 1997 baseline; to increase the number of patients treated by 20 percent; and to increase alternative sources of revenue to augment our budget by 10 percent of the direct appropriation.

This budget of $316 million will support more than 2,104 high-priority research projects. This level of funding, Mr. Chairman and members of the committee, will maintain operations in VA medical research centers in the areas of Gulf War illness, diabetes, Parkinson's disease, spinal cord injury, prostate cancer, depression, environmental hazards, women's health issues, and VA rehabilitation centers.

We view this research effort as an opportunity to continue our focus on VA's core competencies and to insure that we maintain our leading edge in treating our veterans with special needs. We believe that by continuing to research illnesses associated with our veterans' experience in the Gulf War, for example, we will be better able to address their health care concerns, and we will also generate confidence in our commitment to that important veterans population.

Our research efforts on behalf of women veterans should move us forward in caring for a traditionally under-served population. The fact is, as more women serve in our military, they must be certain, they must be assured, that they, as veterans, will receive the same high-quality treatment our male veterans have long enjoyed. We intend to provide that certainty.

Last year, the Administration proposed a three-year demonstration program to collect reimbursement from Medicare for health care services provided to Medicare eligible veterans, upper income

veterans without compensable disabilities. We make that proposal again this year, Mr. Chairman. Beginning in fiscal year 2000, it is the Department of Veterans Affairs' top legislative priority.

Funding generated from this program is not included in our fiscal year 2000 budget proposal, however. If it is enacted, VA will accrue some additional revenues in fiscal year 2000.

I point out, that Medicare subvention is budget-neutral and adds no additional costs to the overall budget. It will allow us to bill Medicare at rates lower than those in the private sector and provide veterans with additional options in selecting high-quality health care.

Our current emphasis in the Veterans Benefits Administration is to ensure that we are on a path to improve our system, so that it ensures veterans that we are handling their claims quickly, and more importantly, that we are handling them correctly.

Our budget for the discretionary portion of VBA budget is some $860 million, supporting 11,437 FTE. That amount represents a $49.6 million increase over the 1999 budget, and an additional 164 FTE. With that increase, combined with transferring FTEs from other areas within VBA, we will be able to move 440 additional claims decisionmakers into the claims process in fiscal year 2000 for the purpose of bringing improvement to timeliness and quality of claims processing.

And we propose in this budget to invest $30 million in information technology; a down-payment, if you will, to re-engineer our regional offices and move us toward an electronically based claims processing system; perhaps one of the single best promises of long-term permanent improvement in the timeliness and accuracy of processing.

We ask for $21.6 billion to provide compensation, pension, and burial allowances for more than 3 million veterans and their families.

In fiscal year 1998, Mr. Chairman and members of the subcommittee, some 550,000 veterans died. That's a rate of approximately 1,500 a day. We are told by the estimates of the National Cemetery Administration that those numbers of deaths will increase until the year 2008, when they will peak.

We are responding to this continuing increase by building new national cemeteries, by extending the service life of existing cemeteries, and by encouraging states to build state veterans cemeteries.

The request this year for operating our cemeteries, $97 million, is $5 million more than the 1999 enacted level. It includes $153,000 and 23 FTE for the activation of four new national cemeteries and their initial operation in Ohio, New York, Texas, and Illinois; more openings than at any other time in the history of the system.

With the opening of these four new cemeteries, we anticipate that 77 percent of the nation's veteran population will live within a reasonable distance of a veterans cemetery, reasonable distance being defined as roughly 75 to 80 miles.

In grants, we requested $11 million for the state veterans cemeteries program. We have requested $40 million for the state extended care program. We have requested $31.6 million for the

homeless grant and per diem program, an increase of $12 million over last year's budget. Of that latter amount, $7 million will be targeted for grants and $24 million will be for per diem.

Mr. Chairman, we believe that in delivering to you and to the committee, the fiscal year 2000 budget, it is a workable budget. Though, as you and others have pointed out, it is admittedly challenging. It is a budget that we intend will provide for continuing increases in access to primary health care for our veterans.

It is a budget that will continue to maintain the specialty programs our veterans rely on VA for which they know that VA can provide, when other medical facilities may not always be able to meet that need.

It is a budget that provides assurances that there will be improvements in claims processing, especially in accuracy, but we will not neglect timeliness, as well.

And it provides assurances that when our veterans' lives have ended, they will be treated honorably. They will find their final resting place, a place of honor, located within a reasonable distance of their families.

PREPARED STATEMENT

We believe these are worthy objectives, Mr. Chairman. We seek your support for this budget, and of this committee.

We are ready to answer your questions.

[The statement follows:]

PREPARED STATEMENT OF TOGO D. WEST, JR.

I. INTRODUCTORY REMARKS

Mr. Chairman and members of the Subcommittee, the President's budget for fiscal year 2000 reflects a sincere effort to meet the Nation's obligations to its veterans in a fiscally responsible way. There is no question that the statutory caps on spending, as agreed between the Administration and Congress, constrain the request for funding for this Department as they do for every other department and agency. On the other hand, it is also undeniable that this fiscal discipline has produced economic performance that benefits veterans as well as all other Americans.

Nonetheless, the accomplishments we have achieved and the improvements we propose with this budget represent strides in our mission of providing top-quality care and services. The transformation that is well underway in our health-care system, and just beginning in our benefits-delivery system, is powered by an absolute dedication to that mission. Fundamental change in our service-delivery systems is a prerequisite to dramatically improve performance.

This change in where and how we provide care and services is difficult and sometimes controversial. It has been and must continue to be accomplished in full consultation with veterans and other stakeholders. We have found that many of the health-care changes questioned a few years ago are now applauded as significant steps toward better care. Better access through Community Based Outpatient Clinics (CBOCs), primary care, and improved quality are results of the changes we have made. Approval of "Buy-Out" legislation and Medicare Subvention would better enable us to accomplish our mission. We expect the same transformation of our benefits-delivery system. Our comprehensive approach to benefits processing strives for accuracy and real-time information on the status of veterans' claims. Timeliness will get better when we process claims correctly the first time, and claimants' satisfaction with our system will improve as they are kept better informed throughout the process.

II. HIGHLIGHTS OF DEPARTMENT OF VETERANS AFFAIRS (VA) FISCAL YEAR 2000 BUDGET SUBMISSION

Our budget request builds on VA's previous accomplishments and positions us for the future. Here are some of the highlights of our request.

For the Veterans Health Administration (VHA)

The budget provides $18.1 billion, including $749 million in medical collections, to provide medical care to eligible veterans. VA will open 89 new outpatient clinics and treat 54,000 more patients in 2000 than in 1999, a 1.5 percent increase.

We are proposing $50 million in additional funding to help homeless veterans, including $40 million in medical care and $10 million in mandatory transitional housing subsidies. We are asking for a $136 million increase in VA's efforts to combat Hepatitis C and an increase of $106 million in VA's long-term care alternative programs.

While not included in the budget, the Administration will continue to seek authorization of a pilot program whereby VA could receive reimbursement from Medicare for covered services provided to certain Medicare-eligible veterans. This program will help us to increase alternative revenues.

The budget includes a legislative proposal to authorize VA to cover the cost of out-of-network emergency care for enrolled veterans with compensable disabilities related to military service. This legislation would ensure that these veterans have access to emergency care when treatment in VA facilities is not an option.

For the Veterans Benefits Administration (VBA)

For benefits processing, the budget provides $860 million, $49 million more than the funding level enacted in 1999. This is a six percent increase and will ensure that compensation, pension, education, and housing benefits to veterans will continue to be delivered while we continue the process of reengineering the way we deliver benefits. Four hundred and forty FTE will be added to help us process disability claims more efficiently.

For the National Cemetery Administration (NCA)

The budget requests $97 million, $5 million more than the fiscal year 1999 enacted level, for the operations of the National Cemetery Administration. This increase will provide funding for the activation and first year operations of four new National Cemeteries.

In other areas (Construction, the Capital Asset Fund, and Smoking Cessation)

We are requesting new budget authority of $296 million for the Department's construction programs. Our request provides funding for four major construction projects and provides resources for minor construction, a proposed new Capital Asset Fund, and grants for State veteran's nursing homes and cemeteries.

The Capital Asset Fund is a proposal that would authorize the establishment of a five-year pilot program allowing VA to sell, transfer, or exchange its excess properties and keep 90 percent of the proceeds. VA would then reinvest those proceeds into non-recurring capital needs to benefit veterans.

A significant portion of the money from the fund would be retained by the local area or network in which the property has been disposed. This proposal would also direct ten percent of the net proceeds from sales to local continuum of care for the homeless through the Department of Housing and Urban Development. That money would include assistance to local homeless veterans. We are asking for authority to spend $10 million in fiscal year 2000 to fund the administrative start-up costs of the program.

We're also asking for $56 million to establish smoking cessation programs for veterans who began to smoke during military service. This program will be designed to reach veterans throughout the country by using contractors.

III. IMPROVED VA STRATEGIC PLANNING PROCESSES

As a Department, we are placing greater focus on the outcome of our actions and policies. As we develop our long-term vision for the Department and our goals, we are placing greater emphasis on understanding the impact our programs have on veterans and their families. We believe this will help us to better link our resources to programs that benefit our veterans.

IV. ADDITIONAL INFORMATION

Mr. Chairman, those are the highlights of our fiscal year 2000 budget request. Let me now provide you with some additional details.

On VHA's Budget

In the area of health-care for veterans, our fiscal year 2000 request recognizes the dramatic changes that have occurred in the past four years. In that time, we have changed the organizational structure of the Veterans Health Administration. We have found new ways to help fund our medical programs. We have gotten rid of con-

flicting and confusing rules on eligibility. And we have changed the culture of VA health-care.

In addition, we have increased the number of veterans treated, improved the quality of our care, and improved customer satisfaction. At the same time, we have reduced the per-patient cost of providing care.

The goal of our Department is to provide world-class quality health-care to as many veterans as possible. We will continue to insure that taxpayers receive full value for the funds they entrust to us. Our resources will continue to be shifted from inpatient specialty care to primary care delivered on an outpatient basis.

VA has successfully organized a system of coordinated health-care delivery focused on continuous quality improvement that is patient-oriented, ambulatory care-based and results driven. We now treat patients in the most appropriate settings for their problems. Veterans have embraced the use of primary care providers and care teams for their health needs.

These strategies will assure the viability of the health-care system well into the next century. They will also prepare VA to continue to meet the diverse health-care needs of the veteran population. We believe that the new VA system should serve as a model for future integrated health-care systems, both public and private.

In 1998, our Department committed to the goals of reducing per-patient cost for health-care by 30 percent, serving 20 percent more veterans, and increasing alternative revenue sources to 10 percent of all Medical Care funding. VA is still committed to meeting these goals, while assuring that quality of care is maintained in our system.

VA is on track towards its long-range goals of 30/20/10. Compared to the 1997 baseline, we project the following results in fiscal year 2000: reduce per-patient cost by 18 percent, serve 16 percent more veterans, and increase non-appropriated funding to 5.1 percent of the Medical Care budget.

This will be accomplished in large measure by continuing to shift excess acute inpatient resources to expand and enhance outpatient care and other types of care in the most appropriate setting.

Medicare subvention would allow VA to collect funds from Medicare for health-care services provided to Medicare eligible, higher income veterans without compensable disabilities. Adoption of this demonstration program is VA's top legislative priority.

We urge you to work with us this year to ensure Congress passes a demonstration project as soon as possible.

We will not be able to obtain 10 percent of our funding from alternative revenue sources in the future if Congress does not pass the Medicare subvention pilot legislation. If this pilot proves successful in improving outcomes and lowering costs, our goal would be to open up VA reimbursement throughout the system. I ask for your support of the Administration's proposal in this area.

I have already highlighted some of the major aspects of VHA's $18.1 billion budget. The $106 million we requested for additional long-term care will allow us to expand our home and community-based care programs for our older veterans. The $50 million for homeless programs will allow us to support 1,385 new community-based beds and treat 12,000 more homeless veterans.

VA is also proposing a change in appropriation language. It would provide for two-year spending availability for up to 5 percent of our resources, excluding those funds set aside due the required deferral of funds medical equipment.

We support this proposal because it promotes more rational spending decisions and recognizes the need for management flexibility during this period of significant change for VA health-care.

As I mentioned earlier, the Administration is requesting authorization of a new smoking-cessation program for any honorably discharged veteran who began smoking in the military. The program would be delivered by private providers on a per capita basis. Any veterans who began smoking in the military would be eligible for this new program, to the extent resources are available. The Administration will seek authorization of this program in the near future.

Once this program is authorized, the Administration will submit a budget amendment requesting an appropriation of $56 million for this new activity. It is estimated that between 500,000 and 600,000 veterans would avail themselves of this valuable program over the next five years.

For Medical and Prosthetic Research, a total of $316 million and 2,838 employees will support more than 2,100 high priority research projects to enhance the quality of health-care of the veteran population. This level of funding will allow us to maintain the operation of research centers in the areas of Gulf War veterans' illnesses, diabetes, Parkinson's disease, spinal cord injury, cancer, prostate disease, depres-

sion, environmental hazards, women's issues, as well as rehabilitation centers and Health Service Research and Development field programs.

In these areas, no other federally supported clinical or research entity can initiate or complete such critical and ambitious research activities on behalf of America's veterans. Our Department will continue to increase the amount of non-appropriated research funding we receive from the private and public sectors.

The Balanced Budget Act of 1997, Public Law 105–33, allows VA to retain all collections from third parties, copayments, per diems, and certain torts after June 30, 1997. These collections are deposited in the Medical Care Collections Fund and are available for transfer to the Medical Care appropriation. The funds remain available to VA until they are expended.

For fiscal year 2000, VA estimates that more than $761 million will be collected through this effort-and revenues will grow to over $1.2 billion by 2004. To accomplish this growth, we are in the process of changing our billing rates to reasonable charges for inpatient and outpatient procedures; identifying more patients having insurance; and improving our debt collection efforts.

The Medical Administration and Miscellaneous Operating Expenses, or MAMOE, activity is requesting $61.2 million in appropriations to fund 573 employees who will support VHA operations in fiscal year 2000. Transfers of $415,000 and $7.1 million in reimbursements will supplement these funds.

This request is somewhat different from past years in that it includes reimbursement authority for activities related to the Facilities Management Service-delivery Office. Facilities Management will begin to receive reimbursement from VHA, VBA and NCA for field-related project management.

This reimbursement will allow VA to use appropriated funds to hire additional staff in the areas of quality management and performance measurement. Capital policy activities will continue to be funded by the appropriation.

ON VBA'S BUDGET

For five years, I have traveled throughout this country, first as the Secretary of the Army and later as the Secretary of Veterans Affairs, talking with servicemembers and veterans. I never fail to hear from veterans about issues of veterans benefits. And, every veteran applying for benefits is concerned about the length and quality of the decision-making process. I am a lawyer, and my profession has a saying, "Justice delayed is Justice denied." This means that, in effect, for every day a decision is delayed, that benefit is, in fact, denied.

Yet, timeliness is not the only criteria. It is of no use to our veterans for us to process their claims with record speed if we get it wrong. Accuracy is also critical. The number of appeals and remands for additional information take up too much staff time, and, more importantly, too much of our veterans' time.

This budget emphasizes a commitment to restoring the Veterans Benefits Administration's credibility and trust. Through several leadership initiatives, VA seeks to reverse negative perceptions and make the goal of "world class customer service" a reality.

The Veterans Benefits Administration has developed four overall themes that it intends to address. These include: restoring VBA credibility and trust; achieving dramatic progress in improving performance; building knowledge regarding program outcomes; and establishing a rational resource acquisition and investment approach.

The Balanced Scorecard is VBA's centerpiece for establishing a clear process for setting strategic objectives and priorities and for measuring the progress they have achieved. VBA's fiscal year 2000 budget request is $860 million and 11,437 full-time equivalent employees or FTE. This represents an increase of $49 million and 164 FTE above the 1999 level. By combining this increase in the number of employees with positions available due to efficiencies in other areas, VBA will be able to increase its number of benefits adjudicators by 440.

Demographics indicate that many of our experienced employees will be retiring within the next five to eight years. In order to avoid a two to three year skill gap, which will exacerbate our service-delivery challenges, we must stabilize the Compensation and Pension workforce for the future by hiring and training additional resources immediately, before the actual losses occur.

Our compensation and pension objectives include working towards the goals of completing rating-related actions in 74 average processing days, completing non-rating actions in 17 average processing days, achieving 96 percent national accuracy rate for core adjudicative rating work, and attaining 90 percent overall satisfaction among veterans with the way claims are handled.

Besides the electronic claims processing pilot project I mentioned earlier, here are some other initiatives we are taking to meet these goals:

We have developed a multi-year initiative, which requires funding, for four comprehensive training, performance support, and certification systems for service-delivery positions. The four systems are for new rating specialists; veterans service representatives; advanced rating specialists; and decision-review officers.

We are currently developing formal partnership agreements with veterans service organizations, both at the national and local level. The partnership agreements will allow us to train service organization representatives to properly submit fully developed claims and will allow them to access VBA information systems. This will allow VBA employees to devote their time to decision-making, not claims development.

We are asking for funds to continue an initiative that will provide claims development, disability examinations, and rating decisions for service persons awaiting discharge from active duty. VA plans to have transition teams present at each of the 20 largest military separation points in the U.S. and to support, on a part-time basis, about 30 additional sites. This should allow VA to reach about 80 percent of all DOD separatees.

Our Systematic Technical Accuracy Review, or STAR, program will improve the accuracy of C&P claims processing by implementing a new national accuracy review program to provide current and diagnostic information about the accuracy of the work being produced at VA regional offices. We have requested funds for additional staffing, the creation of a database, and administrative expenses to aggressively implement this program.

VBA intends to merge Adjudication and Veterans Services Divisions in all of its regional offices. Through this program, called the "Conversion to Service Center" initiative, veterans will interact directly with the VA employees processing their claims. They will receive more specific information on their claims' status, and they will also know what evidence is needed for decisions and what they can do to expedite action.

Funds requested for the enhancement of education activities include providing for expanding imaging technology. Imaging technology now in use for claims processing in Atlanta and St. Louis will be extended to Muskogee and Buffalo throughout fiscal year 2000.

The budget request for the housing program assumes that, if it is cost effective, VA will join other Federal housing loan guaranty programs and eliminate the in-house home-loan property management and disposal activities of foreclosed homes by using discretionary authority current law grants the Department.

VBA will contract for an A–76 study in 1999 to ensure the most cost-effective approach for disposing of foreclosed properties. This study will include a comparative analysis of selling foreclosed properties for cash versus direct VA financing.

Funding has also been included in this budget to provide for financial accounting improvements the housing program needs. When completed, these improvements will enable the Loan Guaranty general ledger system to meet Federal Financial Management Integrity Act requirements. This is necessary in order for VA to achieve an unqualified audit opinion on their annual financial statements.

Administrative expenses to support the insurance program are made available from excess earnings from the National Service Life Insurance, United States Government Life Insurance and Veterans Special Life Insurance programs.

Also included for this program is a new initiative to promote insurance self-service. The insurance program has experienced significant success with its interactive voice response system. This initiative will be the next step in expanding veterans' direct access to their insurance records and benefits.

In this budget, we are requesting $10 million to expand a current on-going pilot program on electronic claims processing. VBA is working with a consortium of five companies to develop an electronic work environment through imaging and other technologies. We expect to see improvements in customer service, processing timeliness and accuracy as a result. If successful, this demonstration project will pave the way for a significant reengineering of how claims are processed.

VA's benefits programs provide assistance to veterans in recognition of their service to their country and to aid their transition to civilian life. The Administration is requesting $21.6 billion to support fiscal year 2000 compensation payments to 2.3 million veterans, 300,000 survivors and 633 children of Vietnam veterans who were born with spina bifida, and to support pension payments to 381,000 veterans and 268,000 survivors.

We propose to provide a cost-of-living adjustment, or COLA, based on the change in the Consumer Price Index, to all compensation beneficiaries, including spouses and children receiving dependency and indemnity compensation. The percentage of the COLA is currently estimated at 2.4 percent, which is the same percentage that will be provided, under current law, to veterans pension and Social Security recipi-

ents. The increase would be effective December 1, 1999, and would cost an estimated $293 million during 2000.

If Congress approves, VA will pay full disability benefits to Filipino veterans residing in the United States who currently receive benefits at half the level that U.S. veterans receive. The cost of this legislation is estimated to be $25 million over five years.

VA also proposes to charge a fee to lenders participating in VA's Home Loan Program. The fee would give VA the authority to charge lenders a fee of $25 for each VA loan that is guaranteed. The fees would be earmarked for use in developing, maintaining, and enhancing a VA Loan Information System that would interact with the information systems used by lenders.

Also relating to benefits, an appropriation of $1.5 billion is being requested for the Readjustment Benefits program. The money will provide education opportunities to veterans and eligible dependents and for various special assistance programs for disabled veterans.

Education benefits will be provided for about 450,000 trainees in fiscal year 2000 including 281,000 training under the Montgomery GI Bill. This request includes funds for the annual Consumer Price Index adjustment, which is estimated to be 1.8 percent effective October 1, 1999, for education programs.

On NCA's Budget

In fiscal year 1998, approximately 550,000 veterans died-nearly 1,500 a day. The National Cemetery Administration estimates that the annual number of veterans' deaths will peak in the year 2008 before beginning to decrease. NCA is preparing for this increase by building national cemeteries, extending the service life of existing cemeteries, and encouraging states to build state veterans cemeteries.

Our request for the NCA continues to position VA to meet these future requirements. The request includes funding and new employees to address the fiscal year 2000 growth in interment workloads at existing cemeteries, including anticipated growth at the new Tahoma National Cemetery. This cemetery will experience the accelerated workload increase typical of a new cemetery, which is far in excess of the annual growth rates of mature cemeteries.

It includes additional funding and FTE to continue the activation of the new Cleveland-area national cemetery, and for the first full year of operations at the new Abraham Lincoln National Cemetery near Chicago, the new Dallas/Ft. Worth National Cemetery, and the new Saratoga National Cemetery near Albany, NY.

It also includes funding to replace some cemetery equipment that has exceeded its useful life, for customer service initiatives, and to cover the increased cost of an integrated data communications project.

V. ADDITIONAL FUNDING REQUESTS

For General Administration

VA is asking for $206 million in funding for the Office of the Secretary, six Assistant Secretaries and three VA-level staff offices. This request, along with $4.7 million associated with credit reform funding, will provide a total resource level of $210.7 million.

When compared to the original fiscal year 1999 appropriation, the fiscal year 2000 request is $7 million higher. The budget authority, along with $117 million in estimated reimbursements, will provide for an estimated total authority for obligations of $323 million in fiscal year 2000. FTE will increase by 111 in fiscal year 2000 from the 1999 current estimate of 2,490. This increase occurs primarily in the reimbursable activities.

Here are some of the areas where we will use this increased funding and number of employees.

For the Board of Veterans' Appeals

We are requesting $41.5 million in funding for the Board of Veterans' Appeals for fiscal year 2000. The Board's marked improvement in timeliness, increase in productivity, and reduction of the appeals backlog in fiscal years 1995 through 1998 exceeded our most optimistic expectations.

This level of funding will give us the opportunity to continue to improve our timeliness in this area. BVA and VBA have adopted a joint performance indicator that is a system-wide measure of how long it takes to resolve an appeal made by a veteran. In fiscal year 2000, we project that it will take an average of 545 days—45 fewer days than we anticipated it to take in 1999.

For the Office of Information and Technology

This is the first budget request since the reorganization of the Office of Financial Management that resulted in the information management function being moved to the newly created Office of Information and Technology.

VA's newly created Office of Information and Technology is requesting budget authority of $21.3 million and an average employment of 217 to support VA Information Technology policy and program assistance, the VACO Campus Office Automation Platform and Local Area Network, and other efforts. The Austin Automation Center is separately supported by the Franchise Fund. Budget authority and $43.1 million in net reimbursements will provide an estimated obligation availability of $64.4 million in fiscal year 2000.

The Department is on schedule in meeting the Y2K challenge. In fiscal year 1999, we have met the timeframes for bringing all of our systems into production by March. This gives us nine months to address any remaining issues.

For the Office of Human Resources and Administration

The Office of Human Resources and Administration (HR&A) is requesting $105.4 million in total obligation authority and an average employment figure of 806. The requested budget authority is $48.7 million. Included in this figure is $450,000 for program oversight of the arming of VA police officers.

The total figure for HR&A reimbursements is $56.7 million. This includes $28.3 million and 235 FTE for HR LINK$ and $27.7 million and 260 FTE for the Office of Resolution Management (ORM). In fiscal year 2000, the Department is again requesting that the operations of ORM and Office of Employment Discrimination Complaint Adjudication (OEDCA) located in the Office of the Secretary be funded through reimbursement from its customers.

In summary, a total appropriation of $912.4 million is requested for the General Operating Expenses (GOE), $706.4 for VBA and $206 million for General Administration in fiscal year 2000. This funding level, combined with $158.1 million of administrative costs associated with VA's credit programs, which are funded in the loan program accounts under credit reform provisions; $10.7 million in reimbursements from the Compensation and Pensions account for costs associated with the implementation of the Omnibus Budget Reconciliation Act of 1990 as amended; and $36.8 million from insurance funds' excess revenues, together with other reimbursable authority, will provide $1.255 billion to support operations in the GOE account.

On the Office of the Inspector General's Budget

To support the Office of the Inspector General in fiscal year 2000, $43.2 million and an average employment of 374 FTE are requested. This represents an increase of $7.2 million and an increase of 12 FTE from the 1999 resource level. The increase in budget authority is primarily due to contracting out of financial audit functions and, increases associated with acquiring additional FTE. Contracting out the financial audit will free up 39 FTE. These actions will enable the OIG to staff new initiatives and focus on several priority audits and investigations.

VI. OTHER ISSUES

The VA Capital Investment Board

The Department formally established the VA Capital Investment Board (CIB) in July 1997 and produced the VA's first Capital Plan in 1999. The CIB's membership consists of top management from throughout the Department. The CIB was established primarily to ensure that all significant capital investments are based on sound business principles and also support the VA's strategic and performance goals.

Recognizing the need to enhance capital asset planning for fiscal year 2000, we have initiated a new capital investment planning process to improve the selection methodology for all significant capital assets, including construction, equipment, and information technology, in support of the budget request.

Capital investment proposals that meet specified thresholds (such as major construction projects, equipment, leases and information technology) are scored on how well the project application addresses the 20 sub-attributes of five major criteria.

The five major criteria are: One-VA Customer Service, Return on Taxpayer Investment, High Performing Work Force, Risk, and Comparison to Alternatives. The first three criteria relate to the Department's strategic goals, while the last two address improved business practices.

All significant capital investment proposals that are requested in the fiscal year 2000 budget have been scored and ranked by the board to ensure that they meet the VA's strategic goals and are sound investments.

The Department capital planning process will be continually refined in order to meet the constantly changing needs of the Department.

Major and Minor Construction

I am requesting new budget authority totaling $60 million for the major construction program. The major construction request includes funding for a surgical suite project at Kansas City, MO; a spinal cord injury and rehabilitation project at Tampa, FL; a patient environment project at Murfreesboro, TN; and a facility rightsizing and gravesite development project at Leavenworth, KS. Additional funds are provided to remove asbestos from Department-owned buildings and to support advanced planning and design activities.

We are also requesting new budget authority totaling $175 million for VA's minor construction program. The request will be used to make improvements to ambulatory care settings, patient environment, and VA's aging infrastructure. Funds are also requested for nursing home care, clinical improvements, correction of code deficiencies in existing facilities, and the elimination of fire and safety deficiencies.

Funds requested in the minor construction budget would also support VBA construction requirements and NCA gravesite development and improvements to existing National Cemetery Administration roads and buildings.

State Extended Care Facilities and State Veterans Cemeteries

The fiscal year 2000 request of $40 million for the Grants for the Construction of State Extended Care Facilities will provide funding to assist States to establish new, or renovate existing nursing homes and domiciliaries; and the fiscal year 2000 request of $11 million for the Grants for the Construction of State Veterans Cemeteries will provide funding to assist States to establish, expand, or improve State veterans cemeteries.

VII. CONCLUSION

Mr. Chairman, veterans from all periods of service should be satisfied that this budget is a budget that protects their interests and lives up to the nation's commitment to them.

I want to thank the members and staffs for your continued interest in our Department. I look forward to continuing to work with you on behalf of our nation's veterans and their families. We owe our veterans the best service we can provide.

[General Accounting Office, April 15, 1999]

PROGRESS AND CHALLENGES IN TRANSFORMING HEALTH CARE

(By Stephen P. Backhus)

Mr. Chairman and Members of the Subcommittee: We are pleased to contribute this statement for the record for the Subcommittee's deliberations on the fiscal year 2000 budget request for the Department of Veterans Affairs' (VA) health care system. In this request, VA is seeking a funding level of $18.4 billion to serve 3.65 million veterans.

Between its establishment in 1946 and 1995, VA's health care system grew into our nation's largest direct provider of health care, serving veterans at over 600 locations nationwide. These included 181 locations where VA owned over 4,700 buildings and 18,000 acres of land. VA's system focused primarily on hospital care, using high technology and medical specialization.

VA's system, however, did not keep pace with such societal and industry changes as:

—a market-based restructuring of American healthcare, including the rise of managed care;
—a rapid growth in scientific and medical knowledge available to treat illnesses and injuries; and
—an overall aging of the veteran population, including declining numbers of potential system users and evolving medical needs.

In October 1995, VA began to transform its system from a hospital operator to a healthcare provider that relies on community-based, integrated networks of VA and non-VA providers to meet veterans' needs more efficiently and effectively. In January 1997, VA proposed a 5-year plan to operate within a fixed annual appropriation of $17 billion through fiscal year 2002. To accomplish this, VA planned to reduce per patient costs by 30 percent, increase patients served by 20 percent, and reduce reliance on appropriations by 10 percent.

Since VA's transformation began, we have visited over 100 VA medical facilities and spoken with over 500 officials, as well as many veterans, including representatives of veteran service organizations. We also examined hundreds of documents, including VA's budget submissions and studies done by VA's Office of Inspector General and others. Based on the insights developed during these efforts, our statement today focuses on (1) VA's transformation progress to date, (2) challenges that remain to be confronted, and (3) the implications for VA's fiscal year 2000 budget.[1]

In summary, VA's transformation continues to make significant progress. Over the last 3 years, VA has enhanced benefits and served 500,000 additional veterans, while realizing a nonappropriated revenue surplus of $496 million that remains available for future use. This was accomplished primarily because VA's management initiatives reduced operating costs by almost $1 billion. The most notable initiatives involved shifting veterans' care to appropriate settings and reengineering administrative and clinical processes.

This year, however, our work shows that VA's transformation appears to be losing momentum. VA, for example, has prolonged decisions concerning much needed restructuring of aged capital assets, including hospital closures, which could result in unnecessary expenditures of billions of dollars over the next several years. VA's transformation cannot be successfully completed until these and other critical challenges are adequately addressed.

In our view, VA's fiscal year 2000 budget is based on the unduly optimistic expectation that its ongoing transformation will generate needed efficiencies of $1.4 billion in savings. VA assumes, for example, that employment reductions in fiscal year 2000 will be more than 3 times greater than expected fiscal year 1999 reductions. VA has not taken the underlying management actions—such as aggressively addressing all potential facility integrations and service consolidations—that appear necessary to make a threefold reduction possible. If VA had made such difficult decisions earlier, it might not need to realize this level of savings. Moreover, VA may ultimately need to use less desirable management actions, including large-scale employee furloughs, to operate within its proposed budget. Such actions could adversely affect all veterans' quality of care, especially waiting times. VA could avoid such undesirable outcomes for higher priority veterans if, as the Congress intended, VA uses its new enrollment process to manage access to VA health care services within available resources.

BACKGROUND

VA's health care system currently touches the lives of 15 percent of our nation's 25 million veterans. The rest rely on private insurance, other public programs, or their own resources to finance their health care needs.

VA uses hundreds of delivery locations to provide services such as primary care, specialized medical care, mental health, geriatrics, and extended care. In addition, VA supports medical education and research through its affiliation with 107 medical schools, and provides medical backup to the Department of Defense and other federal, state, or local agencies during national emergencies.

VA began its transformation by creating 22 regional offices to make basic budgetary, planning, and operating decisions for veterans living within defined geographical areas; VA's headquarters and over 150 large hospitals made such decisions previously. These offices oversee between 5 and 11 large hospitals, as well as many clinics or other delivery locations.

The primary focus of VA's transformation is to reduce reliance on large hospitals by developing local or regional networks that provide a continuum of care grounded in ambulatory settings. To encourage this transformation, VA implemented a new resources allocation process that bases funding decisions on user populations rather than facilities.

In addition, the Congress passed the Veterans Health Care Eligibility Reform Act of 1996, which furnished tools that VA said were key to a successful transformation and provided VA the means to develop its 5-year financial plan, including

—new eligibility rules which allow VA to treat veterans in the most appropriate setting;

—introduction of managed care principles, such as a uniform benefits package, which allows VA to provide a continuum of services, including preventive medicine; and

[1] For 1996 and 1997 hearings of this subcommittee, we provided assessments of VA's transformation progress. See *VA Health Care: Opportunities to Increase Efficiency and Reduce Resource Needs* (GAO/T–HEHS–96–99, Mar. 8, 1996) and *VA health Care: Assessment of VA's Fiscal year 1998 Budget Proposal* (GAO/T–HEHS–97–121, May 1, 1997).

—an expanded ability to purchase services from private providers and to generate revenue by selling excess services to nonveterans.

At that time, both the Congressional Budget Office and we concluded that such reforms could generate additional demand for services, primarily due to increased use of outpatient services. The Congressional Budget Office also estimated that rising utilization would, by extension, produce dramatic cost increases, potentially billions of dollars.

To address such concerns, the Eligibility Reform Act also required VA to implement a veterans' enrollment system to manage access in relation to available resources. It established seven priority categories, with the highest priorities given to veterans with service-connected disabilities.

Each year, VA is to enroll veterans in those priority categories for which there are sufficient resources to provide care that is timely and acceptable in quality. The act also requires VA to maintain capacity for veterans with special disabilities, including treatment for spinal cord injury, blindness, amputation, and mental illnesses.

At VA's request, the Congress also authorized VA to retain all collections from third parties (including recoveries from insurance companies and certain tort claims), copayments, and per diems, beginning July 1, 1997. VA is to deposit these collections in a Medical Care Collections Fund and use them to supplement appropriations to meet veterans' health care needs. VA may spend these funds in the year collected or any subsequent year.

VA HAS TAKEN MAJOR STEPS FORWARD IN ITS TRANSFORMATION

As part of the transformation, VA's networks have implemented hundreds of management initiatives that have significantly enhanced the efficiency and effectiveness of VA's health care system.[2] For example, during fiscal years 1996 through 1998, VA reduced inpatient workload by 38 percent and bed days of care per 1,000 veterans by 47 percent. This allowed over 20,000 hospital beds to be closed and numerous administrative and clinical services to be consolidated.

At the same time, VA used savings from its efficiencies to finance improvements in veterans' access to, and quality of, care. For example, VA served an additional 500,000 veterans, in part, by opening over 183 new community-based clinics, creating about 1,000 primary care teams, and purchasing specialty care from private providers. VA's performance indicators suggest that the quality of care is improving overall. Veterans' rating of ambulatory care quality has risen and the reported numbers of problems have fallen.

VA appears on track toward meeting its goals of reducing per-patient costs, serving more veterans, and increasing nonappropriated revenue sources by fiscal year 2002. Compared with its fiscal year 1997 baseline, VA projected and realized the results, shown in table 1, for fiscal year 1998 (year 1 of VA's 5-year plan).

TABLE 1.—VA'S 5-YEAR GOALS

[In percentages]

30–20–10 initiatives	VA fiscal year		
	1998		2002 Goal
	Results	Goal	
Reducing per patient costs	10	6	30
Serving more veterans	9	5	20
Increasing nonappropriated funding	4	4	10

More importantly, VA expects to have more resources available in fiscal year 1999 than its 5-year plan projected, as shown in table 2.

[2] *VA Health Care: Status of Efforts to Improve Efficiency and Access* (GAO/HEHS–98–48, Feb. 6, 1998).

TABLE 2: COMPARISON OF VA'S ESTIMATES FOR ITS FISCAL YEAR 1999 BUDGET

[In billions of dollars]

Funding	Fiscal year 1999	
	VA's 5-year plan's projection (1/97)	VA's current estimate (1/99)
Appropriated	17.0	17.3
Other Sources	0.9	1.1
Total	17.9	18.4

Because of efficiency savings, VA needed to spend, in fiscal year 1998, only $170 million of its medical care collections. This allowed VA to carry forward about $496 million for use in fiscal year 1999.

VA's management initiatives that contributed to these dramatic results include:
—establishing primary care as the dominant delivery model;
—shifting medical care from inpatient to outpatient settings;
—consolidating administrative and clinical services; and
—establishing networks of VA and non-VA providers.

Establishing Primary Care As Dominant Delivery Model

VA established primary care case management to help ensure that patients are served in the most appropriate settings and resources are coordinated and best organized to address patients' specific medical conditions.

Before 1995, primary care providers managed less than 20 percent of VA's patients. Since then, VA has successfully oriented veterans to the principal concept of primary care. VA, for example, reports that close to 80 percent of veterans responding to its annual patient survey are aware that one provider or primary care team has responsibility for managing their medical care. This, in effect, relieves high-cost specialists from day-to-day patient management responsibilities.

To enhance primary care access, VA has established over 1,000 primary care teams at large medical facilities and opened over 183 community-based outpatient clinics. These clinics provide primary care closer to veterans' homes, especially those living in underserved, often remote, areas. Currently, VA has approved 272 community clinics to open in fiscal years 1999 and 2000 and expects to open about 200 more by fiscal year 2003.

Shifting Medical Care to Outpatient Settings

Advances in medical technology and practices, for example, have afforded VA significant opportunities to shift medical care to outpatient settings. Because of such new technologies as laser, endoscopic, and other less invasive surgical techniques, many surgeries are now performed in a doctor's office or outpatient clinic or require shorter lengths of stay when performed in hospitals.

In addition, changes in medical practice and the development of psychotherapeutic drugs to treat mental illness have led to fewer and shorter hospital admissions for psychiatric patients and to the deinstitutionalization of many long-term psychiatric patients.

VA has implemented management initiatives to identify patients who can be served more cost-effectively in alternatives to inpatient settings, including treatment of many chronically and catastrophically ill patients at home rather than in a hospital.

Before 1996, VA had no systemwide external preadmission screening program or other utilization review programs to ensure that patients are treated in the most appropriate settings. In that year, we recommended that VA develop such programs.[3] Subsequently, VA implemented management initiatives to:
—review 100 percent of planned admissions to determine patients' appropriate level of care; and
—perform continuing stay reviews to determine the appropriateness of each additional day of hospitalization.

[3] *VA Health Care: Opportunities for Service Delivery Efficiencies Within Existing Resources* (GAO/HEHS–96–121, July 25, 1996).

During fiscal years 1996 through 1998, VA's inpatient workload declined 38 percent and bed days of care per 1,000 patients dropped by 47 percent. This allowed VA to close 20,000 hospital beds, a 40-percent reduction.

This decrease in inpatient usage has been matched by major increases in VA's outpatient care workload. During fiscal years 1996 through 1998, VA's outpatient visits increased 19 percent. Of note, VA performed over 90 percent of certain surgeries, including colonoscopies, arthroscopies, cystoscopies, breast biopsies, and cataract surgeries, on an ambulatory basis in fiscal year 1998.

Consolidating Administrative and Clinical Services

VA also has implemented a variety of initiatives that consolidated duplicate or underused services. VA, for example, integrated the management teams of two or more large medical facilities in 24 markets; this effort involved a total of 50 facilities. VA also consolidated many other administrative and clinical services at these facilities, which saved millions of dollars in unneeded operating costs.[4]

Based on our work, VA appears to have an opportunity to achieve even more significant savings by consolidating duplicate or underused services. This is because VA still operates 17 large medical facilities that compete with these newly integrated facilities in 10 markets, as well as operating 44 large facilities in 19 other markets that compete with each other to serve veterans.

Recently, we recommended, and VA agreed, that veterans' needs should be assessed in these 40 markets and steps taken to integrate, consolidate, or close unneeded services. This could result in billions of dollars in additional savings over the next 5 years that could be reinvested to improve veterans' access to high-quality care.[5]

Establishing Networks of VA and Non-VA Health Care Providers

VA has implemented important initiatives to establish integrated networks of VA and non-VA providers. VA has made the most progress by far in establishing new community-based clinics. Some notable progress, however, has been made purchasing inpatient care from private hospitals or military facilities, as well as developing joint ventures and sharing agreements with the Department of Defense.

About half of VA's new community clinics operated through contracts with non-VA providers during fiscal years 1996 through 1998. These clinics helped to reduce VA's costs and improve access because they are located closer to veterans' homes. VA expects these clinics primarily to refer veterans to VA facilities for specialized diagnostic procedures, treatment, or hospital admissions, although referrals may also be made to other non-VA providers.

In addition, some VA hospitals located in rural areas have contracted to provide inpatient care with non-VA hospitals. These initiatives, according to VA, have been successful from a cost-efficiency perspective and also have received high satisfaction scores from veterans.

At the close of fiscal year 1998, VA and the Department of Defense had negotiated almost 1,000 facility-level sharing agreements covering more than 10,000 services ranging from laundry, blood, and laboratory services to major medical and specialty care services. There are also four joint ventures under way for the construction and operation of medical facilities, with four additional agreements near completion.

We are currently reviewing these sharing agreements to assess the benefits for veterans, military members, and beneficiaries, as well as efficiency savings for VA. Recently, the Congressional Commission on Servicemembers and Veterans Transition Assistance reported that opportunities exist for greater sharing and partnering between VA and the Department of Defense. Of note, the Commission made several recommendations, including the development of a joint, clinically based formulary and joint procurement of future information technology.

FURTHER TRANSFORMATION PROGRESS WILL REQUIRE VA TO CONFRONT FORMIDABLE CHALLENGES

As VA's transformation proceeds through its fourth year, it now turns to face the most onerous challenges it has encountered to date. These include: closing unneeded hospitals, restructuring capital assets, restructuring VA's medical education role, maintaining capacity to serve special disabilities, improving resource allocations, improving revenue collections, and implementing an enrollment process.

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[4] *VA Health Care: Lessons Learned From Medical Facility Integrations* (GAO/T–HEHS–97–184, July 24, 1997).

[5] *VA Health Care: Capital Asset Planning and Budgeting Need Improvement* (GAO/T–HEHS–99–83, March 10, 1999).

VA's failure to aggressively confront these challenges could result in the unnecessary expenditure of billions of dollars over the next several years.

Closing Unneeded Hospitals

The success of VA's strategies to transform its health care system—shifting inpatient care to more appropriate settings, establishing primary care in community clinics, and improving efficiency through staff reductions, service consolidations, and bed closures—has produced excess inpatient capacity at most VA hospitals. As VA's transformation continues, VA's need for a large number of full-service hospitals will continue to diminish, thereby challenging VA to make difficult decisions concerning hospital closures.

VA and the private sector have reacted very differently to declining inpatient workload. In the private sector, over 500 hospitals were closed as health care practices were transformed. As we have reported, VA instead has chosen to reduce operating beds at its hospitals or shift services such as inpatient surgery among hospitals.[6] This approach often leaves VA operating only a small part of most hospitals' inpatient capacity.

VA demonstrated the feasibility of closing underused hospitals when it closed the Martinez, California, hospital because of earthquake concerns. VA replaced it with a modern outpatient clinic supplemented by existing VA inpatient locations and contract care, efficiently meeting veterans' needs in that market. VA reports that veterans' satisfaction with these changes is high, including satisfaction with quality of care.

At a March 1996 hearing before this Subcommittee, VA stated that it would look to close additional facilities; since then, VA in essence has closed four hospitals by shifting inpatient care to other VA locations or contracting with non-VA providers. In each location, VA continues to provide outpatient care as well as nursing home care in three locations.

Last year, we reported that VA could save $20 million a year and care could be improved if veterans were served at one less location in Chicago.[7] Veterans' benefits, for example, could be enhanced if VA used the savings to purchase primary care closer to veterans' homes. In response to our recommendation, VA agreed to initiate a market-based assessment of its health care delivery in the Chicago market. This market assessment is scheduled for completion soon.

VA is to be commended for its willingness to study how it could improve its efforts to meet veterans' needs in this market. The extent to which VA is committed to taking action on the basis of study findings remains uncertain, however. Last month, VA stated publicly that no additional hospitals will be closed in fiscal years 1999 or 2000. This decision seriously threatens the continued progress of VA's health system transformation.

Restructuring Capital Assets

VA's massive, aged infrastructure could be the biggest obstacle confronting VA's ongoing transformation efforts. VA's challenges in this arena are twofold: deciding how its assets should be restructured, given the dramatic shifts in VA's delivery practices, and determining how a restructuring can be financed in a timely manner.

VA spends a major part of its health care budget—about 1 out of every 4 health care dollars—to operate, maintain, and improve its facilities, generally referred to as the costs of asset ownership. Without a major restructuring, billions of dollars will be used in the operation of hundreds of unneeded VA buildings over the next few years.

VA's transformation has largely ignored this capital asset dilemma, as VA's plans call for assets to continue operating over the next 5 years essentially as they do today. Given VA's current and proposed budgets, it seems inevitable that VA's ownership of unneeded assets will eventually compromise veterans' health care services. On the other hand, restructuring its capital assets could reduce budget pressures or generate revenues that could be used to enhance veterans' health care benefits.

Recently, we recommended that VA's capital asset planning should be based on rigorous market analyses, a business tool that has produced positive results in the private sector.[8] Such analyses include the determination of veterans' health care needs in a market, a comparison of life-cycle costs of asset ownership, and alter-

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[6] *VA Hospital: Issues and Challenges for the Future* (GAO/HEHS–98–32, Apr. 30, 1998).

[7] *VA Health Care: Closing a Chicago Hospital Would Save Millions and Enhance Access to Services* (GAO/HEHS–98–64, Apr. 16, 1998) reports that asset operations and maintenance costs for four VA hospitals in Chicago generally represent about 25–35 percent of the hospital's operating budgets.

[8] *Va Health Care: Capital Asset Planning and Budgeting Need Improvement* (GAO/T–HEHS–99–83, Mar. 10, 1999).

natives analysis to enable VA to evaluate options for meeting needs in the most cost-effective manner.

We identified 106 markets in which VA owns 4,700 buildings and 18,000 acres of land, which it uses to operate 181 major delivery locations. VA has agreed to conduct market analyses in the 40 markets where multiple VA facilities compete with each other to serve veterans (VA operates assets at 115 locations in these markets) as well as 66 markets served by a single VA location.

Until VA completes these market assessments, it will be challenged to make capital investment decisions to ensure that scarce resources are not invested in assets that VA will vacate in a few years. Recently, we recommended, and VA agreed, that more of its capital investment decisions—specifically minor construction and certain nonrecurring maintenance—should be subjected to more rigorous management review. Toward that end, VA plans to institute an improved investment decision-making process that involves top managers' review and approval, based on newly enhanced guidance and criteria for assessing the future of the affected asset within VA's ongoing transformation.

Once VA has developed an asset restructuring plan, it will be challenged to finance needed investments in a timely manner. Toward that end, VA proposes a 5-year demonstration that would allow it to sell, transfer, or exchange up to 30 excess or underutilized properties, deposit proceeds into a new Capital Asset Fund, and use the Fund to invest in more appropriate assets. This proposal is compelling because it would provide VA incentives to dispose of properties no longer needed to meet veterans' needs. VA asserts, and we agree, that disposals are currently a cumbersome and lengthy undertaking with limited benefits to VA, primarily because proceeds' use is limited to improving nursing homes.

RESTRUCTURING VA'S MEDICAL EDUCATION ROLE

Transforming VA's health care delivery system from an inpatient to an outpatient focus, increasing reliance on primary care, and integrating services in fewer hospitals require VA and medical schools to restructure their affiliation arrangements.

Since VA's medical education program began in 1946, 132 VA medical facilities have affiliated with 107 medical schools to provide training opportunities for medical students and residents. These agreements complicate VA's restructuring efforts, particularly integrating administrative and clinical services across two or more medical facilities.

VA assists in the training of health professionals for its own needs and for those of the nation through its partnerships with affiliated academic institutions. Each year, about 91,000 medical and other students receive some or all of their clinical training in VA facilities. In fiscal year 1999, VA expects to spend $750 million for education and training of health professionals.

VA also assists in supporting medical research in connection with the provision of medical care and treatment to veterans. The affiliated medical schools are an integral part of VA's research effort. For fiscal year 1999, VA expects to spend $682 million for research ($316 million from the medical and prosthetic research appropriation and $366 million in medical support from the medical care appropriation).

VA's successful transformation to a predominantly primary care model, with its consequent deemphasis of inpatient, specialty care, has direct implications on VA's education role. As previously discussed, VA's management initiatives have decreased inpatient usage by 38 percent and increased outpatient workload by 19 percent. This underscores a need to train more primary care physicians and fewer specialty physicians.

In light of these changes, VA established a Residency Realignment Review Committee and a Research Realignment Advisory Committee. In response to these committees' recommendations, VA set a goal to more equally divide resident training positions between specialty and primary care by 2002; previously, about 70 percent of residents were enrolled in specialty training and 30 percent in primary care. In doing this, VA plans to eliminate 250 specialty positions and shift another 750 to primary care. To date, VA appears on track toward meeting its goals.

As VA's transformation continues, its management initiatives should increasingly involve consolidating programs to eliminate redundancy among nearby VA facilities or the potential closing of facilities. This will, by necessity, increase the potential for conflict between medical schools' best interests and veterans' best interests.

Because VA provides a major source of medical training and research opportunities, medical schools clearly have a vested interest in VA hospitals staying open. As such, it will be difficult to achieve a proper balance between VA's primary mission—serving veterans' health care needs—and its secondary missions—supporting education and research. VA must take care to prevent stakeholders, such as medical

schools, from unduly influencing the ongoing transformation of its health care system.

At present, medical schools have concerns about potential consolidations of VA medical facilities. It seems inevitable that medical schools will need increasingly to share inpatient educational and research opportunities at a single VA facility. VA must work closely with medical schools to ensure that such restructuring is accomplished without compromising VA's efforts to improve its efficiency and effectiveness.

Maintaining Capacity to Serve Special Disabilities

VA is struggling in its efforts to address congressional concerns that it is not appropriately maintaining its level of certain high-cost specialized services as its transformation progresses.

The Congress required VA to ensure that its capacity to provide specialized treatment and rehabilitative services for veterans with certain disabling conditions is not reduced below October 1996 levels and that veterans with these conditions have reasonable access to care. The Congress identified four disabling conditions requiring specialized care: spinal cord dysfunction, blindness, amputation, and mental illness. For this requirement, VA defined mental illness to include only veterans with serious mental illness and included two additional conditions: traumatic brain injury and post-traumatic stress disorder.

VA cites a 2-percent increase in patients served as evidence that it is maintaining capacity to serve special disabilities. But this aggregate measure could mask potential adverse effects experienced by individual services and delivery locations. VA plans to develop outcome measures to reflect the overall capacity of its special disability services.

Last year, we noted that unclear service definitions and cumbersome data systems hindered VA's development of additional outcome measures. As a result, it is difficult to establish a baseline for comparison purposes, assess the accuracy of reporting at the local level, and reconcile differences among individual facilities,' networks,' and headquarters' data.[9]

To date, VA has designed functional measures for seriously mentally ill patients and patients with a primary diagnosis of substance abuse. VA, however, has generally not performed the program evaluations necessary to determine whether these are the most appropriate or sensitive measures for assessing responses to treatment and changes in health outcomes.

Until adequate outcome measures are available, VA continues to use its traditional process measurements, such as number of veterans served and resources expended, including dollars, staffing, and beds. These measures remain important indicators and should be continually reviewed.

Improving Resource Allocation

VA's new resource allocation system is improving the equity of resource allocations among networks. The system's promise for achieving equitable access may not be fulfilled, however, because of VA's inadequate oversight of how resources are allocated within networks and historical access inequities are addressed.

To improve equitable access to care, the Congress enacted legislation in 1996 requiring VA to develop a plan for equitably allocating resources to ensure that veterans with similar economic status and eligibility priority have similar access to VA health care, regardless of the region in which they live. In response, VA began implementing a new allocation process.

Previously, VA allocated resources directly to facilities on the basis of their budget for the previous year. VA's new process allocates funds to the 22 networks based on the number of veterans each serves. Networks, in turn, allocate resources to the facilities in their geographic area.

As we reported to you in September 1997, this new process is correcting longstanding regional funding imbalances that have impeded veterans' equitable access to services.[10] Over the last 2 years, funding has shifted from the Northeast and Midwest to the southern and western regions where more veterans reside. Each network has increased the number of veterans it serves, albeit to varying degrees, and improved current users' access to care.[11] VA's management efficiencies were instrumental in achieving this outcome.

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[9] *VA Health Care: VA's Efforts to Maintain Services for Veterans With Special Disabilities* (GAO/T–HEHS–98–220, July 23, 1998).

[10] *Va Health Care: Resource Allocation Has Improved, but Better Oversight Is Needed* (GAO/HEHS–97–178, Sep. 17, 1997).

[11] *VA Health Care: More Veterans Are Being Served, but Better Oversight Is Needed* (GAO/HEHS–98–226, Aug. 28, 1998).

VA, however, maintains that networks should not use its new process to allocate resources to facilities and that they should, instead, develop allocation methods appropriate to local circumstances. Such resource allocations are the crucial link in VA's allocation strategy to convert resources to services.

In spite of this enormous challenge, VA has done little to ensure that networks achieve equitable allocations. VA says that it has not provided criteria for equitable allocation of resources within networks because developing such criteria would be contrary to its reengineering philosophy, which decentralizes authority and accountability for these allocations to the network directors. In addition, VA has not adequately reviewed the equity of networks' allocations or measured improvements in the equity of veterans' access to care.

Networks we analyzed have not incorporated criteria in their allocations to improve equity in spite of historical inequities they identified. As a result, in spite of the considerable effort VA has invested in its new resource allocation process, resources may not be equitably allocated in many markets.

Monitoring networks' progress in achieving equitable access to care represents a significant challenge. Today, VA does not know what progress, if any, is being made towards equitable access to care for our nation's veterans. This is because VA has neither developed indicators needed to do so nor included equity of access as a performance goal for network managers.

Developing and implementing such indicators will be a major challenge both technically and in obtaining stakeholders' agreement. Without establishing such indicators and monitoring them, however, VA can neither assure stakeholders that equity of veterans' access is improving nor take corrective actions, if needed, to improve resource allocations.

Improving Revenue Collections

VA faces a major challenge increasing its medical care collections from third parties and veterans, as well as reimbursement from sharing agreements with the Department of Defense.

VA's collections grew slightly between fiscal years 1997 ($520 million) and 1998 ($560 million). VA's 1998 collections were about 94 percent of its stated goal. For fiscal year 1999, VA set a goal of $637.5 million. As of March 1999, collections are averaging about $46 million a month, which appears sufficient to meet VA's goal, given that collections were historically higher during the last quarters of fiscal years 1997 and 1998. VA's fiscal year 2000 budget sets a goal of about $762 million and VA expects collections to grow to more than $1.2 billion by fiscal year 2004.

VA expects such growth for three reasons. First, VA assumes that changing its medical care billing rates to reasonable charges for inpatient and outpatient procedures will increase revenues. VA, however, has neither historical data nor experience to estimate the effect of reasonable charges on revenues.

Second, VA assumes that it will increase its revenues by identifying more insured patients. However, VA finds it very difficult to keep this information current because veterans are not required to tell VA if they have insurance or when changes occur in their insured status.

Third, VA plans to improve its debt collection improvement efforts to boost revenues. In 1998, VA's Inspector General cited uncollected debt as one of VA's significant management problems. To improve medical care debt collection, VA has efforts under way to more aggressively pursue insurance claims, including timely appeals of denied claims. For example, VA is using a centralized approach to monitor claims and is exploring ways to recover debts as an offset to veterans' federal income tax refunds.

Despite a large number of sharing agreements for services between VA and the Department of Defense, several barriers are likely to inhibit effective sharing or prevent new agreements from being reached. These barriers include conflicting agency guidelines, beneficiary perceptions about sharing, and incompatible or unreliable information systems. VA and Defense have recently embarked on a joint initiative to revitalize sharing efforts at the national level for certain critical services.

In its fiscal year 2000 budget, VA again asks the Congress to authorize VA's reimbursement from the Medicare Trust Fund for medical services it provides to Medicare-eligible veterans. VA seeks this authorization anticipating that Medicare reimbursement will become an important source of revenue.

If authorized, VA's efforts to realize such revenues, without adversely affecting veterans, could pose a daunting challenge. Since VA initially proposed receiving Medicare reimbursements, it implemented a new veterans' enrollment process that has significantly increased workload. As such, VA faces considerable uncertainty about its capacity to target another patient population. Doing so could place vet-

erans' access to care at risk if this increased workload forces VA to choose between serving veterans who have Medicare and those who do not.

Implementing an Enrollment Process

VA faces a significant challenge determining how many veterans to enroll, given the uncertainties surrounding new enrollees' medical needs and VA's available resources.

The Eligibility Reform Act of 1996 required VA to establish and operate a system of annual patient enrollment to manage access to VA health care services within available resources. VA began testing an enrollment process on October 1, 1997, prior to the mandated enrollment date of October 1, 1998. At that time, VA announced its decision to enroll all veterans that apply during fiscal year 1999, that is, for enrollment priorities 1 through 7. As of December 1998, VA enrolled about 3.9 million veterans, according to VA's budget office.

VA is also challenged to assess the impact of its fiscal year 1999 enrollment decision on veterans' health care delivery. VA, for example, lacks the baseline data needed to assess the impact of its fiscal year 1999 enrollment decision on the timeliness of veterans' medical care.

During the course of our ongoing review of VA's enrollment process, almost all of VA's network directors reported that enrollment has increased demand for services. About half cited a slight increase in the waiting times to schedule both primary and specialty care appointments. Over one-third noted that access to care for higher priority veterans (priority groups 1 to 4) has been adversely affected to some extent.

Finally, several directors commented that they are experiencing increased demand by veterans whose primary care is provided elsewhere but who obtain from VA the specialty care and services not covered by their private insurance or Medicare, such as pharmaceuticals, eyeglasses, and hearing aids.

VA is assessing the cost implications of its fiscal year 1999 enrollment decision. VA's data shows that, after the first 3 months of fiscal year 1999, about $3.6 billion was spent meeting veterans' health care needs. Of this, about half was spent serving veterans in priority categories 1 to 4, and half was spent serving categories 5 to 7. Of note, veterans in category 5 accounted for about 46 percent of the $3.6 billion.

VA plans to announce its fiscal year 2000 enrollment decision by August 1, 1999. VA, however, publicly stated last month a desire to enroll all veterans who apply and to serve all enrollees in fiscal year 2000. VA's current projections show that about 4.4 million veterans could be enrolled by the end of fiscal year 1999.

VA could find this to be quite challenging because, as the following section discusses, VA's fiscal year 2000 budget does not contain sufficient funding to maintain current service levels (3.6 million veterans), unless VA's transformation produces required savings.

VA FACES A BUDGET DILEMMA IN FISCAL YEAR 2000

VA will be severely challenged to serve all veterans seeking to enroll and maintain quality of care in fiscal year 2000 with an $18.4 billion budget. This is primarily because VA's budget is based on an unduly optimistic assumption that VA's transformation will save $1.4 billion in fiscal year 2000. VA's cost estimates also may be significantly understated, given the increased enrollments over the last 6 months and considerable uncertainties surrounding veterans' medical needs.

VA estimates that $19.23 billion would be needed to maintain current service levels (3.6 million veterans) in fiscal year 2000, if no management efficiencies are realized. By contrast, VA estimates its fiscal year 1999 spending level to be $18.36 billion. This $870 million difference involves primarily payroll increases for existing employees, inflation, and other mandatory rate changes.

VA plans to use another $525 million of its efficiency savings to enhance services. Of this, $281 million will be used to: treat veterans with hepatitis C ($135 million); enhance extended care services ($106 million); and expand services for homeless veterans ($40 million). In addition, VA proposes that $244 million be used to expand its benefit package for certain veterans. VA requests congressional authorization to finance emergency care at non-VA facilities for veterans enrolled in priority categories 1 to 3. Currently, only certain veterans with special eligibility have such benefits.

To allow VA to operate within a proposed budget of $18.4 billion, VA needs to achieve management efficiencies of $1.4 billion. In general, VA estimates that initiatives could yield about $514 million in personal services savings, essentially by reducing its employment level by 8,529 full-time equivalents.

This presents a formidable challenge, given that an employment reduction goal of 8,529 is significantly higher than the reduction of 3,606 that VA achieved in 1998 or the 2,518 that VA expects to achieve in 1999. Interestingly, VA had initially set

goals of 3,978 and 2,607 in its budget requests for fiscal years 1998 and 1999, respectively.

To achieve a personal services savings goal of $514 million in fiscal year 2000, VA needs to achieve the 8,529 employment reduction before fiscal year 2000 starts, only 5 months from now. The longer VA needs to reach this goal during fiscal year 2000, the greater the number of employees that ultimately must be reduced (to meet its goal) because VA will have to spend some projected savings to pay salaries and benefits in fiscal year 2000.

VA estimates that the remaining $876 million will be achieved through nonpersonal services savings. If VA is unable to meet its employment reduction goal, it will have to increase nonpersonal services savings beyond this target level. This, too, could prove challenging, given the rapid increases in nonpersonal costs, especially medications and prosthetics.

VA's budget did not specify the nature of the management initiatives. VA's networks, however, have identified over the past year a variety of efficiency initiatives, including additional facility integrations, bed closures, and service consolidations, which reflect necessary shifts in patient care delivery practices. In most cases, these changes will require reductions in force, as well as staffing adjustments through normal attrition, in order to better configure VA's workforce to meet VA's transformation objectives.

VA's networks are currently revising their plans to develop alternative ways to realize savings of $1.4 billion in fiscal year 2000. At a recent congressional hearing, officials from three networks expressed concerns about their abilities to achieve required efficiency savings. They testified that their plans would likely include significant furloughs of workers, as well as curtailment of proposed service enhancements and delay of services when medically appropriate.

In addition, VA may need to save more than $1.4 billion because veterans' demand for medical care, as well as the numbers of veterans demanding care, may be significantly higher than VA estimated at the time its fiscal year 2000 budget was developed.

VA's budget, for example, included $135 million to expand treatment of veterans who have hepatitis C, based on an assumed prevalence rate of 5.5 percent among its veteran user population. VA data, based on a small, unscientific sample, suggests that this rate, and hence treatment costs, could be much higher. To better estimate costs, VA recently conducted a nationwide sample of veterans using VA facilities and expects results to be available shortly.

VA's budget also assumes that an additional 54,000 veterans will be served in fiscal year 2000, bringing the total served to 3.65 million. To date, 3.9 million veterans have enrolled, and VA currently estimates that 4.4 million could enroll by the end of fiscal year 1999.

VA's rapidly rising fiscal year 1999 enrollments could also increase VA's fiscal year 2000 efficiency savings requirements by $200 million or more. This is because VA plans to carry forward $216 million of fiscal year 1999 revenue collections to finance fiscal year 2000 health care costs. VA could be required to spend this potential surplus in fiscal year 1999 if newly enrolled veterans require greater-than-expected health care expenditures in fiscal year 1999.

CONCLUDING OBSERVATIONS

VA has made significant progress transforming its health care system but appears to have a long way to go before achieving its goal of operating integrated networks of VA and non-VA providers that efficiently and effectively serve veterans. VA needs to aggressively confront its pending challenges, especially capital asset and medical education restructuring, in order to maintain the impressive momentum generated during its transformation's initial years. Absent this, VA could waste billions of dollars to meet veterans' needs over the next several years.

Meeting veterans' medical needs within VA's proposed spending level will be problematic. To do so, VA needs to achieve significant management efficiencies, but has no clear sense of the true magnitude of its resource needs. To remedy this, VA needs answers to such critical questions as:

—How many veterans will enroll for VA health care in fiscal year 2000?

—How prevalent are enrolled veterans' high-cost medical needs, especially for hepatitis C?

—How many management efficiency savings will be realized in fiscal years 1999 and 2000?

—What will the Congress decide to do concerning VA's proposed benefit expansions?

VA's budget dilemma forces it to confront difficult choices concerning its fiscal year 2000 enrollment decision—namely, how many priority categories can be prudently enrolled, given the uncertainty of estimates of potential costs and available resources. VA's current data suggest that sufficient resources may not be available to serve veterans enrolling in all seven priority enrollment categories. VA's uncertainties become more manageable if VA enrolls veterans in the manner the Congress intended—namely, veterans in those priority categories for which there are sufficient resources to provide timely access to high-quality care.

We remain concerned about VA's ability to deal with such uncertainties, primarily because of VA's publicly stated desire to serve all veterans who apply for enrollment. If VA experiences significantly higher costs than it currently estimates or significantly lower efficiency savings, enrolling all veterans who apply could require VA to take actions, such as large-scale employee furloughs, that could adversely affect the quality of care for all veterans.

MEDICAL CARE MANAGEMENT EFFICIENCIES

Senator BOND. Thank you very much, Mr. Secretary.

VA expects to provide care to an additional 54,000 patients, while cutting net staffing by almost 7,000 next year. The budget says there will be $1.14 billion in management efficiencies, an additional savings of $244 million and 1,500 in FTE, if proposed legislation authorizing emergency room care is enacted.

What specific cuts to medical services, staff, and programs will be made to meet the $1.14 billion target?

Mr. WEST. We have asked for our network directors and our medical center directors to respond with proposals as to how we will meet these. I think that Dr. Kizer is just beginning to receive those responses. When he has reviewed them, he will discuss them with me, but we do not have specific information at the moment.

I know the things that we expect they will do, but you asked for specific cuts. It is true that the change in acute beds is beginning to slow down, but by the same token, there are a number of continued facility combinations, facility mergers, that still remain to be done.

I noticed in the GAO report to which you referred earlier, the GAO identified some 40 markets in which we can look what GAO considers duplication of facilities, and we have had discussions about that. I believe some of that will be reflected, as well, in what Dr. Kizer will be receiving.

Yes, it is challenging, but I believe that we will develop the plans and that we will make them work.

MEDICAL CARE BUDGET FORMULATION

Senator BOND. One thing that worries me, Mr. Secretary, is there are two ways to go about things. One is to push down from the top and say you will do this. And the other is to go from the bottom up and say what kind of efficiencies we can make, and put those together to come up with a number.

When I build a budget, I like to find out from the ground up, where we can make the efficiencies and maybe establish slightly tougher targets. I am very much concerned that this budget proposal may cause some serious disruptions.

Number one, I would like to know when we will see the specifics. I might as well turn to Dr. Kizer, and ask for Dr. Kizer's view on whether we will be able to increase patient care without degradation in the quality, within this budget, and how we are going to

meet the new demands on the budget, such as Hepatitis C and long-term care enhancements with these proposed cuts.

Mr. WEST. Let me answer the first part of your question, if I might. And that is whether we are going to push down or have them bring their plans up. You are right. It is a tendency of all of us, well, of this person in leadership, to say, "Here is what you are going to do," but that is not the way we have structured this. This is not the way that VHA, under Dr. Kizer's leadership, has made its inroads in the last three years.

The plans will start at ground level, Mr. Chairman, and will come forward from medical center directors through network directors to Dr. Kizer, and eventually to me.

Senator BOND. Dr. Kizer.

Dr. KIZER. Well, it is certainly clear that the budget, as has been stated by all, presents many challenges to the marked improvements in quality of care that have been achieved in the recent years.

Specifically, in response to your question, the plans have come in. They are in the process of being reviewed. On initial review of the plans, there are elements or proposals that are not acceptable to, at least, this person. And so, we do expect to go back and forth with the networks. And hopefully, by the end of May, we will have the level of specificity and concreteness that you desire.

HEPATITIS C

Senator BOND. Let me go back to that Hepatitis C question. That is one that bothers me. Your budget assumes that there will be a 5.5 percent prevalence in the VA patient population of Hepatitis C. Some initial studies have suggested prevalency rates may be 10 to 20 percent.

Do you have any better information on it? And what happens if the rate is 10 to 15 percent, rather than 5.5 percent?

Dr. KIZER. I believe it is well known that there is a difference of opinion between the Department and OMB on the prevalence rate of Hepatitis C among veterans. And what was in the budget reflects OMB's position. We feel that the prevalence rate is higher than that.

At the current time, data that we have would suggest that the prevalence rate is probably in the range of 8 to 10 percent. On March 17, we did testing of some 26,000 blood samples that were obtained from throughout the country. And when one adjusts that for various factors, and recognizing that the analysis is not final, the seropositivity rate is about 8 percent. I think it is 7.8 percent, with the adjustments.

When you look at all of the testing that has been done so far this year, of the approximately 30,000 tests that have been done throughout the VA, the seropositivity rate of those is about 20 percent, recognizing many of those tests were done on individuals who were known to be at risk.

So, our best data, at this point, and recognizing this database continues to evolve, is that the lower level of the range is around 8 percent. And it may well be higher than that.

Now, the other thing, just to be complete is to recognize that the standard of treatment is rapidly evolving. And what is considered

standard treatment today, includes some testing as the length of tests and the length of treatment and other things are greater today than some months ago, which does increase the cost per patient for a treatment, as well.

Senator BOND. Thank you, Dr. Kizer. That is a bit disquieting. I turn to Senator Mikulski.

Senator MIKULSKI. If I could just follow up on the Hepatitis C issue for a moment. Eight to ten percent, could you tell us, Dr. Kizer, how that compares to rates in the general population? Is it higher there? And what is the etiology of such a high percentage at the veterans facilities?

Dr. KIZER. I can tell you two things with regard to comparability to the non-VA population. One is data that is available today, which is quite limited from the general population. That data suggests that in the general population, the rate is somewhere around 1.8 or 2 percent.

Senator MIKULSKI. I am sorry. I cannot hear that. What——

Dr. KIZER. However——

Senator BOND. 1.8.

Senator MIKULSKI. 1.8.

Dr. KIZER. 1.8 to 2 percent. However, I think one has to be cognizant that is very limited data. A growing concern from the limited amount of data that has become available from under-served populations, which suggests that the rate may be considerably higher in some sub-populations within the general overall population. There just has not been adequate testing done yet of the general population to know.

Senator MIKULSKI. What is the etiology at the Veterans——

Dr. KIZER. Clearly, within the veteran population this is age linked. The higher rates of seropositivity are found in Vietnam era veterans. Whether it was related to exposure to blood during combat in Vietnam or some of the other routes that are known to transmit the disease are not entirely clear, based on scientific data at the moment.

Senator MIKULSKI. Is this also from drug abuse?

Dr. KIZER. It can occur from either intravenous or injection drug use, or from intra nasal snorting of cocaine, using straws.

Senator MIKULSKI. Well, I think—I think this is of great interest to the committee, from essentially the standpoint of epidemiology. And we will not take our hearing today to go into the entire epidemiology, but really the routes of this either—whether it was combat exposure or in combat zone exposure or whether this also comes from abusive behavior at various other points, I think, would be of interest to the committee.

TWO-YEAR SPENDING AVAILABILITY FOR MEDICAL CARE

Let me move on, though, and—and Secretary West, in your testimony there was an item on page five that goes down, that says—if you go to page five of your testimony, it says, "VA is proposing a change in appropriation language. It would provide for two-year spending availability for up to 5 percent of our resources, excluding those funds set aside due the required deferral of funds for medical equipment."

Are you asking for a two-year appropriation? This is—this really caught my eye. What does that mean, operationally?

Mr. WEST. The easy answer is yes.

Senator MIKULSKI. Sir, would you pull the microphone a bit closer?

Mr. WEST. I am sorry. The quick answer is yes, as to that proportion, up to 5 percent of our resources. Yes, we are.

Senator MIKULSKI. So, you want a two-year appropriation for 95 percent of your resources.

Mr. WEST. No. No. I think it is up to 5 percent.

Senator MIKULSKI. Oh. I got it backwards.

Mr. WEST. Up to 5 percent.

Senator MIKULSKI. I thought you were asking for 95 percent.

Mr. WEST. No. Up to 5 percent——

Senator MIKULSKI. Actually, I——

Mr. WEST. Up to 5 percent——

Senator MIKULSKI. You know, I am somebody who is interested in a two-year budget; particularly for those things that are usual and customary expenditures, as compared to special needs or special populations.

So, you would want a 5 percent.

Mr. WEST. And it is not even 5 percent of the whole. It excludes those funds that are set aside due to the required deferral of funds for medical equipment.

Senator MIKULSKI. For medical equipment.

Mr. WEST. They would not be included in the universe from which we ask the 5 percent.

Senator MIKULSKI. Okay. Can you understand why I was a little——

Mr. WEST. I do. 95 percent is a lot.

CAPITAL ASSET FUND PROPOSAL

Senator MIKULSKI. I thought it was just—yes. Now, I would also like to go to the issue—there are many issues that were related to the GAO report. I know, within the GAO report, you received many excellent kudos, really, Dr. Kizer, on efforts to transform veterans health care. And I think we are well aware of those issues, but one of which was the capital asset planning, in which you have 4,700 buildings, 18,000 acres of land, et cetera.

Do you want to—we need to really get a hand on our assets. They are recommending some type of capital asset approach. Could you tell us what that would be?

Mr. WEST. Well, I am not very clear on the GAO's interpretation of it. What our approach——

Senator MIKULSKI. What you want to do, in terms of getting your hands on your capital assets——

Mr. WEST. Yes. Well, first of all, we propose to set up a capital asset fund. One of the points that the GAO report makes is it is their belief that there is no incentive for VA to look to the disposal of assets, as it were.

That gets said in a lot of government agencies. Our response to that——

Senator MIKULSKI. Just tell us what your plan is.

Mr. WEST. Well——

Senator MIKULSKI. What are you going to do with the capital asset fund? That is—that is a phrase.

Mr. WEST. Well, its purpose is to make it easier for us to dispose of assets, rather than going through the existing governmental requirements and then for VA to put that money into a fund which we can then use for our own activities.

Senator MIKULSKI. Well, I do not understand what it means that you do not have to go through what the government normally would do. What——

Mr. WEST. Well, disposal of a capital asset is, of course, a fairly lengthy process, to include, as I recall, several different statutes. One statute makes a capital asset available for the homeless program. Another one says we have to offer these to other agencies, then to state agencies, before we can finally get to the point of disposing of it for a price.

I presume that the capital asset fund idea would allow us——

Senator MIKULSKI. Well, Mr. Secretary——

Mr. WEST [continuing]. To go more quickly through the process.

Senator MIKULSKI [continuing]. First of all, I think—well, number one, we understand that the GAO report, plus your own administrative evaluation, says there needs to be a new contemporary approach to capital asset management.

Number two, we would want you to have flexibility.

Number three, however, we want to be careful that as you move to expedite this decision making process, that VA has very clear criteria. Number one, we do not want dumping in the community.

Number two, as an example, where we have Loch Raven Hospital, that was going to be closed for the new facility downtown, that we opened some years ago. They were going to put it up for highest and best use and a lot of the kind of GSA swagger cliches.

And what happened was, because it was an integrated neighborhood, Blockbusters came through and said, "Drug clinics are coming and so on." When we stopped that, recycled it for one primary care and then an extended care rehab, one, we stabilized the neighborhood around it, but we have to be careful then, that when we are moving to, we do not have unintended negative consequences to the community near it, what this process need.

And I know my time is up, but I want to just bring to your attention, Fort Howard. Fort Howard is an aging in place infrastructure that has served the long-term care needs of Marylanders, going back to even World War I. The dedication of your staff and ingenuity around asset management has kept an old building going. That building has to go.

We now want to look at what to do. You are on prime waterfront property. We are talking about a long-term care facility. We do not want Taj Mahal-ing. But should it be a combination of new thinking, assisted living, home health care, because it is in the zip codes of veterans aging in place?

So, we want you to be able to close down a building, where just to keep it going is so difficult, but have new thinking, in a way, either to recycle your—your land or—or if you are going to dispose it, there must be, as an old city council lady, what is the consequences to the neighborhood and how that is managed. It just cannot be dumping.

Mr. WEST. Well, we agree with a process of including the community in the decision making.

Senator MIKULSKI. Right. Now, I am going to—I know other members have it. I would like you—we are going to be briefed on the Fort Howard plan. And I would like you, sir—this could be a tool for innovation and new thinking. I would like you, sir, to personally stand sentry on the Fort Howard plan to make sure that we meet the needs of aging veterans; see where there can be innovation that is both compassionate and cost effective, and that we do not have any RIFs in the process. New buildings does not necessarily dump—changing buildings does not necessarily mean changing personnel.

Senator BOND. Thank you very much, Senator Mikulski. I would like to turn to Senator Burns.

STATISTICS ON VA FACILITIES AND EMPLOYMENT

Senator BURNS. Thank you, Mr. Chairman. Boy, this is my day today. I had the Forest Service down the hall. And it has been a dandy day.

Thank you for coming this morning, Mr. Secretary. And could you tell me how many hospitals we have in this country, veterans hospitals?

Mr. WEST. Well, the number we are using is 172. I say it that way; those are medical centers. The definitions, I notice are——

Senator BURNS. Well, how many—how many——

Mr. WEST. All right.

Senator BURNS. Then, let us——

Mr. WEST. 172.

Senator BURNS. Okay. Now, does that also count your clinics?

Mr. WEST. No, sir.

Senator BURNS. How many clinics?

Mr. WEST. If you combined clinics, outpatient clinics, are about 600, with another 89 outpatient clinics in the fiscal year 2000 budget.

Senator BURNS. Okay. And long-term care facilities, nursing facilities.

Mr. WEST. 132.

Senator BURNS. 132. Okay. How many employees do you have?

Mr. WEST. Something in the neighborhood of 180,000 fulltime equivalents, I would say.

Senator BURNS. 180,000.

Mr. WEST. And that is health care, which is about 90 percent of our total.

Senator BURNS. Yes.

Mr. WEST. Total.

Senator BURNS. 90 percent of that is health care.

Mr. WEST. No. The 180,000 is 90 percent of our total. That is health care. I thought that is what you wanted. Do you want the total for the department?

Senator BURNS. Yes.

Mr. WEST. 230,000 employees.

Senator BURNS. 230,000.

Mr. WEST. It changes.

Senator BURNS. How many veterans do we have——

Mr. WEST. I'm sorry.

Senator BURNS [continuing]. In those? How many people have you got in these facilities? Let us say, how many——

Mr. WEST. What is the population?

Senator BURNS. How many people have you got in those hospitals right now?

Mr. WEST. Let me just ask Dr. Kizer. Do you have a rough estimate of what our medical center and clinic population are together?

Senator BURNS. Well, and how many—and how many people are—are using the clinics?

Dr. KIZER. Last year, we provided care, both inpatient and outpatient care to 3.4 million individuals.

Senator BURNS. Now, how many—how many in the hospitals?

Dr. KIZER. Well, on any given day, there is 20,000, plus or minus.

Senator BURNS. 20,000. Well, that is all we are taking care of today. And that is what I am doing here now.

Dr. KIZER. Well, we have, right now, in the system, around 25,000 hospital beds, and we are running an occupancy rate of around 75–80 percent. So, somewhere, 20,000, 21,000, 22,000 on any given day.

Senator BURNS. How about—how about your clinics?

Dr. KIZER. I would have to defer to the actual number that is seen——

[The information follows:]

DAILY CENSUS INFORMATION

In fiscal year 1998, VHA provided outpatient care to 3.3 million patients, generating a total of 35 million outpatient visits.

Senator BURNS. How many people—how people—how many people have you got in the nursing homes and long-term?

Dr. KIZER. In the nursing homes there is approximately 15,000 beds. And they are running 90 to 95 percent occupancy rates.

Senator BURNS. So, you have got 14,000, about, in long-term.

Dr. KIZER. 13.5 thousand, roughly for VA nursing homes.

FUNDING FOR MONTANA

Senator BURNS. We increased the dollars last year in VA, but Montana took a hit for some reason or other. And they tell me it is because we—we opened a couple of clinics; one is Glasgow and one in Billings. And that—that money siphoned off dollars that usually went to Miles City or Fort Harrison. Is that a correct statement, do you know?

Mr. WEST. I will let Dr. Kizer answer it. I would say, it is not unusual as a part of the transformation of this system that beds in medical centers are reduced as we open outpatient clinics.

So—now that is my overall answer. Do you know the specific case of that one?

Dr. KIZER. I would have to defer, but it is not unreasonable that a certain amount of money, as you reallocate to a greater number of facilities, there would be some changes of what would go to individual facilities.

TELEMEDICINE

Senator BURNS. Well, we have got a little firestorm going on out there. And so far, we have not—we have not been able get too many folks' attention on this. And I am kind of concerned about it, especially when we have got 180,000 folks trying to take care of 34,000. And it looks like there should be some—you know, some help here, coming from somewhere. That does not sound too efficient to me, if it takes that many—that many folks.

I will tell you that this is the most inefficient way. I do not know how come we are not issuing ID cards and sending them to the local hospitals in the first place, instead of—where we have got to deal with distances out there. And we have done nothing, as far as telemedicine is concerned or anything. And I would like to—I would like to see some kind of telemedicine facilities put in—in these hospitals, especially in the west, where we have got to deal with distances.

If you are going to put outpatient clinics in areas, then I think they are going to have to be able to communicate, both on a diagnostic and health care—ongoing health care problems with whatever main facility that we are operating.

I do not see any of those things happening; those innovative things that can keep us out of these busses that pick folks up and cart them 180 miles, just to get their blood pressure checked. That does not make a lot of—that does not make a lot of sense to me.

I would like to just visit with you in my office one of these days, and we can go over some of those things. This is not the place for this, because that is sort of a parochial thing that we have got in the west, Mr. Secretary.

But this is what I am looking at, right here.

[Indicating.]

Mr. WEST. I think you make good points about the use of telemedicine and other inventive, forward-looking devices that would deal with that. And I think that has been a hallmark of what Dr. Kizer's folks have undertaken. I would be glad, personally, to visit with you.

Senator BURNS. If we could take a look at that and see if we cannot make that work in some way or other, because—but I am still concerned about this little figure about how many people we have got and the facilities we have got, and then how many people who are actually using the facility today.

Mr. WEST. As I would say, again, it is not unusual that hospital beds are turning into outpatient clinics. That is the way we have been able to bring health care closer to veterans.

Dr. KIZER. Senator, I think, for the record, at least, we should make a comparison between the efficiency or the inefficiency, if you will, of VA health care to Medicare. And if you consider the capitation rate of VA health care at about $2,600 per person, and however efficient or inefficient that is, for a lesser scope of benefits and a product that does not have the same level of quality, Medicare is paying about $5,600 a year. So, that gives you at least some sense of perspective and reference. And if you want to——

Senator BURNS. Well, I will not argue that figure with you. I am just—I am saying that you have a very, very strong argument.

That is a very strong point. And I happen to agree with you on that—on that point.

So, that—I just think people ought to understand, you know, where our figures are coming from, because if there is anything that is—that is really eating our lunch, it is—I think we are—I think, somewhere in your—Mr. Secretary, in your organization, I think we are little redundant in our R&D.

What are we doing in R&D in the Veterans, that they are not doing somewhere else? I want to—someway or other, I want to help the folks out at the Armed Forces Pathological. They want to renovate out at Walter Reed.

I want to help some of those folks do that, because there is a resource there that I think needs new facilities—but I want to—there are some things I want to do that actually contribute to the support of our Armed Forces, not only in the field, but also our veterans in the same way.

I think we are a little redundant in some areas. But we will talk about that. I would like to sit down and visit with you about that sometime. If you get—if you happen to squirrel off about 15 minutes sometime, why, I would like to sit down and visit.

Mr. WEST. I will do that.

Senator BOND. Thank you very much, Senator Burns.

Senator Harkin.

PERSONNEL REDUCTIONS AND CLOSING FACILITIES

Senator HARKIN. Thank you, Mr. Chairman.

Mr. Secretary and Mr. Chairman, I am sorry I am a little late, but I understand some of the opening comments had to do with the same concerns that I have, and that is the impact of the VA medical budget on the care of Iowa veterans.

I am really becoming more and more concerned about what is happening. Our local VA medical region officials have described a $27 million shortfall in VA medical care funding for Iowa. And that is during a time of double-digit medical inflation and an aging veterans population, which I am going to get more into with you in a minute, and a flat budget request for the VA's hospitals. It is not a big surprise that we have this shortfall.

Last summer, the VA hospitals of central Iowa announced a reduction of some 94 of its hospital staff. Now, there are rumors that even more reductions are going to happen sometime soon.

With this current shortfall, the rumors are ringing even more true. And I am now hearing about the possibility of VA hospital shutdowns in Iowa. This could have a tremendous impact on veterans in our state.

And again, this $27 million medical care shortfall in my state really makes these rumors real. Recently, Mr. Secretary, you were asked at a public forum here in Washington, DC, whether the current VA medical budget will result in facilities being closed around the country. And you responded, "Not on my watch."

I appreciate that strong statement of support. But does that statement also mean that VA facilities, whether in Iowa or elsewhere in the nation, will not also see substantial reductions in personnel or service? Does it extend to that, too, or is it just for shutdowns? And I am——

Mr. WEST. I think I have an obligation to avoid giving overly categorical statements at any time. I recall—I think this was probably one of the winter meetings. And I spoke fairly specifically.

I referred, first of all, to some rumors last year that we were closing vet centers. That is the issue to which I made the comment, "Not on my watch."

With respect to closures of medical centers, medical facilities, I believe what I have said, and if not, I say it now, we have no plans to close any medical centers in this current fiscal year. Indeed, as far along as we are, there will not be any closures. And I know of no plans to close any in fiscal year 2000.

With respect to your question on reductions, no, I do not make those categorical assurances. And I say this about the whole issue of how we reform the face of VA health care, as we continue what has been, now, a five-year program, to completely transform health care from medical center based to ambulatory care. That is what we were just talking about, turning hospital beds into clinic beds.

I am going to leave it to our medical center directors, our network directors, to offer up in their areas to Dr. Kizer their best estimate, in consultation with their communities; that is, veterans there, service organizations, other interested people in those communities, how best health care can continue to be reformed and improved; getting more health care to more veterans. And in that, I put no restrictions on them, on what they can send forward, and what can be heard.

So, my answer is: No closures in 1999. I know of no plans for closures in 2000. I put no restrictions on our planners, as to how they try to manage and send forward recommendations.

And as to staffing reductions, they are already part of our budget. We are doing reductions in 1999. They will contribute to the level we must reach in fiscal year 2000 budget. I have seen a number as high as 8,000; I heard one mention 7,000; in a base of some 220,000 employees in the Department of Veterans Affairs. But I do offer this: When we do them, they will not be budget driven. They will be driven for the purpose of improving health care.

How do I say that? As we learn that we can bring health care closer to veterans, in clinics that get closer to them, that very surely will mean there will be fewer beds in major medical centers.

Now, I may have missed the origin of your point. I do not remember whether you were asking me about clinics or medical centers, but the point is, there will continue to be changes in the way health care appears in our communities across the nation, as we continue to try to improve it.

IOWA CITY VAMC STUDY

Senator HARKIN. Well, we had a study done, with the University and with the Iowa City Veterans Medical Center in Iowa City, IA.

Mr. WEST. That is a medical center.

Senator HARKIN. You are familiar with that. Well, there was a study done as to whether they were going to close it and transfer the veterans to the university hospitals. Another study showed that the VA center would save $16.6 million a year by closing its inpatient facilities, but would have to pay the university hospitals $22.4 million to care for the patients.

So, it does not look like there would be any sense in closing that and shifting over the veterans.

Mr. WEST. Well, but I hear you also saying, at one point, closing the facility, and at another time, closing the inpatient facility. This has happened in other medical centers across the country, as we look for the best way to deliver health care there.

I do not know the specific plans there. Do you know the specific plans there?

Dr. KIZER. Yes. A decision was made not to move forward there. As you know, the Iowa Medical Center has had a reduced census—quite a low census—in the last couple of years. The study was done, comparing the costs. And the decision was made to retain the services at the VA, because it was significantly cheaper than buying it across the street.

Senator HARKIN. Yes.

Dr. KIZER. In other places, we have made the converse decision.

Mr. WEST. Well, we do not make these decisions lightly.

Senator HARKIN. Let me just get into that. My time is running out.

Mr. WEST. Sir.

PROVIDING HEALTH CARE IN RURAL AREAS

Senator HARKIN. We talk about reducing population base. And I have got a running argument with some people on that. I just want to make it clear that you are right. There is a bigger population base for veterans in some other states in the nation than in Iowa; Arizona, Florida. When some veterans retire; they go down there to live.

But what you have got to start looking at is not just base numbers, but also how old these veterans are and how poor they are and how sick they are. In Iowa a lot of people who have a little bit more money, may have moved to Arizona, they may have moved to Texas, or they have moved to Florida to retire.

And what is left behind are the poorest, and the sickest, and the oldest. And those cost more money. And I do not—I just say this to you with all due respect, I do not think the VA is looking at it in those terms. I just keep hearing about a population basis.

And I tell you, you have got to start factoring in that aspect, plus as my friend from Montana said, the rural areas, where they have to travel a great distance, where they do not have the facilities right around the corner, and where, because of the high incidence of near poverty—I will not say poverty, but near poverty, where these veterans are basically living on their social security checks and that is all.

They do not have the wherewithal to just jump in the car or have someone drive them, because they are too sick to drive to the University of Iowa or to Iowa City or to the Des Moines Veterans Hospital.

So, I just want your reassurance that you are going to start taking a look at not just population base, but age, income, and health problems, all combined in that veterans community.

Mr. WEST. Senator, we have done that and will be happy, if you want to sit down outside this forum to go through some of that data, but we actually have comparisons in the different areas.

I think the most difficult issue that we find in some parts of Iowa, as well as in Vermont and a number of other places in the rural areas, where you have a low population density, but you have elderly and sick veterans who need care, is how can they get to a clinic or medical center. And this is an issue that confronts not just veterans but rural health care everywhere. We are part of that, trying to figure how to do that.

As for Iowa veterans, the acuity and the functionality of the population, the age of the population, et cetera, those things have been looked at. And we would be happy to share some of that information with you.

[The information follows:]

PROVIDING HEALTH CARE IN RURAL AREAS

VA has initiated a survey instrument to assess the health status of our patients nationwide. This instrument takes into account such factors as the patient's age, degree of illness, and area of the country in which he/she lives. We have completed initial work on this health assessment in order to establish baseline data on users of VA care. Our plan is to now extend the health assessment to all enrollees of VA care over the next several years. The health survey will also include information on health behavior such as smoking, alcohol abuse, physical activity and diet. We believe the assessment is pertinent for resource allocation decisions and as outcomes of care. For your information, we are including a recent article from the American Journal of Medical Quality which describes in great detail the Veterans Health Study thus far.

[CLERK'S NOTE.—The article from the American Journal of Medical Quality, "Health Status in VA Patients: Results from the Veterans Health Study," can be found in the subcommittee's files.]

Senator HARKIN. Well, I appreciate that, because—just one last thing, Mr. Chairman. You have indulged me. I appreciate that.

IOWA COMMUNITY-BASED OUTPATIENT CLINICS

I understand that the Iowa Veterans Office has delayed the start of the new community-based outpatient clinics, the CBOCs, in Iowa. And again, Iowa is a rural state. And I am wondering why is that happening? And if you could look into that, I would sure appreciate it.

Thank you, Mr. Chairman.

[The information follows:]

CBOCS IN IOWA

Healthcare services to rural veterans in Iowa are provided through a variety of delivery sites and arrangements. Current active CBOCs in Iowa are located in Mason City, Waterloo, and Bettendorf, with primary care services provided in Dubuque through an extension of the Waterloo clinic (see below).

Implementation plans continue on schedule for June 1999 for an approved CBOC in Galesburg, IL. No additional Iowa CBOC business plans have been submitted for approval at this time. In addition to CBOCs, complementary strategies are being utilized to provide services to veterans in rural areas of Iowa:

—Health screening and enrollment activities continue throughout the Network with more than 150 clinic sessions so far in fiscal year 1999.

—Primary care services will be provided in the Dubuque area through a traveling team based at the Waterloo CBOC. This service will begin on a part time basis with additional time being allocated if workload levels increase. Currently, VA is exploring the possibility of a lease for space in Dubuque.

—Specialty care has been expanded to rural areas of Iowa via telemedicine, and telepsychiatry connections. Currently, connections for telemedicine exist between the Iowa Veterans Home in Marshalltown and all the Iowa VAMC facilities. Telepsychiatry connections exist at the Quad Cities, Mason City, and will soon be expanded to include Fort Dodge. This technology provides increased ac-

cess to specialty care follow-up services. Additional connections via the Iowa Communications Network (ICN) are being explored across the state.

Senator BOND. Thank you very much, Senator Harkin.

Mr. WEST. Mr. Chairman, can I just say one thing about this issue of what gets reduced and what gets closed?

We should not be making these decisions—and I think we are not, but we should not be making these decisions in a vacuum here in Washington. These are the kinds of things that require community discussion. Veterans, veterans service organizations, everyone who has a role, is discussing it before they even get here.

I think, sometimes—because I know many of our directors and network directors are doing that, but sometimes when they attempt to start a discussion, it gets everybody excited, and it is back here in Washington as a decision before it has even been talked through.

We will try to make sure that on any decisions like this, the community has a role in the planning before we get to making pronouncements here in Washington. I think that is very important.

ASSET DISPOSAL

Senator BOND. Thank you, Mr. Secretary. You know, as we look at these very difficult problems that you are facing, some great philosopher, and it might have been Dr. Kizer, said that VA should not be about maintaining buildings, but about providing the best care for veterans.

Whoever said it, I think, was right. And I agree with that. And you have got some tough choices. You said there are no plans for closing any facilities in 2000.

Yet, do you agree with the assessment of the General Accounting Office that hundreds of millions of dollars are spent each year, and they suggest that billions of dollars, over five years, are going to be used to maintain unneeded buildings, unless VA takes some significant steps to begin the process of getting rid of these unneeded buildings? Would you agree with the assessment? Is that a fair calculation by GAO?

Mr. WEST. Are you——

Senator BOND. Yes. You, sir, or to whom you ever would wish to——

Mr. WEST. I think Dr. Kizer might have something he wants to say about that. And I am inclined to let him go first, but let me just say this.

How can one quarrel with the observation or the conclusion that we spend a lot of money maintaining buildings? Of course we do.

How can one quarrel with the observation that a lot of them are old? Of course they are.

And I took a glance at the report this morning. They are right.

And how can one quarrel with the observation that if some of those buildings that are tremendously old and that are big and that we pay a lot of money for overhead are standing half empty, that that is not at least something for us to look at, as we consider the changing face of the delivery of health care to veterans.

We are not going to turn aside from that. But I am also not going to make pronouncements today that, "Hey, everybody, get ready for a wave of closures."

I expect Dr. Kizer and his people to look at all of those factors, as they decide in discussions with the community and with the veterans there what we are going to do; how best we can going to continue to give health care, and even improve it, in the years ahead.

Senator BOND. That is a fair assessment. But what we are looking at, in your budget, with the needs you have, the balance between closing unneeded buildings—it is either that or it appears likely that it is furloughs, RIFs, and other drastic personnel actions. And these are not happy choices.

So, I would like to hear the solution from Dr. Kizer.

Mr. WEST. Before he speaks, I want to say one thing about what you said, Mr. Chairman. Unneeded buildings. We must——

Senator BOND. That's what they——

Mr. WEST [continuing]. First determine that they are, indeed, unneeded.

Senator BOND. Well, that was GAO's assessment. That is why I asked you if you accept the premise.

Mr. WEST. Well, I do not accept that they are unneeded, because I do not know the specific buildings. That is what we expect our people to look at and to determine.

Senator BOND. Okay. All right. Dr. Kizer.

Dr. KIZER. This is always an interesting and scintillating discussion. And I would add just a couple of points.

It is hard to argue with the rapidity of technology development and how health care has changed as a result; that when you have an infrastructure in which the average age of one's buildings is 38 years old, and when 40 percent of them are more than 50 years old, that there is certain to be substantial inefficiencies built into those, because those buildings were designed for a type of care in an era when things were done very differently than they are done today.

The difficulty that you have, and it is a political difficulty, in that people view these buildings as the personification of health care, and this leap between understanding that we can provide better health care and more health care in alternative ways, is one that communities have a very hard time coming to grips with.

And one of the things that we have, although you may not have had a chance to review it, there is a proposal out for review and comment, as we speak, for Capital Asset Realignment Committees. That would involve VA headquarters mandating that each network set up these committees that would be composed of primarily non-VA people, representing the veterans constituency, as well as some other folks, using consultants, and to look through exactly what are the service demands; what is the infrastructure that we have; where are the incongruities or the mismatches between facilities and needs, whether it be geographic site or just a physical plant in a site that may be otherwise well, and to come up with some recommendations.

I believe that people in the local communities, if they are given the full information and some time to mull it over and they have confidence, they will end up making the right choices. And the folks actually can make the tough decisions about realignment of our capital assets that may be very difficult to make politically.

MARKET ASSESSMENT PROCESS

Senator BOND. I know how difficult it is.

Mr. Secretary, prior to your tenure, this committee got into a firefight over whether a new hospital was needed in northern California. And a market assessment was done. And following the recommendation that a new hospital was not appropriate, outpatient clinics were provided instead, saving tremendous amount of capital investment and operating costs.

And I believe this committee was vindicated by our obstinacy in refusing to approve funds for a new hospital, but it was based on a market assessment.

Is that process of market assessment appropriate? You have got nine markets where there are four or more facilities. And I have gotten into some trouble before mentioning them.

I will not start that fight again today, but is a market assessment process appropriate? What resources do you need to make such assessments?

Mr. WEST. Well, I do not have the answer to the second question, but the answer to the first is: Any tool that will inform us better about how well we are delivering care is useful. And if a market assessment will do that, and GAO thinks it does—and indeed, we have done market assessments before. It has been very successful.

Senator BOND. But do you agree that market assessments are——

Mr. WEST. Any tool. Any tool that will help us to understand better what we need to do to deliver better health care is not only acceptable, but desirable.

Senator BOND. Is there any other tool, what other tool are you going to use, beside market assessments?

Mr. WEST. Well, there are all sorts of surveys. We have even done market assessments before. I do not see how I can object to market assessments.

Dr. KIZER. That process that you refer to is an inherent part of the—what I mentioned before; the Capital Assets Realignment for Enhanced Services [CARES] committees.

Senator BOND. We have not received the copy of the directive for the record. We would be interested in seeing that.

Dr. KIZER. We will get that to you today. It is a draft directive that, before it was promulgated in final form, I wanted to send it out to our various stakeholders for them to comment on it and see if we could not make it better than our first iteration.

[The information follows:]

MARKET ASSESSMENTS

In recognition of VA's responsibility as a major land holding agency to provide prudent and cost-effective management of its extensive real estate portfolio, VA is taking a number of actions aimed at maximizing the functional contribution and reducing VA's overall cost of ownership associated with the over 22,000 acres and 140 million square feet of space under our control.

To align our physical infrastructure to more effectively support the current healthcare needs of the Department, we are in the process of implementing an improved strategic planning process. To provide oversight and direction for this planning, each VISN will establish a Capital Assets Realignment for Enhanced Services (CARES) Steering Committee including membership representing veterans, the state, our affiliates, and our various missions. The CARES committee will develop semi-annual plans aimed at realigning any imbalance between VA capital assets

and veterans needs. CARES plans will itemize historical, current and projected utilization and demand for healthcare services, describe current assets, and critically review the match of assets to the VISN's current and projected future demands. The plans will further consider alternatives to current service delivery modes, and will make recommendations as to proposed reuse or reconfiguration of capital assets to more efficiently provide services to veterans [see attached draft Directive].

The Department has submitted legislation to authorize the establishment of a new five-year pilot and Capital Asset fund to significantly improve its management capabilities by encouraging and streamlining the process of converting properties we no longer need into productive assets. This proposal would allow the VA to dispose of these properties (including land, structures or any equipment associated with the property) by sale, transfer, or exchange, and to reinvest the bulk of the proceeds in more appropriate capital to benefit veterans. The Administration has also requested $10 million in appropriation to fund the administrative start-up costs of this new activity. Allowable deductions would include all costs of disposing of the asset such as site preparation, demolition, administrative expenses, etc. The pilot would raise the threshold for reporting disposals in an annual budget document from $50,000 to an amount equal to the cost of a major medical facility project (currently $4 million). For disposals under this threshold, a notice of intent would be provided to the local community and the congressional committees. Because of the resources that will directly benefit VA programs, the Department is moving quickly to establish procedures to implement this authority as an additional tool in our overall Asset Management program.

DRAFT

Department of Veterans Affairs VHA DIRECTIVE 99–XXX
Veterans Health Administration
Washington, DC 20420
April X, 1999

VETERANS HEALTHCARE CAPITAL ASSETS REALIGNMENT FOR ENHANCED SERVICES (CARES) STEERING COMMITTEES

1. *Purpose*.—This Veterans Health Administration (VHA) Directive promulgates VHA policy regarding the establishment of Veterans Integrated Service Network (VISN) Capital Assets Realignment for Enhanced Services (CARES) Steering Committees and specific minimal requirements for their membership, reports, and plans.

2. *Background*

a. Since September 1995, the veterans healthcare system has undergone a profound transformation. Illustrative of the changes are the implementation of universal primary care, a major shift from inpatient to outpatient care, and marked improvement in a variety of performance indicators. Similarly, more than half of all acute care hospital beds have been closed, bed days of care per 1,000 patients have dropped 62 percent, the percent of surgery performed on an ambulatory basis has increased from a third to more than three-fourths of all cases, and the number of patients treated has increased over 20 percent. Likewise, more than 270 new community-based outpatient clinics (CBOCs) have been planned and/or sited, 50 VA medical centers have been merged into local integrated delivery systems, and inpatient acute care has been discontinued at several VA medical centers. Myriad other service consolidations or program changes have also been completed.

b. At present, VHA owns and/or operates an extensive inventory of capital assets located in all 50 states, Puerto Rico, the Virgin Islands, Guam and Samoa. These assets include over 22,000 acres of land, 4,700 buildings, and 140 million square feet of owned or leased space at over 1,200 locations. The replacement value of building supporting VA's healthcare mission is estimated at $35 billion. The average of VHA facilities is about 38 years. Many of VHA facilities were acquired from the military and are not sited near veteran population centers. Likewise the physical infrastructure of VHA was developed at a time when the dominant method of care required inpatient admissions and relatively long lengths of stay. The standards to which these facilities were designed and constructed decades ago are, in many cases, no longer deemed appropriate or acceptable for modern healthcare.

c. In addition, the hospital or individual hospital service occupancy rates at many VA facilities today are less than needed for either efficient operation or optimal quality of care. This situation will likely worsen as current trends continue to shift more and more care to ambulatory and home settings. Perpetuating inefficient use of existing VA facilities diminishes the availability of funds that could be used to increase veteran access to care, to strengthen the service delivery capabilities of more functional VA facilities, or to otherwise enhance services for veterans.

d. As we now begin to peer into the 21st century, it is clear that new healthcare and information management technologies, combined with advances in genomics and other medical sciences, the aging of the veteran population, budget constraints, and other developments will continue to further transform the delivery of veterans healthcare.

3. *Policy*.—When visualizing VA healthcare in the 21st century, it is clear that in numerous locations, VA facilities and other capital assets are not well aligned with the location or needs of veterans. Therefore, it is imperative that each VISN begin a strategic planning process aimed at realigning imbalances or inequities between VA capital assets and veterans needs. The intent of such planning is to enhance services to veterans.

a. To be successful, this capital assets realignment for enhanced services planning process must be open and broadly inclusive of VA stakeholders and VA health plan users.

b. Likewise, to help ensure objectivity and impartiality of the process, assistance from knowledgeable outside and independent consultants is essential.

4. *Action*.—To accomplish the above noted goal, each VISN is hereby directed to convene a CARES Steering Committee by July 1, 1999. This committee shall submit to VHA Headquarters, Office of the Under Secretary for Health, a CARES Steering Committee initial report and plan by December 31, 1999, and every six months thereafter. At a minimum, the Committees' reports shall be linked to the VISN business plan and shall:

a. Review historical, current, and projected service utilization and demand for veterans healthcare services throughout the VISN and for each particular facility.

b. Describe current VISN capital assets, including all owned and leased properties/buildings and other relevant federal and/or state facilities (e.g., State Veterans Homes). This review shall include at least a description of each asset's geographic location, services provided and treatment capacity, age physical condition, convenience or access, availability of parking or public transportation, and need for renovation or repair.

c. Critically review the congruence or match between present VHA assets and the VISN's current and future projected demand for services.

d. Make recommendations for how VISN capital assets could be reconfigured or rearrayed to better meet the demand for services.

e. Consider alternatives to current service delivery modes that might allow the VISN to enhance services to veterans and/or serve more veterans.

f. Membership of the CARES Steering Committee shall be selected by the VISN director and shall consist of at least the following:

—1. a State Director of Veterans Affairs (or his/her representative);
—2. a director of a State Veterans Home (or his/her representative);
—3. three representatives from veterans service organizations or veterans advocacy groups;
—4. a dean of an affiliated medical school (or his/her representative);
—5. an Associate Chief of Staff for Research from a VA medical center;
—6. an Associate Chief of Staff for Education from a VA medical center;
—7. a representative from a state medical association;
—8. a representative from a state hospital association;
—9. a VA clinician knowledgeable about geriatrics/gerontology and long-term care; and
—10. the VISN director and Clinical Manager, who will serve as Ex Officio members.

g. The chair, vice chair and other officers of the CARES Steering Committee shall be selected by majority vote of the membership.

h. The CARES Steering Committee shall establish operating rules and policies, and shall be given an operating budget by the VISN.

i. The VISN Director may chair the first and/or second meeting of the Steering Committee until a chair is elected.

5. *Resources*.—In developing its Capital Assets Realignment for Enhanced Services Strategic Committee plan, VISNs shall consider the "Criteria for Potential Alignment of VHA Facilities and Programs" dated September 1995, A Guidebook for VHA Medical Facility Integration (1998), and other relevant internal and external reference sources.

6. *Follow-up Responsibility*.—The Chief Network Officer (10N) is responsible for the contents of this directive.

7. *Recission*.—This VHA Directive expires January 31, 2005.

KENNETH W. KIZER, M.D., M.P.H.,
Under Secretary for Health.

Senator BOND. We will give you any ideas we have. Thank you. Senator Mikulski.

Senator MIKULSKI. I would just like to give some observation on the—first of all, Dr. Kizer, I found your description of the local teams to be very informative, as well as the Secretary's comments.

Here is what I think: First of all, we are in the VA health care business. We are not in a VA real estate business. And I think the veterans will know that.

They have developed an attachment to facilities, because it has usually been very important in the community, strong volunteer base, both from veterans organizations, as well as community, but really, deep down, what they want is continuity of care. And they say they want VA to be in the health care business and less worried about the real estate business.

What I believe, because I do believe decisions must be made at the local level, though—but I do believe there needs to be national guidelines, national criteria, and national training of the people who will be organizing teams like that at the local level; and then oversight and supervision of the teams, so that you have the decision making, but you provide for local VA administrators, who will putting these teams together, because again, they have been in the VA administration business. They have not been in the real estate business.

And that is why I know Senator Bond was focusing on market assessment. And we would want the involvement of private sector or non-profit private sector in the local community; the State Economic Development Commission; in Baltimore, it might have been the Baltimore Economic Development that says, "This is—this is really the—what this asset is worth. These are other uses."

Perhaps—and I could go through a whole string of things; not creating destabilization, as well as that.

So, think about national guidelines, national criteria, and national training, oversight and supervision, and then truly not just saying Well, we are going to have a meeting with the veterans to see what they want to do.

That is important, but property is a very complex business for which there is specialties in that. So, that is one thing.

PROCESSING CLAIMS

Second, I would like to go, though, to the disability issue. And Mr. Secretary, could you tell us what is the current processing time for claims? And what is your goal? And how do you hope to achieve it?

Mr. WEST. For claims.

Senator MIKULSKI. Yes. How long does the average—from the time someone applies, what is the average length it takes to be adjudicated?

Mr. THOMPSON. Original compensation claim.

Senator MIKULSKI. Yes.

Mr. WEST. Speaking strictly about original compensation claims, Senator, that would be 198 days.

Senator MIKULSKI. I am sorry. I cannot hear you.

Mr. WEST. 198 days for original disability claims. All claims involving disabilities, of which original claims are a distinct minority, average 161 days.

Senator MIKULSKI. How could that time be reduced? And what is the goal, Mr. Secretary? We have heard these two numbers. What is your goal, sir, in terms of——

Mr. WEST. Well, in terms of time of processing, I have several goals, Senator.

First of all, when I arrived, we knew we had improved the time of processing, but I was told by my Under Secretary, Joe Thompson, as he put his new process in place in VBA, that the time of processing claims was going to lengthen for a bit, as we tried also to improve accuracy and other considerations as part of his balanced scorecard approach.

That has happened. He has put in his balanced scorecard approach. We are improving accuracy. And yes, we will try to improve timeliness, as well. But between now and, say, the end of this fiscal year, my goal is to continue to show improvement in accuracy, as well as beginning to make improvements in timeliness, as well.

I think one of the things that has happened to this department, in the past, is that we too quickly got ourselves anchored to a number of days by a certain time line.

PERFORMANCE STANDARD IN PROCESSING CLAIMS

Senator MIKULSKI. What is your performance standard, then?

Mr. WEST. If I could finish that thought. What it did was to create a problem that VBA has tried to overcome; that is throwing all your assets, all your people, and all your best thinking into just finishing fast.

Let me tell you what finishing fast can mean. It can mean that you put aside older claims. And you only treat the new ones coming in that are not too difficult. And so, you end up getting better numbers, but you are really not serving veterans better.

So, the first performance standard is servicing veterans better.

Senator MIKULSKI. What is the operational definition of that? What is the operational definition of serving veterans better? What is the operational definition of——

Mr. WEST. It is the effect of our balanced scorecard.

Mr. THOMPSON. If I might, to echo something the Secretary just mentioned, when we over-focus on speed, which we did as a department for a number of years, we start to trade off things; the accuracy of the decisions we made, the things that are not measured, and specifically phone calls.

We had higher than a 50 percent blocked call rate, which means more than half of all veterans who called us got a busy signal.

Mr. WEST. I hate to interrupt him, but you can improve the timeliness of claims if you turn off your phones and people stop answering them, and just do claims. And to some extent, that may have happened.

Go ahead.

Mr. THOMPSON. Appellate work, remands, fiduciary work; all of those things got put on the back burner, because we focused on one type of claim.

We have adopted the operational definition of a good job is saying, "You not only do it quickly, but you do it—you make the right call, you make the right decision."

As I mentioned last year, our error rate was 36 percent. We pay out billions of dollars in our programs—we are either doing a disservice to veterans or taxpayers or both when we make mistakes.

I am happy to say, although it is nothing to write home about just yet, we have reduced those by about a fourth. We have gone down from 36 to 27 percent in a year.

This is an enormously complex business. It takes years to train someone to do this job. To make adjustments in the error rates is a multi-tiered approach. It is not just simply pay more attention to what you are doing. As you mentioned, Senator, it has to do with technology. It has to do with over-complicated rules. It has to do with training. A host of issues.

We want to build this system so it is strong and is capable of delivering great service to veterans. We feel that the only way you can do that is by looking at how long it takes to do it; how accurate are you; what veterans think about it; and how efficient are you in the process.

We have established a system of measures that look at all of those things. It has taken some time to get that in place, but I am very comfortable that looking at the system, we are actually stronger than we were a year ago. I will admit that the cycle times are not good. I completely agree with your observation on that, but the system itself, from the base up, is stronger than it was.

Senator MIKULSKI. Well, there—the two basic tools, of course, are accuracy and timeliness. I mean, that is also the way they—one, the way the taxpayers would evaluate you, and second, the way the public would be.

But I feel I have been at this issue for a decade, both as chair and then ranking. Paul has a report there, where there was a GAO report in 1997. There was something in 1994. When—the NAPA report, et cetera. And we are always going to get there.

And the question is: When? How? What? Because—and when I visited VA in Baltimore, trying to do disability, they had, like, shelf upon shelf upon shelf of manual upon manual upon manual, all of which were quite cumbersome. And each case required pulling down four or five different manuals.

Certainly, there also needs to be an evaluation of the regulations, the decision making. I believe Dr. Kizer would say that there is even—since the original 1950 evaluation of what criteria went disability, et cetera. Technologies have changed. Certainly, if you can go in a hospital and you are out in one day, it does not mean you that you are still a—no patient. But disability has even been evaluated. Things that were once—just because it is chronic, does not mean that it is disabling.

I am not, again, in the rehab disability evaluation business, but there seems to me a way that we must really, by the end of this century, get our hand on this.

Mr. THOMPSON. I quite agree on the things you mentioned. The system itself was fundamentally weak and right across the board, whether you look at regulations——

RESOURCES NEEDED TO MEET GOALS

Senator MIKULSKI. Well, do you need more people? I know my time is up. Do you need more people?

Mr. THOMPSON. Yes, we do.

Senator MIKULSKI. What do you need?

Mr. THOMPSON. We have asked to move 440 people into the disability claims process. New hires, combined with transferring FTEs from other areas with VBA, will enable us to move 440 additional claims decisionmakers into the claims process.

Senator MIKULSKI. As I understand it, the Administration's budget calls for only a very modest increase in this area. Is that correct?

Mr. WEST. It calls for 164 new positions. Those new positions go directly to them. At the same time, as a result of some duties that are changing in VBA, they are getting a total of 440 claims decisionmakers. That will muscle it up.

But at the same time, Senator, I am not going to let our people say to the folks working for them, Abandon everything else you do in that office; just to get the days on those first claims shortened.

They must do the other things. For example, if they get it wrong, but get an answer out, they have still delayed the veteran getting what he is due on his claim.

We want the accuracy improved, because that deals with the most egregious problem, which is lengthy processes that go on and never end.

Senator MIKULSKI. Well, this—if I might, Mr. Chairman——

Senator BOND. Please.

WASHINGTON, DC, REGIONAL OFFICE

Senator MIKULSKI [continuing]. With your indulgence, follow up on the D.C. field office. I was very disturbed by the March—excuse me, the April 10 report by the Post that says the D.C. field office was in chaos. There was a backlog of 10,000 cases. The field office has 158 staff, down 250 of—down from, excuse me—down from—by 100, from five years ago.

Do you want to comment on this article? The 10,000 cases. These are in my Montgomery County, Prince George's County, and also the greater metropolitan area benefits.

Mr. WEST. I do want to comment. First of all, it is unacceptable. I mean, that is just the fact.

Senator MIKULSKI. What's unacceptable? The article or the D.C. field office?

Mr. WEST. No. There is nothing wrong with the article. The article is based on a report made by Under Secretary Thompson's team that went in there and reviewed it and wrote up their findings. It is our self-assessment. It identifies an unacceptable condition.

Under Secretary Thompson has several efforts underway. He has a team in place and a person on his immediate staff directly responsible for it. So, first and foremost, we found the situation. And we found it because of the new system he has put in place, whereby peers from other parts of that network went in and looked at it.

Senator MIKULSKI. Well, then, what is the plan? Now, that we have agreed that you found it and it is unacceptable, what, then, is the plan?

Mr. THOMPSON. First, to echo the Secretary, it is a serious situation there.

In the short-run, we will put the resources and the leadership in there to get control of the immediate workload situation. By this summer, we should have that under control.

Senator MIKULSKI. What does that mean? I mean, are you going to bring 500 people? Are you going to bring six people? Those are abstractions. What does—what are you really specifically talking about?

Mr. THOMPSON. Well, specifically we are——

Senator MIKULSKI. I do not mean to be terse, but I——

Mr. THOMPSON. That is fine.

Senator MIKULSKI [continuing]. Need specifics.

Mr. THOMPSON. We are bringing people in to help the regional office. We are also moving work out, temporarily, at this point, to Baltimore, Roanoke, other parts of the network, to help them bail the water out of the boat.

Senator MIKULSKI. How many people are you bringing in?

Mr. THOMPSON. We are only bringing in a handful to work in the regional office.

Senator MIKULSKI. What is a handful?

Mr. THOMPSON. About five or six and that includes managers, as well.

Senator MIKULSKI. So, the rest, then, will go on to overburden people in Baltimore, Roanoke, and so on.

Mr. THOMPSON. Well, there——

Senator MIKULSKI. You just said that when you go to solving one problem, another part collapses.

Mr. THOMPSON. The situation is this: Wherever we draw from, they need the resources. There are no flush places in the United States. Wherever we try to help, we are going to have to draw from someone who also needs the help. It is a matter of balancing priorities.

This system, in VBA has gone down farther than any of the operating lines in VA; 18 percent over the last few years, as the work has continued to build. It is important to understand that there are no magic solutions. It takes years for someone to learn the business. If I hire five people today, there——

PLANS TO SOLVE PROBLEMS AT WASHINGTON REGIONAL OFFICE

Senator MIKULSKI. I understand that. We have discussed that. Let us go to the plan here, sir.

Mr. THOMPSON. Okay. We will get the work under control this summer. In the long-term, there is a different problem and it is a chronic problem with that office. That office has traditionally served as the farm team for VA headquarters. What that means, specifically, is, as we have trained people in these very complex jobs, the temptation has been great to hire them away into VA headquarters and other areas of the government in Washington.

The grades in our regional office are not nearly as high as they are in headquarters facilities. There are probably more than 100

people in VA headquarters, who at some point in their careers, were at the Washington regional office.

Over the long haul, it is hard for them, despite——

Senator MIKULSKI. What are we——

Mr. THOMPSON [continuing]. All the other things.

Senator MIKULSKI. What are we going to do about it?

Mr. THOMPSON. That is what we are crafting now. I will be glad to sit down with you, as we decide what needs to be done.

Senator MIKULSKI. Do you now have a plan for that, sir?

Mr. THOMPSON. We have the short-term plan and we are working on the long-term solution.

Senator MIKULSKI. And what do you envision the long-term solution to be, Mr. Secretary?

Mr. WEST. It is not clear. I will have to wait and see. He has put in a team and he has a deputy on his staff directly in charge of it.

First, what we did was send in the team that told us what the story is. Now, we need a team to look at several options.

One of them, quite frankly, is to stop treating that office that way. This is no knock on the personnel in that office. The fact is, though, they are constantly retraining themselves, as their good people keep leaving.

And so, one thing to do is just allow them to grow and strengthen themselves.

Another might be to reform the mission of that office, entirely.

I do not announce that here today, but I am saying, as a long-range——

Senator MIKULSKI. You will evaluate it.

Mr. WEST. As a long-range solution, those are two of the key things to look at; to either allow them to exist there and not constantly be raided, as we need good and talented people in Central Office, so they can grow and mature. Second, we could reform their mission in some way, so that their workload is permanently assigned elsewhere. We need to work through that, Senator, before we decide which of those to do.

In the meantime, as a short-term effort, we are diverting some of that work. We are sending in a team to help those who are there with the remaining work.

Senator MIKULSKI. Well, I know that the Chairman will ask additional questions in this area. And let me say this: Number one, yes, I would like a report on the specifics of those short-term, long-term. And I know the Chairman does, as well.

In addition to that, as part of both dealing with the 10,000 case backlog there, my concern is that as you shift it to other offices in the region the temporary shift could become a permanent shift, or they themselves fall behind. I want to be sure that this truly is a short-term, time-limited one, and that the D.C. field office meet its responsibility to the constituency area to which it has been assigned, so that Roanoke does not collapse; Baltimore does not collapse; or wherever you are going, because you already said they are working under, at best, spartan circumstances or even skimpy, quite skimpy, circumstances. And I do not have the exact personnel numbers in those areas, but you know best.

[The information follows:]

PLANS TO SOLVE PROBLEMS AT WASHINGTON RO

We are providing a summary of the short-term actions we have undertaken to begin to bring the Washington Regional Office workload back under control. The more fundamental issues related to the long-term solution and the appropriate mission for the office are complex and will take additional time to resolve. We will provide the Chairman and Senator Mikulski with copies of our long term plans as they are developed.

SHORT-TERM ACTION PLAN—APRIL 1999

WASHINGTON REGIONAL OFFICE

Restructure Veterans Service Center

Recruit new Veterans Service Center Manager.

Recruit for critical positions to include: Assistant Service Center Manager, Master Rating Specialist and clerical personnel.

Define clear lines of responsibility and authority by establishing work assignments, job descriptions, and performance standards.

Establish the following operational elements with clear lines of responsibility and authority:

—2 Claims Servicing /Processing Groups

—1 Customer Service /Contact Group

—1 Claims Establishment /Mail Management Group

Centralize foreign cases to designated staff.

Stratify and assign work based on complexity level.

Mail and Folder Management

Place all mail under end product control.

Establish and strictly enforce a standard operating procedure that ensures all employees update both the Benefits Delivery Network and COVERS (Folder Tracking) systems as claims are processed.

Use experienced claims examiners to screen all authorization and rating work on the floor.

Other Actions

Detail the Veterans Service Center Manager from Oakland to evaluate and recommend changes to process.

Establish a Service Delivery Network Help Team to review and finalize all cases over six months old.

Broker claims requiring rating action to the Satellite Rating Activity in Huntington, WV and other regional offices.

Assign rating specialists to review the quality of requests for medical exams and make direct telephone inquires in the event of deficient exams.

Establish an aggressive training plan for the Veterans Service Center.

Senator MIKULSKI. And as former Secretary of the Army, you know we need to really now be able to deploy, because this is a 9–1–1 situation. We do not want it to be a permanent situation.

So, having said that, Mr. Chairman, I know you have questions. Thank you.

Senator BOND. Thank you, Senator Mikulski. And I would note that Senator Mikulski's leadership on this has been consistent throughout. And she has strongly advocated for more personnel for VBA. And I believe since I have taken over as chair of this committee, we have added more people above the OMB budget request for VBA. So, this committee is concerned about the problem. And the ranking member and I are going to continue to review that.

I have about completed my questions for this hearing. I want to touch on two areas quickly. And then I will submit a number for the record.

Senator MIKULSKI. And so will I.

MEDICAL SCHOOL AFFILIATIONS

Senator BOND. And Senator Mikulski will, as well.

With respect to academic affiliations, VA plays a critical role in the education of medical students. And I think that has already been referred to today. There are about 9,000 residency positions through affiliations with 107 medical schools.

What impacts have there been on VA's affiliation over the past several years, as VA has closed thousands of acute care beds, reduced staffing, reallocated to ambulatory care? What is the VA doing to preserve those critical relationships with affiliated universities, at the same time transitioning to a more appropriate number of residents in specialized programs? And I would address that to Dr. Kizer, I believe.

Dr. KIZER. I believe we have strengthened those affiliations and actually have become a more valuable training resource than we were before, although some of the medical schools still do not understand that. We have shifted to provide venues of care that are more typical of what is going to be utilized in the 21st century, and we have provided the opportunities for both enhancing our care, but also provided training sites for the universities that are, in general, less replete with than we are.

MEDICAL STAFFING REDUCTIONS

Senator BOND. We have heard concerns expressed about some of that. We will share those individual concerns with you. And as we also look at research facilities, particularly in Columbia, MO laboratories, we will discuss later, but I guess the last and most important question, Mr. Secretary and Dr. Kizer, given the fact that VA did not meet its FTE reductions last year and will not do so this year, you have got a much higher goal for fiscal year 2000; 8,000 work-years. That is in the budget you submitted to us.

And it appears that to meet the goal, a lot of these FTEs need to be off the payroll by October 1. At least, that is according to GAO.

How are you going to get it done? Are you looking at significant furloughs? Obviously, this is RIFs, furloughs. Normal attrition is not going to get you there. This is something that we are very much concerned about and the impact it is going to have on care and provision of services. How are you going to get there?

Mr. WEST. Actually, before he answers, I would say normal attrition or attrition of some sort can be very helpful, if we make up our minds to do it. They have 35,000 employee turnovers every year. If only five of six spaces are filled, there will be an impact. Now, I do not propose that that is the way that will happen.

Second, I saw the GAO comment. I noticed, for example, that with respect to the medical affiliations that you asked about a minute ago, they seem to think that the medical schools will cause us not to do the things we need to do; because if we do, it dries up some of the training for their specialists.

Well, GAO also said that business about having to get all of these folks off the rolls at the outset of 2000. I do not think that is true. You certainly cannot wait until the end of 2000. And the earlier you do it, the sooner you get the savings.

Indeed, Dr. Kizer wrote me a memo a while back that said before we even start on 2000, make sure we do as much as we can in 1999. So——

Senator BOND. We have a copy of that memo, I think.

Mr. WEST. Third——

Senator BOND. That was interesting.

Mr. WEST. Third, you have buy-out legislation proposed by us now. I think it has just gotten up here. I hope so. That authority will be important to us as we do this.

So, yes, from my point of view—and I know you want to hear it from Dr. Kizer's point of view—it would be a stretch, but I do not think it is, by any means, impossible.

Senator BOND. Dr. Kizer.

Dr. KIZER. The challenge is a steep one. And I can assure you that your concern is probably much less than mine. But the——

Senator BOND. I do not doubt that. I will buy that.

Dr. KIZER. The other reality that we have to deal with is the longer that it takes to initiate these reductions, the deeper the cuts have to go. That is just the basic premise of federal government personnel rules. And so, there is a need to make those changes as rapidly as possible, to minimize what might be considered the uncontrolled aspects, that would develop if they get delayed into the next year.

Mr. WEST. I think the biggest complication of the whole effort is me, Mr. Chairman. Because when proposals for RIFs come up to me, I take my time on them. I want to make sure that they really are needed and that they will not effect care to our veterans. And so, I can process them quickly, when they are justified, and it will be tough, but if we have to, we can do that.

PROTOCOL FOR PROCESSING VHA ACTIONS

Senator BOND. Item six in Dr. Kizer's memo of February 8, said, "I therefore request that we quickly establish a protocol for rapidly processing requests or actions to right-size the VHA health care system."

Is that protocol ready? Has that been done?

Mr. WEST. Well, the protocol is simply that I have assigned somebody to go get the packages when Dr. Kizer has them ready, and get them directly to me as quickly as possible. That is what that is all about. It is: How can we make sure that when VHA releases its proposal to the Secretary, that the packages do not wander around for so long that by the time they get to me personally and that I act on them, that the results are useless to the managers in the field who have been waiting for them?

And the protocol is that I have assigned someone on my staff, directly, to shepherd them from the time they leave VHA to me.

[The information follows:]

PROTOCOL FOR PROCESSING VHA ACTIONS

The Deputy Chief of Staff has been assigned the responsibility of tracking and shepherding the RIF/Staffing Adjustment packets from the time VHA recommends approval, through the formal staffing process, until it reaches the Secretary for approval. A report on the status of reduction in force requirements is maintained to assure visibility and timely processing within the Headquarters.

ADDITIONAL COMMITTEE QUESTIONS

Senator BOND. It sounds like my favorite cartoon character of old, Walt Kelly's famous Pogo. We have met the enemy.

And we will count on you to deal with that.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR BOND

POTENTIAL STAFFING EFFICIENCIES THROUGH RESTRUCTURING

Question. VA expects to provide care to an additional 54,000 patients next year, while cutting staff by 6,949. The budget says there will be $1.14 billion in "management efficiencies"—and additional "savings" of $244 million and 1,580 FTE if proposed legislation authorizing emergency room care is enacted. What specific cuts to medical services, staff and programs will be made to meet the $1.4 billion target?

Answer. In all budget years, facilities and VISNs are encouraged to continue efforts to identify potential staffing efficiencies through restructuring. Initiatives such as internal reorganizations, changes in missions and programs, elimination or reduction of services, consolidations of services or functions between two or more facilities, reallocation of workload, or redirection of staff and other resources, etc., occur at VA facilities across the system. This is a necessary part of sound, health care management that serves to improve the delivery of services to patients.

Intensified budget pressures will likely accelerate VHA's re-engineering efforts, requiring greater cost savings. If VHA is to continue its efforts in maximizing efficiencies and quality, it must have the tools required to carry them out. We believe that we must use all the available mechanisms including normal attrition, early-out authority, budget authority, RIF and staffing adjustment authority, to re-engineer our workforce, since staffing accounts for about two-thirds of VHA expenditures.

Following the release of the President's budget, the VHA networks were asked to develop plans addressing the management improvements necessary to achieve the significant savings required to operate within the proposed fiscal year 2000 budget. Those plans are currently being reviewed. In general, the plans show that we will need to continue to significantly reduce staffing and restructure our health care delivery methods. Staffing reductions would be achieved through attrition, buyouts, if approved by Congress, and, when necessary, reductions-in-force. Limitations on enrollment for lower priority veterans may also be examined. Several headquarters and field-based review teams are examining the network plans, and we will have a more complete national plan by the end of June. Finally, we will continue to reform our business processes (e.g., the purchase of medical and surgical supplies) to achieve efficiencies.

Question. Without knowing the specific cuts which are planned, how can we assess the adequacy of your budget?

Answer. Specific actions are being reviewed and a national plan should be completed sometime in June.

Question. Do you believe VA will be able to increase patient care without any degradation in the quality of care with the budget you propose?

Answer. No matter the budget level, we will ensure quality by carefully monitoring through a comprehensive performance management system. Despite flat budgets in the past, we have been able to increase the number of patients treated and outpatient visits, while simultaneously improving our quality of care performance and customer satisfaction. To become competitive in quality and service satisfaction, and to achieve necessary financial discipline, VHA has embarked on a more business-like approach to operations that forces us to take tough, but necessary actions. Our actions have resulted in significant efficiencies while we have concurrently achieved significant quality improvements.

Question. Do you agree with GAO's assertion that VA's transformation seems to have lost some of its momentum over the last 12 months?

Answer. The perceived loss of momentum reflects the expected maturation of many major VHA transformation initiatives. The early start-up phase was characterized by a flurry of escalating activities. Currently, the framework for VHA's transformation has been established. Program officials are undergoing a period of refinements to streamline and improve upon what has gone before. During the third phase of change, quality transformation will be the defining characteristic. With few exceptions, external reviewers, including the Office of the Inspector General, the General Accounting Office and independent consultants, have consistently supported the organizational directions that VHA is pursuing.

Question. Given that VA did not meet its FTE reductions last year, and will not this year, do you really believe you can meet the fiscal year 2000 projections of about 8,000 workyears?

Answer. The challenge in meeting the management efficiencies set forth in this budget is a steep one. However, we have made significant progress in the past, and we have the energy to continue. As mentioned earlier, if VHA is to continue its efforts in maximizing efficiencies and quality, it must have the tools required to carry them out. We believe that we must use all the available mechanisms including normal attrition, early-out authority, budget authority, RIF and staffing adjustment authority, to re-engineer our workforce, since staffing accounts for about two-thirds of VHA expenditures.

Question. When will these FTEs need to be off the payroll by October 1, in order to realize sufficient savings? Why were the planned FTE reductions not met for fiscal year 1998 and fiscal year 1999?

Answer. To optimally achieve the desired savings, staff reductions would occur effective October 1, 1999. In fiscal year 1998 and fiscal year 1999, Congress provided additional funding that affected VHA's overall management strategy and allowed for the retention of staff above those levels budgeted. In addition, VHA was granted authorization to carry over Medical Care Collection Funds (MCCF) collections to support medical care operations.

VA'S REQUEST TO OMB

Question. I understand that VA's request to OMB was $1.2 billion more than what is in the final President's budget. What specifically were the additional funds requested for, and why did the President deny VA's request?

Answer. The attached tables list VA's budget submission to OMB for budget authority. We respect your desire for information on the budget process, but must insist on the maintenance of open communication within the Executive Branch and my Department which requires confidentiality particularly on budget matters. If all written and oral communications made in the decision making process are subject to review and public examination, there would be an adverse effect on the candor in the opinions provided me in reaching decisions on budget matters.

BUDGET AUTHORITY NET—COMPARISON OF THE FISCAL YEAR 2000 OMB SUBMISSION TO PRESIDENT'S BUDGET REQUEST

[In thousands of dollars]

	OMB submission	President's request	Difference
DISCRETIONARY PROGRAMS			
Medical Programs:			
Medical care	17,950,287	17,306,000	−644,287
Medical care collections fund	749,141	749,141	.....
Proposed legislation	577,100	.....	−577,100
Subtotal, Medical Care	19,276,528	18,055,141	−1,221,387
Medical and prosthetic research	336,877	316,000	−20,877
Other Medical—Smoking Cessation Program Proposal	.....	56,000	56,000
MAMOE	67,896	60,785	−7,111
Total Medical Programs	19,681,301	18,487,926	−1,193,375
Construction Programs:			
Construction, major projects	135,000	60,140	−74,860
Construction, minor projects	175,000	175,000	.....
Parking revolving fund	.....	.....	.....
Capital asset fund proposal	50,000	10,000	−40,000
Grants for State homes	60,000	40,000	−20,000
Grants for State cemeteries	11,000	11,000	.....

BUDGET AUTHORITY NET—COMPARISON OF THE FISCAL YEAR 2000 OMB SUBMISSION TO PRESIDENT'S BUDGET REQUEST—Continued

[In thousands of dollars]

	OMB submission	President's request	Difference
Total Construction Programs	431,000	296,140	−134,860
Veterans Benefits Administration:			
Education loan program account	1	1	
Vocational rehabilitation loans program account	57	57	
Total Veterans Benefits Administration	58	58	
General Operating Expenses & Misc.			
Veterans Benefits Administration (GOE and Credit)	731,920	706,457	−25,463
Veterans housing benefits program fund program account	150,231	152,231	−2,000
Native American veterans housing loan program account	503	503	
Education loan program account	214	214	
Vocational rehabilitation program account	415	415	
Subtotal, Credit Reform	151,363	153,363	−2,000
Total, Veterans Benefits Administration w/ Credit	883,283	859,820	−23,463
General Administration	224,664	206,000	−18,664
Credit Reform (General Counsel):			
Veterans housing benefits program fund program account	4,727	4,727	
Native American veterans housing loan program account	17	17	
Subtotal, Credit Reform (General Counsel)	4,744	4,744	
Subtotal, General Administration w/ Credit	229,408	210,744	−18,664
Total General Operating Expenses w/out Credit	956,584	912,457	−44,127
Total, Credit Reform—Administrative	156,107	158,107	2,000
National Cemetery Administration	103,312	97,311	−6,001
Office of Inspector General	43,959	43,200	−759
Total General Operating Expenses and Misc	1,259,962	1,211,075	−48,887
Proprietary Receipts:Medical Care Collections Fund	−761,560	761,560	
Total Discretionary Programs	20,610,761	19,233,639	−1,377,122
MANDATORY PROGRAMS [1]			
Benefit Programs:			
Compensation and pensions	21,568,364	21,568,364	
COLA increase	293,300	293,300	

BUDGET AUTHORITY NET—COMPARISON OF THE FISCAL YEAR 2000 OMB SUBMISSION TO PRESIDENT'S BUDGET REQUEST—Continued

[In thousands of dollars]

	OMB submission	President's request	Difference
Proposed legislation	5,000	5,000	
Subtotal, Compensation and pensions	21,866,664	21,866,664	
Readjustment benefits	1,469,000	1,469,000	
Veterans insurance and indemnities	28,670	28,670	
Guaranteed transitional housing loan program for homeless veterans	9,600	9,600	
Veterans housing benefit program fund program account	282,342	282,342	
Total Benefit Programs	23,656,276	23,656,276	
Proprietary Receipts:			
GI Bill	−180,700	−180,700	
Post-Vietnam era veterans education account	−1,432	−1,432	
National service life insurance	−195,790	−195,790	
Proprietary Receipts from the Public	−377,922	−377,922	
Trust Funds:			
Post-Vietnam era veterans education account	3,719	3,719	
General post fund	32,351	32,351	
National service life insurance	1,050,450	1,050,450	
U.S. Government life insurance	5,220	5,220	
National cemetery gift fund	90	90	
Total Trust Funds	1,091,830	1,091,830	
Intragovernmental Transactions:			
Post-Vietnam era veterans education account	−2,287	−2,287	
National service life insurance	−1,710	−1,710	
U.S. Government life insurance			
Total Intragovernmental Transactions	−3,997	−3,997	
Total Mandatory Programs	24,366,187	24,366,187	
Total Department of Veterans Affairs	44,976,948	43,599,826	−1,377,122

[1] The mandatory program estimates were revised after the initial OMB submission by VA to reflect technical and economic assumption adjustments.

HEPATITIS C

Question. VA's budget estimates spending $250 million to treat veterans with Hepatitis C. VA now believes the prevalence rate is closer to 8–10 percent. What is the total amount needed given the revised anticipated prevalence rate?

Answer. The $250 million budget figure is based upon a prevalence rate of approximately 5.5 percent. On March 17, 1999, VA conducted a one-day national point prevalence testing activity to estimate the prevalence rate for VA patients who were having blood drawn and who agreed to be tested. This testing activity was not scientifically designed to accurately measure the prevalence in all veterans or in all VHA users. Rather, it was designed to be quick step that would verify and improve on the existing data. Anomalies in the data from this testing activity have been observed and analyzed. The measured prevalence, not considering obvious data inconsistencies, was 6.6 percent. Using 6.6 percent as a baseline, experts have estimated

the true prevalence to be 8–10 percent, at minimum, based on what is known of the inconsistencies in the data. Assuming an estimate of 8 percent, the expected rise in the cost will be between $50 and $100 million above the initial estimate.

Question. Why didn't VA do a better job sooner to estimate the prevalence rate?

Answer. The understanding of the true prevalence rates both inside and outside VA is not well documented. The VA initiative is the largest surveillance activity ever undertaken and required substantial planning and logistical coordination. No other entity has even begun to address prevalence or any other Hepatitis C-related activities as broadly or aggressively as VA.

Question. Will VA provide the treatment to all patients who would benefit?

Answer. VA will provide appropriate treatment to all patients for whom it is clinically appropriate and who wish to be treated.

ENROLLMENT

Question. Legislation enacted in 1996 required VA to create an enrollment system. Once enrolled, veterans are entitled to receive a full continuum of medical services. VA decided to allow all veterans—regardless of their income or disability status—to enroll. How many new veterans have enrolled for care who are not low-income or service-connected, and at what cost?

Answer. Priorities 6 and 7 include veterans who are not low-income or service-connected. Priority 6 veterans are mostly veterans receiving care for disorders associated with exposure to a toxic substance, radiation, or for disorders associated with service in the Gulf War or World War I and Mexican Border veterans, and compensable zero percent service-connected veterans. Priority 7 veterans are nonservice-connected veterans and zero percent non-compensable service-connected veterans with income and net worth above the statutory threshold and who agree to pay specified co-payments.

For these veterans, as of February 26, 1999, there were approximately 55,525 current enrollees in Priority 6, of which 6,281 were new to the VA system (not VA patients in fiscal year 1996—fiscal year 1998). Approximately 605,108 current enrollees are estimated to be Priority 7, which include 231,592 estimated to be enrollees new to the system. These estimates include an estimate of those veterans who currently have not been assigned a priority because they lack a current means test. Based on current data and trends, we expect 766,000 Priority 7 enrollees by the end of fiscal year 1999, 378,000 (or 49 percent) to be users. In estimating the costs for Priority 7 patients in fiscal year 1999, we applied the same relationship of part year to full year performance experienced in fiscal year 1998 to fiscal year 1999 year-to-date actuals. Through March 1998 we expended 44.1 percent of the full year, total fiscal year 1998 priority 7 costs ($311 million of $706 million). Applying that spending rate to $349 million spending to date (through March 1999), results in an estimated cost of $761 million for fiscal year 1999, an increase of $85 million over fiscal year 1998.

Question. Why did you decide to allow all veterans to enroll when funds are so tight? Aren't you risking the quality of care and the ability to provide a full benefits package to those veterans who VA is mandated to provide care to (low-income and service-connected)?

Answer. Last year, before deciding to enroll veterans through all priorities, VA weighed all the available information and carefully considered the implications of the decision. It was VA's belief that VA could provide a comprehensive package of health care services to both mandatory and discretionary veterans seeking VA enrollment. VA projections last year of the expected number of fiscal year 1999 enrollees are very close (less than 1.5 percent variance) to the actual number who have applied for enrollment this year from both eligibility groups. The marginal cost of the Priority 7 enrollees, especially those who are new to the system, are quite low, with considerable offsets from copayment and third-party payments. Fiscal year 1999 data will be used to better predict cost and utilization of this group of veterans in the future.

Question. Are any networks having problems meeting the health care needs of veterans who have enrolled?

Answer. Appointment waiting times have increased in some specialty clinics, and in some areas new users wishing to get their primary care from the VHA are being put on waiting lists for a period of time before they are taken into the system. However, at this time the VHA is maintaining its ability to provide needed acute care to all veterans as medically indicated.

Question. Will VA be able to continue providing care next year to those enrolled individuals who are not low-income or service-connected next year under the budget you have requested? If so, will there be services denied to higher priority veterans?

Answer. VA will continue to utilize both an internal VA model and an external actuary model to make these projections. An integrated analysis will be provided to VA's senior management this summer in order to assess the level of enrollment that will be supportable for fiscal year 2000. Services within VA's defined comprehensive services package will not be denied to higher priority veterans.

ASSET RESTRUCTURING

Question. There may be a real opportunity for "savings" in the health care budget by improving VA's use of its capital assets and no longer operating and maintaining unneeded buildings. GAO states that "VA's asset planning indicates that billions of dollars might be used to operate hundreds of unneeded buildings over the next five years or more." Has VA developed an estimate of how much savings could be realized by excessing unneeded space and better asset management?

I understand a commitment was made by Dr. Garthwaite to the House Veterans Affairs Committee to conduct market assessments as GAO recommends. What is the cost and the timeframe involved?

Please describe the process VA will undertake to conduct these assessments, how VA will prioritize which assessments to conduct first, and how VA will involve the community and all stakeholders in these assessments to ensure the recommendations will be viable.

Answer. VA does not have an estimate of how much savings could be realized through improved capital asset planning and management. Based on the size of the portfolio, and the significant changes in health care that are shifting care away from hospitals to outpatient settings, we do, however, expect significant savings can be achieved. To align our physical infrastructure to more effectively support the current health care needs of the Department, we are in the process of implementing an improved strategic planning process. To provide oversight and direction for this planning, it is proposed that each VISN will establish a Capital Assets Realignment for Enhanced Services (CARES) Steering Committee, including membership representing veterans, the state, our affiliates, and our various missions. The CARES committee will develop semi-annual plans aimed at realigning any imbalance between VA capital assets and veterans needs. CARES plans will itemize historical, current and projected utilization and demand for health care services, describe current assets, and critically review the match of assets to the VISN's current and projected future demands. The plans will further consider alternatives to current service delivery modes, and will make recommendations as to proposed reuse or reconfiguration of capital assets to more efficiently provide services to veterans. Note that this proposal is currently out for review and comment.

Dr. Garthwaite agreed that we should conduct the market assessments that GAO recommended and recognized the need for outside consultant support in this effort. Within funding limits, and consistent with legislative requirements and our final CARES policy, we expect to assess all the multiple market areas identified by GAO. We have estimated that the total contracting support could cost from $35–$40 million. VA may also need to modify its major construction appropriation language in order to fund this contracting support.

MEDICAL CARE COST FUND

Question. VA's budget presumes an increase of $124 million in collections from third-parties and co-payments, for a total of $761 million. Unfortunately, VA's performance has consistently lagged behind its targets. Given performance to date in fiscal year 1999, I understand VA can expect to collect just over $600 million, compared to its original estimate of $677 million, a difference of $77 million. What are the ramifications of failing to meet your target, and why is VA doing so poorly?

Answer. The collection plan is set prior to the beginning of the fiscal year, based on estimates contained in the President's budget. Many variables are considered in developing the plan and the values are determined by trending historical information and projecting forward, including anticipated workload and utilization. If collections continue at the current rate, the end-of-year projection for the MCCF fund is estimated at $579.6 million, or approximately 91 percent of the fiscal year 1999 President's Budget estimate of $637.5 million.

VA is continuing to improve on collections. Average daily collections for the month of March reached $2.3 million per day, bringing the fiscal year-to-date collections to $275.6 million. This represents a 7.5 percent increase over the same period for fiscal year 1998.

Historically, much of the MCCF goal is met during the final months of the fiscal year. Performance goals and key process measures have been set for each Network and are monitored on a monthly basis. Progress toward the MCCF goal is measured

as a part of each VISN Director's quarterly performance review. The signal has been clearly given to the VISN Directors that collections are a vital part of the Medical Care budget.

It is estimated that MCCF funds carried over from fiscal year 1998 and applied to medical care operations would offset any shortfall that may materialize in fiscal year 1999 MCCF collections. Given everything, it's disappointing to hear that VA's performance is characterized as poor. Last year, VA hit 94 percent of its target. By any other grading system that would be an "A", or excellent.

Question. According to a 1997 Coopers & Lybrand report of VA's cost recovery program, the private sector collects $3.1 million per FTE, while VA collects $151,000. Last year VA told us it was evaluating which functions could be effectively done by a contractor. What are the results of that evaluation? Given VA's performance in this area, doesn't it make sense to contract out?

Answer. VHA is currently using the services of a contractor, Trans World, for some collection activities. Trans World performs aggressive follow-up functions with insurance carriers for any VA medical center that needs assistance with follow-up collection activities. This contract has been made available to all facilities. At this time 68 facilities are using this contract.

The results of the Coopers & Lybrand study found that the issue of contracting out field-based revenue billing and collection functions is complex, and not easily addressed. There are many issues that need to be addressed prior to any additional contracting for this function, including the cost-effectiveness of:

—Contracting "back-end" functions only, (i.e., billing and collections) or entire revenue cycle (i.e., identification of insurance, coding, utilization review, and billing and collections).
—Contracting only third-party claims or 1st party debts, also (i.e., veterans' copays and per diems).
—Contracting by Network and holding the Network Director accountable, or contracting on a larger scale with national accountability.
—Whether to use VistA software or contractor provided software; if the latter, there are connectivity issues that must be addressed.
—Establishing measurable performance standards/parameters for data quality and coding and other front-end processing.
—Cost of contracting will be taken from collections and could be as much as 20 percent.

VHA has recently hired several contractors to perform audits and reviews of billing and collection functions, specifically targeting the comparison of medical record documentation with claims submitted to insurers. Results from these external reviews indicated that the medical record documentation and coding were less than optimal. VA's plan remains to contract for billing and collections. However, problems with documentation and coding of medical records must first be fixed. Actions being taken to address the issues of documentation and coding problems include the key elements of staff education and data validation. All medical centers are required to provide training on coding and documentation to clinical and coding staff, enabling VA to code both inpatient and outpatient records to meet Medicare standards. Medical Centers are being required to examine the encounter forms process, and establish a full-time compliance officer at each medical center. Each VISN Director is to establish a strong internal compliance program with internal audits to hold VISN and Medical Center management staff accountable for the data that is entered into the system.

Question. VA has cost recovery programs in each of its 172 hospitals, each employing its own methods with greatly varying degrees of success. If VA isn't going to contract out, doesn't it make sense to at least centralize functions to a few high performing hospitals? What are VA's plans to do so?

Answer. Each Network Director is responsible for the billing and collecting of third-party insurance and first-party copayments within the Network's medical centers. Some Directors have consolidated the billing and collection activities associated with third-party insurance to a consolidated collection site within their VISN. This was based upon VISN/medical center decisions in locations that had demonstrated best practice procedures for these functions. All medical centers electronically transmit the first party copayment information to the Consolidated Copayment Processing Center (CCPC) at the Austin Automation Center. Copayment statements are mass-produced and mailed from the CCPC to take advantage of high-speed printers and bulk mailing rates. In addition to the above consolidations, a national solution is being developed for electronic billing of health care payers using ANSI X12 and other national standards as mandated in the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Electronic Data Interchange (EDI) will automate submission and receipt of billing, payment, and related information through com-

puter software modules to VA Integrated Billing and Accounts Receivables software packages.

ACCESS TO SPECIALIZED SERVICES

Question. In August 1998, GAO reported that in the two networks it reviewed (Bronx and Pittsburgh), overall access to VA care had improved but access to certain specific services decreased, such as spinal cord injury care and post-traumatic stress disorder. According to the veterans' Independent Budget, several specialized outpatient PTSD programs have been closed recently. Is access to specialized (and more expensive) care declining nationally as networks work to tighten their belts? What is being done to ensure that these critical programs are appropriately supported? What does VA do nationally to monitor the provision of these critical programs which are so important to veterans?

Answer. Although there may be localized reductions in access to some programs, access at the national level is improving in all programs, except for a slight increase in waiting time for admission to the Blind Rehabilitation program. Further, these improvements in access have been achieved despite increases in the number of patients being treated in these programs.

Regarding appropriate support for these programs, the Network Directors are aware of VA's expectations regarding the special disability programs, and they participate in the special monitoring and reporting requirements, as described below. In addition, we continue to maintain special national funding for prosthetics items across the system, and this is supplemented by additional local funding as needed.

VA monitors the provision of these programs by sending to VISN offices the mid-year and full-year workload and dollar expenditures for each program at each VA facility. VISNs are asked to validate these statistics and to explain any reductions from the 1996 levels, which are congressionally-mandated to be (at least) maintained. Since April 1997, VA has issued a congressionally-mandated report detailing the results of its efforts to maintain capacity in these special disability programs.

Question. Are there performance measures for network directors to meet which directly address the need to protect specialized programs? If not, why not?

Answer. Yes, there are individual performance monitors established for the specialized programs listed in Public Law 104–262, Section 104. These specialized programs are spinal cord injury and disorder, blindness, amputations, serious mental illness, traumatic brain injury and post traumatic stress disorder. These monitors are included in the annual Report to Congress on Maintaining Capacity to Provide for the Specialized Treatment and Rehabilitative Needs of Disabled Veterans.

LONG TERM CARE

Question. According to the veterans' Independent Budget, on any given day 587,165 veterans are in need of long-term care services. VA provides only 10 percent of the estimated need. The number of veterans needing long-term care services is expected to grow by 13 percent over the next five years. What is VA's long-term care policy, and what are VA's plans to address this critical need?

Answer. VA has drafted a document, "A Strategic Plan for Long Term Care Provided by the Veterans Health Administration," which contains essential policy elements and action plans to address the long-term care needs of veterans. This draft VHA document is based on the recommendations of the Federal Advisory Committee on the Future of VA Long Term Care. The Draft Strategic Plan, which is attached, is circulating for stakeholders' comments.

A Strategic Plan for Long Term Care Provided by the Veterans Health Administration

INTRODUCTION

In serving America's veteran population, the Veterans Health Administration (VHA) is now confronted with a "demographic imperative" that the rest of American society will confront in another 15 to 20 years (i.e., a burgeoning population of elderly persons needing both acute and long-term healthcare services). Decisions that will eventually have to be made for the larger American public need to be made now for veterans.

The imminent need to provide a coherent and comprehensive approach to long-term care for veterans will severely strain the VA healthcare system and will require significant increased funding. In confronting this challenge it is important to remember that addressing this need is important both in its own right, and because it will provide critically important experience and knowledge that will be instructive

in addressing the long-term care needs of the even larger number of elderly Americans who will need such services in the not too distant future.

In fashioning a solution to the unmet long-term care needs of veterans it is important to understand that long-term care should no longer be viewed as something "extra" or an extravagant adjunct to acute healthcare. Instead, like acute care, long-term care should be viewed as a requisite part of the continuum of care that VHA provides.

Today, acute care and long-term care are both essential components of healthcare; they are merely different places along the continuum of care that should be available. This continuum of care has health promotion and disease prevention on one end and palliative or end-of-life care on the other end. And just as the services provided in hospitals have changed dramatically in the last decade, so has the role of the traditional nursing home in providing long-term care. Today, a comprehensive approach to long-term care certainly needs to include nursing home care, but also should include home care, assisted living, adult day healthcare, respite care, and other noninstitutional options. Indeed, the many different forms of both acute care and long-term care potentially available today create myriad venues of service delivery along the continuum of care.

The essentiality of providing both acute care and long-term care is recognized by the healthcare profession, families and patients. It is now time for health plans and for Congress to affirm and support this as well.

In November 1998, the Federal Advisory Committee on the Future of VA Long-Term Care, an expert group convened by the Under Secretary for Health, released its report entitled VA Long-Term Care at the Crossroads (Appendix A). The Committee, chaired by Dr. John Rowe, President and CEO of the Mt. Sinai-New York University Medical Center, recommended 24 measures to enhance VA's services to veterans in need of long-term care. Its overall conclusion was that long-term care must remain an integral part of the veterans healthcare system. The Veterans Health Administration concurs with this recommendation.

The Committee's report was widely reviewed and commented on by VHA stakeholders. Based on a review of those comments, the Report and VHA expert opinion, the following strategic action plan was prepared. This plan outlines specific actions necessary to implement the Crossroads recommendations. Taken together, this plan and the Report provide a comprehensive yet incremental approach to meeting the challenges of providing long-term care for the growing numbers of older, chronically ill veterans.

Important to note is that in this plan the term "long-term care" is defined by patient needs and not by programs. "Long-term care" as used in this plan refers to the sustained care needs of older, chronically ill and disabled patients. The "long-term care patient" has on-going need for services; however, the intensity and the nature of specific services that are required will wax and wane over time. The continuing need for services in these patients is in contrast to the patient who requires such care episodically or for brief periods of time. The particular focus of this strategic plan, therefore, is on the "long-term care patient" whose functional abilities necessitate varying but ongoing care.

Each Strategic Action Plan detailed below contains 3 parts: (1) The Federal Advisory Committee's Recommendation; (2) Stakeholders Comments, if any; and (3) the VHA recommended Action Plan to implement or otherwise actualize the recommendations.

STRATEGIC ACTIONS

DEFINING LONG-TERM CARE

Strategic Action I

1. *Report Recommendation*.—VA should maximize network flexibility in developing and restructuring its long-term care services within broad national policies.

2. *Stakeholders Comments*.—None.

3. *Action Plan*

A. Long-term care will be defined in VHA by the continuing care needs of the person, as determined by their functional status. A VHA work group will develop the criteria for use of this definition by August 1999.

B. Existing VHA policies will be reviewed, revised, rescinded, and/or replaced as necessary to support the objectives outlined in the Crossroads Report. New policies will be developed when necessary.

C. Each network will be responsible for providing long-term care services which are appropriate to the individual needs of each enrolled veteran and which are de-

fined in the basic benefit package. Separate policies will address the provision of nursing home care.

D. Each network will specifically address long-term care in its annual strategic plan.

PERFORMANCE MEASURES

Strategic Action II

1. *Report Recommendation*.—VA must create a series of financial incentives and performance measures to ensure that adequate access to long-term care services is provided to veterans.

2. *Stakeholders Comments*.—None.

3. *Action Plan*

A. VHA will incorporate measurement of the provision and quality of long-term care services into its performance measurement system. New performance measures that include non-VA and VA-provided long-term care will be implemented in fiscal year 2000.

B. The Geriatrics and Extended Care Strategic Healthcare Group (GEC/SHG) and the Performance Measures Work Group have been tasked with developing these performance measures.

LONG-TERM CARE PLANNING

Strategic Action III

1. *Report Recommendation*.—Long-Term Care Planning Model offers an objective measure of service needs. The Department should continue to refine this population-based Planning Model, using the latest available data.

2. *Stakeholders Comments*.—Comments indicated general support for the use of the Long-Term Care Planning Model. Some reviewers suggested that the model was not sensitive to ethnic and social differences, which could affect utilization.

3. *Action Plan*.—A. The GEC/SHG and the Office of Policy and Planning will provide the networks with annual long-term care need projections (for both institutional and home- and community-based care) using the recently developed Long-Term Care Planning Model. The model will be run with the latest available utilization and demographic information from the National Medical Expenditure Survey. The next Long-Term Care Planning Model report will be provided by June 1999.

Strategic Action IV

1. *Report Recommendation*.—To meet the needs of veterans who are eligible for and use VA for their healthcare needs, planning for long-term care should be based on Category A veterans.

2. *Stakeholders Comments*.—Comments show agreement that long-term care planning should be based on the Category A veteran population. There was interest in also running the Long-Term Care Planning Model using the total veteran population. This was in order to be prepared and anticipate veteran interest in accessing VHA long-term care since enrollment categories may change from year to year.

3. *Action Plan*

A. The GEC/SHG and VHA's Office of Policy and Planning will provide the report described in Strategic Action IV for the Category A (Priority Groups 1–6) veteran population.

B. Additional modeling for Category C (Priority Group 7) veterans will include an analysis of co-payments, coinsurance and insurance for long-term care. If feasible, such coverage will be initiated.

C. Networks will use data from the Long-term Care Planning Model for strategic planning for its Category A veteran population.

HOME AND COMMUNITY BASED CARE

Strategic Action V

1. *Report Recommendation*.—VA should retain its core of VA-operated long-term care services while improving access and efficiency of operations. Most new demands for care should be met through non-institutional services, contracting, and, where available, State Veterans Homes.

2. *Stakeholders Comments*.—Comments indicated general support for increased use of non-institutional services, contracting and State Veterans Home use to address a planned increase in the demand for long-term care services.

3. *Action Plan*

A. The GEC/SHG will continue to maintain its on-line long-term care service inventory by network. Each network will assure that the inventory is accurate and up-to-date.

B. Each network will include in its strategic plan the number and type of long-term care services directly operated or paid for by VA, using uniform measures of utilization. The GEC/SHG will promulgate these uniform measures by August 1999.

C. Each network will form a team of community institutional and non-institutional providers, State Directors of Veterans Affairs and/or State Veterans Home Directors to advise the network on the provision of long-term care services.

D. The GEC/SHG will produce an annual report for the Under Secretary for Health describing changes, if any, in VHA's long-term care services.

E. In order to build capacity to provide the full array of long-term care services, VHA will continue working toward resolution of multiple payer and coordination of benefits issues. Additionally, issues related to investment and program development and expansion will be resolved.

Strategic Action VI

1. *Report Recommendation*.—VA should expand options and services for home- and community-based care, making these services the preferred placement site, when clinically appropriate, for veterans needing long-term care. The service mix should be based on the care needs of the veteran population and the availability of services in local communities.

2. *Stakeholders Comments*.—None.

3. *Action Plan*.—A. VHA will provide home- and community-based services (H&CBC) as defined in the Basic Benefits Package to all enrolled veterans as appropriate to their needs. The strategy document entitled "Improving and Expanding Home and Community Based Care" (Appendix B) will provide policy guidance for network planning.

Strategic Action VII

1. *Report Recommendation*.—VA should increase its investment in home- and community-based care from 2.5 percent to 7.5 percent of VA healthcare budget.

2. *Stakeholders Comments*.—Comments indicated concern that the increase in investment of home- and community-based services could not be achieved by simply shifting funds currently available to the networks.

3. *Action Plan*

A. VHA proposed a $106 million increase in the fiscal year 2000 budget for home- and community-based long-term care. Similar increases will be proposed for the next 4 years.

B. VHA will earmark $30 million per year over the next 4 fiscal years for new and innovative models that expand H&CBC, with emphasis on community provider partnerships.

C. VHA will develop methodologies for tracking cost and utilization of H&CBC services used by long-term care patients.

D. VHA will track the quality and cost of contract care separately from VHA-operated care, for comparative purposes.

E. VHA will maintain primary care responsibility for patients receiving VHA contracted services. Funding to support additional staff, as required, will be sought.

Strategic Action VIII

1. *Report Recommendation*.—Within VA long-term care spending, the proportion of home- and community-based care and enriched housing should double—to 35 percent of total long-term care expenditures.

2. *Stakeholders Comments*.—Comments indicated concern that the increase in spending for home- and community-based services and facilitated residential living could not be achieved by simply shifting funds currently available to the networks.

3. *Action Plan*

A. See Strategic Action VII, Action Plan 3.A.

B. Budget initiatives will be developed for Facilitated Residential Living for the fiscal year 2001 budget cycle. Legislative action will be necessary to allow for payment for selected facilitated residential living programs (See Strategic Action XVI in the legislative sections).

NURSING HOME CARE

Strategic Action IX

1. *Report Recommendation*.—VA needs to maintain its three nursing home programs. Home- and community-based services cannot substitute for nursing home care for most of the veteran population. VA should use its own hospital-based nurs-

ing home beds to provide care to post-acute patients, patients who cannot be cared for in other nursing home programs, and those patients who can be cared for more efficiently in VA Nursing Homes (VANHs).

2. *Stakeholders Comments*.—Comments indicated support for maintaining the three nursing home programs and using the VHA hospital-based nursing home beds for post-acute or complex patients, or those patients who require skilled nursing care or are difficult to place in a community nursing home.

3.*Action Plan*

A. A VHA work group will develop a policy to encourage the use of VANH beds for sub-acute and short-term post-acute care for future admission of those patients who cannot return home immediately after hospitalization. This work will be completed by June 1999.

B. A major role of State Veterans Homes will be to support the long-term care needs of those veterans with sustained care needs beyond short-term and post-acute care.

C. Because of the great need for dementia care for veterans, the dementia care programs within VANHs must continue to be supported, especially where comparable programs do not exist in the community.

Strategic Action X

1. *Report Recommendation*.—VA should implement and enhance existing national policies on Community Nursing Home (CNH) placement. Length of CNH placements should be based on patient care needs, not fiscal goals.

2. *Stakeholders Comments*.—Comments indicated support for the length of CNH placements based on patient care needs. Comments also suggested a desire for clear guidance on CNH placements.

3. *Action Plan*.—A. A VHA work group will develop a policy on CNH placement, based on patient needs rather than a "one size fits all" approach to contract length. This work will build upon existing network-based efforts and will be completed by June 1999.

Strategic Action XI

1. *Report Recommendation*.—In fiscal year 1997, 12.3 percent of veterans in VANHs had lengths of stay in excess of one year. VA should take necessary steps to ensure that VANH patients who no longer require hospital-based nursing home care are properly transitioned into home- and community-based care programs. Patients who require nursing home care, and have received care for more than 1,000 days, and desire to remain in the nursing home, should be allowed to remain in the VANH.

2. *Stakeholders Comments*.—Comments revealed agreement that there is an obligation to patients who have resided in VANHs for long periods of time and are still in need of skilled nursing care. Some comments suggested the 1,000 day criteria proposed for keeping patients was arbitrary or inappropriate and instead the decision should be left up to the VAMC or VANH care team.

3. *Action Plan*.—A. VHA will promulgate a policy to allow residents of VANHs who have continuing care needs and who have had stays exceeding 1,000 days to remain as permanent residents if they chose to do so. A work group will formulate this policy by July 1999.

Strategic Action XII

1. *Report Recommendation*.—In an era of limited budgetary resources, VA should not seek funding for any new nursing home beds, except for approved projects that are justified by objective standards that include a measure of community capacity and national policy goals. Renovation projects that affect the number of beds also should be rejustified. Renovation projects that affect patient privacy and life safety issues should receive first priority.

2. *Stakeholders Comments*.—Comments indicated that a minority of reviewers thought additional VHA nursing home beds may be needed to accommodate the projected increased demand in long-term care, and this recommendation was overly restrictive.

3. *Action Plan*

A. Options for a redesigned State Home construction grant prioritization methodology will be advanced by April 1999. This effort will seek to maximize investment in new nursing home construction for veteran patients with sustained long-term care needs.

B. Enhanced Use Leasing will be encouraged to support private sector nursing home construction that will benefit veteran patients.

C. Construction of VANHs will be considered only when acceptable community or State Home resources are not available or replacement of an existing VA facility is justified by the objective standards referenced above.

COORDINATION OF CARE

Strategic Action XIII

1. *Report Recommendation*.—VA should implement its plans for the Resident Assessment Instrument/Minimum Data Set (RAI/MDS) without delay.

2. *Stakeholders Comments*.—Comments indicated concerns that appropriate technology (hardware, software, information linkages) was not in place to support this initiative.

3. *Action Plan*

A. VHA will continue its implementation of the computerized version of the RAI/MDS, commencing with VANHs in fiscal year 1999 and extending the system to long-term care patients in other settings as MDS-based instruments become available for home care, post acute care, etc.

B. VHA will continue its implementation of planned capture of long-term care contract workload in VISTA (Veterans Health Information Systems and Technology Architecture).

Strategic Action XIV

1. *Report Recommendation*.—VA should establish system-wide care coordination processes based on a comprehensive assessment of patients requiring long-term care services. A standardized core assessment, upon which VISNs or facilities can add criteria to meet individual objectives or target improvements, should be the baseline. VA should reassign and train existing staff to implement such processes.

2. *Stakeholders Comments*.—None.

3. *Action Plan*

A. A VHA work group will define an evidence-based standardized core assessment for evaluation of all enrolled patients referred for long-term care services by December 1999.

B. Existing Geriatric Evaluation Management (GEM) teams will provide the foundation for implementing such processes.

C. The RAI/MDS when fully implemented will be used to assess the continuing care needs of long-term care patients.

LEGISLATIVE ACTION

Strategic Action XV

1. *Report Recommendation*.—VA should seek legislative authority to broaden respite care in 38 U.S.C. 1720B, to include its provision in all long-term care settings.

2. *Stakeholders Comments*.—Comments indicated support for this provision but also concerns regarding adequate funding for this expansion.

3. *Action Plan*.—A. The GEC/SHG will initiate a request for new legislative authority for in-home respite care to be submitted in the next legislative cycle.

Strategic Action XVI

1. *Report Recommendation*.—VA should seek legislative authority to allow for the payment of assisted living/residential care under 38 U.S.C. 1730.

2. *Stakeholders Comments*.—Comments indicated support for this provision but also concerns regarding adequate funding for this new service.

3. *Action Plan*.—A. The GEC/SHG will initiate a request for new legislative authority for payment or co-payment of facilitated residential living (assisted living) for eligible veterans.

Strategic Action XVII

1. *Report Recommendation*.—VA should seek legislative authority to include a limited, 100 days/patient/year nursing home benefit following a period of VA hospitalization under 38 U.S.C. 1710 and 1720, notwithstanding current nursing home rules and policies.

2. *Stakeholders Comments*.—Comments indicated differences of opinion regarding this benefit. Although most reviewers agreed that nursing home care should be an integral part of the veterans health benefits package, many were concerned with the significant increase in costs that may be associated with this initiative. Other reviewers were concerned that this benefit could be counter-productive in trying to shift more long-term care to non-institutional alternatives.

3. *Action Plan*

A. The GEC/SHG will initiate a request for new legislative authority to be submitted in the next legislative cycle for this limited Medicare-like benefit. The proposal will include increase cost estimates associated with implementation of this benefit.

B. The GEC/SHG, the Office of Policy and Planning and/or the Management Decision Resource Center will complete a study to investigate implementation of a more expansive nursing home benefit, including analysis of rationale, options and cost. The funding options will include a separate long-term care "trust", insurance payments and co-payments. Results of this study will be used in proposed legislative initiatives for subsequent legislative cycles.

RESEARCH

Strategic Action XVIII

1. *Report Recommendation*.—At least 5 percent of VA's research appropriation should support health services and other research, such as rehabilitation, related to long-term care issues. Priorities for this research are:

Testing the effectiveness of VA long-term care programs and services, using cost and clinical outcomes that can be compared to the private sector;

Examining the effectiveness of clinical interventions, using long-term care services, in the treatment and management of veterans with psychiatric disorders. Nonpharmacological as well as pharmacological interventions should be included;

Comparing the effectiveness of post-acute care provided by VA to the private sector; and

Exploring the effectiveness of providing acute care services in the home.

2. *Stakeholders Comments*.—None.

3. *Action Plan*

A. The Office of Research and Development (ORD) will continue to evaluate the proportion of research devoted to long-term care, in coordination with GEC/SHG. ORD will report on its findings annually to the Under Secretary for Health.

B. Requests For Application specific to health services and rehabilitation research in long-term care should be developed and issued within six months. Priority will be given to long-term care issues noted above.

EDUCATIONAL ACTIVITIES

Strategic Action XIX

1. *Report Recommendation*.—Additional educational efforts and other collaborative ventures between long-term care and mental health program staffs are strongly encouraged.

2. *Stakeholders Comments*.—None.

3. Action Plan.—A. VHA will develop programs and training that encourage coordinated care for patients with both long-term care and mental health needs so that such patients receive care appropriate to all of their needs (e.g., the collaborative work of the Gero-Psychiatric Task Force and the Mental Health/Geriatric/Primary Care National Training Program).

Strategic Action XX

1. *Report Recommendation*.—VA should continue its leadership role in the training of physicians and associated health professions in geriatrics and long-term care. VA also should continue to utilize its expertise at GRECC and other VA sites to train VA staff in areas such as care coordination for complex patients. VA training should be supported by long-term care environments that can adequately prepare trainees for future practice.

2. *Stakeholders Comments*.—None.

3. *Action Plan*

A. VHA will initiate support for a new geriatric leadership training program in Academic Year 2000–2001.

B. VHA will continue to expand the GRECC program until there is at least one GRECC in every network by 2002. The GRECCs will continue to provide leadership in clinical care, research and training for care of frail elderly veterans.

STRATEGIC SUGGESTIONS

Strategic Idea I. Access to Care

1. *Idea*.—VA should adopt a performance measure for Access to Care which rewards networks for: Increasing their share of long-term care services to the national VA average; or maintaining their share of long-term care services, if that share is above the national average.

2. *Stakeholder Comments*.—None.
3. *Action Plan*
A. A long-term care access measure will be implemented through Strategic Action II (page 4).
B. Further refinements for measuring access to H&CBC services will be made as the capability of VISTA permits.

Strategic Idea II. Cost/Price

1. *Idea*.—VA should adopt a performance measure for Cost/Price which rewards networks for lowering the average cost of long-term care patients by 5 percent per year. This measure should be used only in conjunction with meeting the access measure above.
2. *Stakeholders Comments*.—None.
3. *Action Plan*
A. This idea is, in essence, incorporated into already established VHA goals (30–20–10 target) for reducing the cost of care. The expansion of alternatives to nursing home care will provide more opportunities for not only treating veterans in the most appropriate long-term care setting but also reducing the total cost per patient through careful care coordination.
B. The GEC/SHG will continue to monitor and report per patient costs for long-term care.

Strategic Idea III. Quality/Functional Status

1. *Idea*.—VA should develop a composite Long-Term Care Quality Index using evidence-based indicators that are realistic and measurable.
2. *Stakeholders Comments*.—None.
3. *Action Plan*
A. A Nursing Home Quality Index will be piloted in fiscal year 1999.
B. Data from the automated RAI/MDS will be used to monitor nursing home quality beginning in fiscal year 2000.
C. The RAI/MDS, or similar instrument, will be expanded to H&CBC services in fiscal year 2001.

Strategic Idea IV. Patient Satisfaction

Idea.—VA's National Customer Feedback Center should develop reliable patient satisfaction measures for veterans using long-term care services, including those in institutional settings. This program should be a high priority, and once developed, must be operated on a routine basis.
2. *Stakeholders Comments*.—None.
3. *Action Plan*
A. The GEC/SHG and the Office of Quality and Performance will continue to work with the VA National Customer Feedback Center on the technical issues intrinsic to assessing service satisfaction in elderly, debilitated and/or cognitively impaired patients.
B. Proposed patient satisfaction performance measures will be referred to the Performance Measures Work Group for approval and inclusion in VHA's performance monitoring system.
[CLERK'S NOTE.—The article "VA Long-Term Care At The Crossroads," report of the Federal Advisory Committee on the Future of VA Long-Term Care, dated June 1998 can be found in the subcommittee's files.]

VHA DIRECTIVE 98–022

NATIONAL HOME AND COMMUNITY-BASED CARE STRATEGY

1. PURPOSE

This Veterans Health Administration (VHA) Directive articulates national VHA policy and establishes a national VHA strategy that will provide the context for expanding and developing home and community-based care within each Veterans Integrated Service Network (VISN) to respond to the healthcare needs of enrolled veterans.

2. BACKGROUND

a. Home and community-based care is a vital component of an integrated healthcare delivery system. Both the healthcare industry, in general, and VHA, in particular, are placing greater emphasis on outpatient and community-based care rather than traditional inpatient care. Between 1988 and 1996 Medicare spending on home care grew from $2 to $18 billion, and the number of home healthcare agen-

cies increased from 5800 to 9000. A recent American Medical Association survey reported that for every patient in a nursing home, there are three more severely impaired patients cared for in their own homes. An estimated 20 percent of patients over age 65 have functional impairments with related home care needs, and 44 percent of all patients discharged from the hospital by primary care physicians require post-hospital medical or nursing care that cannot be provided in the home by family or friends alone.

b. In 1996, 173,000 veterans needed non-institutional home and community-based care on any given day. The Department of Veterans Affairs (VA) estimates that number will increase to 180,000 by 2005. Of the 173,000 veterans needing this level of care last year, 75,000 were Category "A" veterans. In 1996, VA met the home and community-based care needs of 8,300 Category "A" veterans daily, or 11 percent of those in need of care. The aging and disabled veteran population, with its prevalence of complex chronic illness, is creating a new balance between acute care needs and chronic, long-term healthcare care needs. New eligibility rules make it possible and necessary for VA to respond to the increasing demand for home and community-based services. The shift from episodic treatment of illness to managing the healthcare needs of an enrolled population of veterans will require innovative approaches to care. Home and community-based services must be integrated with primary, secondary and tertiary care in such a way that reliable, comprehensive healthcare is provided to veterans in an individualized, seamless, coordinated manner across settings and among providers.

c. The VHA can build on its unique experience and expertise in providing interdisciplinary, long-term home-based care to seriously chronically ill veterans as it expands home and community-based care. VA Home-Based Primary Care (HBPC) can provide a strong base for developing and coordinating an array of services for both long-term chronically ill veterans and those needing short term home care services. The VA can provide national leadership in this critical area of healthcare by developing an innovative, flexible approach to home and community-based care that is fully integrated into the healthcare system and uses resources efficiently and effectively to meet the needs of an aging and chronically ill population.

3. POLICY

a. *Objectives*.—The specific objectives of this policy are to:

(1) Provide the most appropriate care to veterans in the most appropriate setting to achieve optimal health outcomes and quality of life.

(2) Assure that a comprehensive array of high quality healthcare services are available in the community to facilitate early discharge from acute care settings, prevent avoidable hospitalizations and reduce unscheduled emergency care visits.

(3) Provide services that improve and maintain functional capacity so that the veteran may continue community-based living.

(4) Ensure that access to care is appropriate and timely.

(5) Provide for continuity of care over time and across settings by appropriately integrating an array of home and community-based services into the coordinated continuum of care provided by each VISN.

(6) Promote innovation in developing new models and approaches to home and community-based care, incorporating evaluation and research as integral components of program change.

(7) Assure accessibility, reliability and quality of all services, whether provided directly by VA or through arrangements with community providers.

(8) Provide compassionate, humane care that includes the patient and family in making informed decisions regarding the use of home and community-based services.

b. *Policy Elements*.—This policy addresses:

(1) The array of services included in a comprehensive home and community-based care strategy.

(2) Programs that deliver these services, including VA programs, non-VA programs, and new models of care.

(3) Organizational structures and processes necessary for providing coordinated, integrated and efficient home and community-based care.

(4) The strategic planning process.

c. *Array of Services*.—The flexible use of an array of coordinated services is necessary to assure that veterans receive the most appropriate care in the most appropriate setting to achieve optimal health outcomes and quality of life. A comprehensive home and community-based care strategy should include access to the following services:

(1) In-home care, including all of the following services:

(a) Short-term, post-acute, and rehabilitation services.
(b) Long-term chronic care.
(c) Palliative and end-of-life care.
(d) High-tech care, including infusion therapy.
(e) Respiratory therapy and ventilator maintenance.
(f) Mental health and psychiatric care.
(g) Personal care and homemaker services.
(h) Prosthetic services.
(2) Respite care services.
(3) Adult day healthcare services.
(4) Other community-based services (e.g., transportation, home delivered meals, telephone support, senior center programs, friendly visitors, assisted living, etc.).

d. *Programs That Deliver These Services*.—Services may be delivered directly by VA or through arrangements with non-VA community providers. The coordination and integration of a "package" of locally available services is often essential to assure timely, equitable access to the array of services necessary to successfully manage the care of veterans in the community. The following list of programs reflects both existing programs and new models that are being developed; it is not intended to be an all-inclusive list of mandated programs (see App. A for definitions).

(1) In-home Programs
(a) VA Home-Based Primary Care (HBPC);
(b) VA Spinal Cord Injury (SCI) HBPC;
(c) Medicare-Certified Home Health Agencies;
(e) Fee-Basis Home Care;
(f) Hospice (VA Hospice, Medicare-Certified Hospice, Community Volunteer Hospice);
(g) VA Homemaker/Home Health Aid Program (H/HHA); and
(h) Other community programs (e.g., those provided through Department of Rehabilitation Services, County Health Departments, Area Agencies on Aging, Department of Health and Human Services).
(2) Respite Care
(a) VA Respite Program,
(b) Hospice Respite Care, and
(c) Community Respite Care Programs.
(3) Adult Day Healthcare
(a) VA Adult Day Healthcare Programs,
(b) Contracted Adult Day Healthcare, and
(c) State Veterans Home Adult Day Healthcare.
(4) Innovative Models, Demonstrations and Pilots
(a) Program of All-inclusive Care for the Elderly (PACE).
(b) MediCaring.
(c) In-home respite.
(d) Disease management models.
(e) Enriched housing, assisted living, and community residential care.
(f) Social health maintenance organizations.
(g) Disability management models.
(h) Prevention of secondary complication models.
(i) Specialty primary care models.
(j) Rural disabilities projects (Montana and Arkansas).
(k) Telemedicine initiatives.
(l) VA initiated innovations and demonstrations such as: Care and Assistance for Rural Elders (CARE) in VISN 7, and Patient Access to Community Health (PATCH) in VISN 15, Teleheart CHF Management Program in VISN 8, and Vets Helping Vets in VISN 8.

e. *Organizational Structures and Processes*.—In order to provide reliability and continuity of care for eligible veterans over time and across settings, a sound infrastructure is essential. Organizational structures and processes must be put in place that promote the philosophy and practice of individualized, comprehensive, integrated home and community-based care. Necessary organizational processes include the following:

(1) Assessment and Referral
(a) A coordinated referral process based on standardized assessment of patient needs, including functional status;
(b) A coordinated referral process that is linked to discharge planning and continuity of care planning;
(c) Defined criteria for access to available services and programs; and
(d) A process that assures timeliness of referrals.
(2) Care Coordination

(a) Care management within the context of primary care teams and specialty care teams that also deliver primary care.
(b) Care management and/or coordination across settings and programs.
(c) Twenty-four hour, 7-day-a-week access to services and coordination of care.
(d) Patient and family participation in healthcare decisions.
(e) Streamlined care management that avoids duplication of care management functions.
(3) Evaluation and Accountability
(a) A process for determining the responsible provider and defining accountability when the patient is receiving services from more than one provider or program.
(b) Ongoing monitoring of functional status, quality of life, and other patient outcomes using standardized measures.
(c) Ongoing monitoring of customer satisfaction using standardized measures.
(d) Standards for and/or evaluation of services provided by non-VA providers.
(e) System-wide, state-of-the-art home care outcome measures.
(f) Performance standards (e.g., same-day service for durable medical equipment).
(g) Ongoing, real-time measures for continuous quality improvement of programs and services.
(h) Comparison of VA care with that provided by non-VA programs in the community.
(4) Research
(a) Support for demonstration projects for new and innovative projects and strategies, including an evaluation component;
(b) Identification of best practices, through literature reviews, case examples, existing data, primary data collection; and
(c) Identification of state-of-the art assessment and outcome measurement tools
(5) Information Systems
(a) Identification of which patients receive which services;
(b) Monitoring utilization of services across the entire continuum of care;
(c) Providing process and structure information (e.g. staff mix, patient acuity, components of service provision);
(d) Monitoring outcomes;
(e) Providing cost data; and
(f) Providing access to patient care data across sites of care.
f. *Strategic Planning Process*.—System-wide strategic planning for home and community-based care is essential at all levels. The strategic planning process should include:
(1) Identifying the strengths and weaknesses of existing programs relative to needs of the veteran population through a population-based planning model.
(2) Identifying the need for program expansion, development of new programs, modification of existing programs, and the potential for piloting innovative models.
(3) Identifying the strengths and weaknesses of relationships with community providers and developing a strategy for partnerships, sharing, and coordination of services with non-VA providers.
(4) Considering local and regional home care service contracts and purchase agreements.
(5) Achieving more efficient utilization of resources (e.g., through flexible scheduling, using state-of-the-art technology, telemedicine applications, adequate clerical support and communications equipment).
(6) Including representatives of VA home and community-based care programs, as well as experts from other areas and external stake-holders, in the strategic planning process (e.g., developing network based home and community-based care work and advisory groups).
(7) Fully integrating home and community-based services with inpatient, outpatient and ambulatory care programs and services within the context of primary care.
(8) Promoting access to and coordination with ancillary services such as laboratory, radiology, pharmacy and durable medical equipment.
(9) Collecting cost and utilization data across settings to begin to be able to compare aggregate costs for patients receiving different kinds of care and services.

4. ACTION

a. VISNs will develop, implement and regularly review strategic and tactical plans for expanding home and community-based services, including the allocation of adequate personnel, equipment and other resources.
b. The Geriatrics and Extended Care Strategic Healthcare Group will provide guidance, consultation and dissemination of information.

c. The Geriatrics and Extended Care Strategic Healthcare Group will support VISN and local leadership in all aspects of improving the provision of home and community-based care.

d. Health Services Research and Development, through the Chief Research and Development Officer, will support the evaluation of outcomes and cost-effectiveness of new models of providing home and community-based care.

f. The Office of the Chief Information Officer (19) will ensure that national data systems support home and community-based services.

5. REFERENCES

None.

6. FOLLOW-UP RESPONSIBILITY

The Office of Extended care (114) is responsible for the contents of this Directive.

7. RESCISSION

This VHA Directive expires on April 1, 2003.

ATTACHMENT A

DEFINITIONS

1. *Home-Based Primary Care (HBPC)*.—A designated HBPC is a program providing primary healthcare, delivered by an interdisciplinary team of VA staff, to functionally dependent, homebound patients. Services include medical care, nursing care and education, rehabilitation, nutritional counseling, and social work.

a. HBPC manages: long-term care patients with multiple, complex medical problems requiring prolonged intervention to maintain status and retard decline; terminally ill patients, and as resources permit, certain patients with relatively short-term problems who need skilled, high-tech health services, home training or home adaptation.

b. Medications, supplies, medical equipment, and assistance with home improvements and structural alterations are provided. Caregiver support and training are provided. Bereavement care is offered to survivors of deceased patients for up to 6 months. At affiliated medical centers, HBPC provides comprehensive training in primary care of long-term patients to medical residents, geriatric fellows and allied health professionals.

2. *Medicare-certified Home Health Agencies*.—Medicare pays for intermittent skilled nursing care, home health aide services, physical therapy, occupational therapy, speech therapy, medical social work services and durable medical equipment (with a 20 percent co-payment). Services must be provided by a Medicare-certified agency. To qualify for home care under Medicare, a patient must have at least one skilled need. Without the continuing presence of a skilled need, supportive services such as home health aide visits cease. Most Medicare home care is for relatively short-term post-acute care. However, some chronically ill recipients can receive care for long periods, i.e., those with indwelling catheters, blind diabetics, psychiatric patients requiring intramuscular medications.

3. *Fee Basis Home Care*.—The Veterans Health Administration (VHA) authorizes payment for medically necessary, skilled home care services for eligible beneficiaries on a fee for service basis. Nursing, physical therapy, occupational therapy, speech therapy, and social work are examples of allowable services. Fee Basis, except for patients in need of bowel and bladder care, does not pay for home health aide visits. The Department of veterans Affairs (VA) Clinic of Jurisdiction pays a per visit rate to the community home health agency providing care. It is possible to establish a preferred provider or negotiated rate with a community agency. The total cost of Fee Basis care for any patient cannot exceed the cost that would have been incurred if the veteran were treated in a contract nursing home during one month.

4. *Homemaker/Home Health Aide (H/HHA) Program*.—The program provides homemaker/home health aide visits to eligible beneficiaries using Contract Nursing Home funds. Expenditures for a veteran may not exceed 65 percent of the average nursing home per diem rate. Veterans enrolled in this program must be in receipt of primary healthcare from VA and will meet program criteria including the need for nursing home care.

5. *Hospice*.—Medicare, many state Medicaid programs, and some private insurance plans offer a hospice benefit to their beneficiaries. Beneficiaries waive curative treatment options in favor of palliative services: comfort care, counseling, and supportive home care visits for terminally ill individuals and their families. The pa-

tient's physician certifies an expected life expectancy of less than 6 months. Hospice provides skilled nursing, home health aide, social work, and chaplain visits. Medications for the terminal condition, durable medical equipment, and supplies are furnished. Bereavement counseling is provided to survivors of deceased patients.

6. *Adult Day Healthcare Program (ADHC)*.—ADHC is a therapeutically oriented outpatient day program that provides health maintenance and rehabilitative services to frail elderly persons in a congregate setting. ADHC is provided in a protective setting during part of a day but less than 24-hour care. Individualized programs of care are delivered by health professionals and support staff, with an emphasis on helping participants and their caregivers to develop the knowledge and skills necessary to manage care requirements in the home. Its predominant focus is a therapeutic one, directed at persons with disabling conditions and medical disorders, thus distinguishing ADHC from social day care.

7. *Respite Care*.—Respite care is a program which provides veterans with hospital or nursing home care on a short-term basis to give the caregiver a period of relief or respite from the physical and emotional burdens associated with furnishing daily care to chronically ill and disabled persons. Respite care is planned in advance for the benefit of the caregiver rather than being incidental to the provision of necessary medical care of the patient. Respite care enables the caregiver to continue in the caregiving capacity and permits the veteran to continue to live at home.

Question. Does VA have sufficient long-term capacity?

Answer. Every indicator of supply and demand for long-term care shows that VA will have sufficient capacity to meet the needs of veterans who use the VA health care system. This scenario assumes that VA will expand home- and community-based care services, contract for long-term care services, and increase the use of State Veterans Homes, where available.

Question. The recent report on long-term care, commissioned by Dr. Kizer, found that new demand for long-term care should be met primarily through non-institutional services and contracts. VA's budget proposes an increase of $106 million for extended care program enhancements. Is this adequate to meet the recommendations contained in the long-term care commission's report? What is being done specifically to implement the recommendations of the commission?

Answer. The budget reflects a first year investment toward the recommendation of the Federal Advisory Committee on the Future of VA Long-Term Care on tripling the investment in home- and community-based care over a 5-year period.

The recommendations in the Committee's report, VA Long-Term Care at the Crossroads, have been studied by VA long-term care staff and the senior leadership of VHA. Comments on the Crossroads Report have been sought from VHA stakeholders and integrated into a VHA plan. Currently, the draft Strategic Plan is circulating for review and comment. This Plan will implement the Committee's recommendations. As noted above, a copy of the draft Strategic Plan is attached.

Question. What will VA do to make more equitable access to long-term care services?

Answer. VA will improve access to long-term care by providing incentives to networks to provide more long-term care services. VA will also enhance its admission and discharge policies for VA and Community Nursing Home Care. These changes will improve access and fairness.

In the draft Strategic Plan, improved access is discussed on pages 3, 7 through 9, and 14. Pages 3 and 14 outline the action plan for performance measures on access to long-term care services. Pages 7 through 9 discuss improvements in the admission and discharge planning processes in nursing home care.

Question. What measures are being taken to ensure quality of care in VHA long-term care programs, especially for those referred to community facilities and programs?

Answer. VHA staff monitors the quality of care received for all long-term care patients, regardless of setting. For care provided off-campus, by non-VA staff, the best developed measures of quality care are found in the Community Nursing Home Program (CNH). In CNH, VA relies on a three-pronged approach to care monitoring. First, VHA staff visits the veterans in CNHs on a monthly basis. This presence sends important, positive messages to the nursing home staff and the veterans, regarding VHA's approach to caring and watching. Second, VHA uses on-line data from the Health Care Financing Administration (HCFA) to assess the quality of the nursing homes under contract. These data allow VHA staff to compare one nursing home to another over a period of time. Third, VHA staff reviews every re-hospitalization from CNHs. This review focuses on poor quality care as the reason for the patient's return to the hospital.

This approach to monitoring veterans' care highlights VA's commitment to quality long-term care. It is timely, patient-focused and incorporates information from a variety of sources.

VETERANS EQUITABLE RESOURCE ALLOCATION (VERA)

Question. In a recent report, GAO found that the two networks it reviewed had no specific criteria for allocating their resources within the network to ensure equity. GAO's testimony today says "VA has neither provided criteria for equitable allocation of resources within networks, adequately reviewed the equity of allocations, nor measured improvements in equity of veterans' access to care." Why? How would you assess the success of VERA in achieving real equity of access?

Answer. The VA philosophy concerning network allocations to facilities is to continue balancing oversight with flexibility. VA does not want to dictate how each network should fulfill its responsibilities, and we believe that this philosophy has been effective in network implementation. Nevertheless, in fiscal year 1999, VA added a criterion in the "network allocation principles directive" that stated the equity of resource allocations to facilities should be achieved, but the directive does not prescribe how this should be done. That is, VA continues to allow networks the flexibility they need to meet local needs. Although the GAO report states that headquarters did not review the network allocations methodologies and equity of allocations in the past, VA has in fact completed these reviews. VA will continue to review the network allocation plans and methodologies to assure equitable resource allocation within networks.

VERA equitably allocates funds across networks and was created to support VA's goals of:

—Treating the greatest number of veterans having the highest priority for health care.
—Allocating funds fairly according to the number of veterans having the highest priority for health care.
—Recognizing the special health care needs of veterans.
—Creating an understandable funding allocation system that results in having a reasonably predictable budget.
—Aligning resource allocation policies to the best practices in health care.
—Improving the accountability in expenditures for research and education support.
—Complying with the congressional mandate.

VERA achieves these objectives and, at the same time, strikes a balance between simplifying resource allocation and recognizing the complexities of the veterans' health care system. VERA equitably distributes funds across networks according to the number of veterans actually served by VA and promotes efficiency gains through the use of national prices. The VERA system was developed in response to a congressional mandate in Public Law 104–204. Independent reviews by the General Accounting Office and Price Waterhouse Coopers, LLP have validated the model as meeting the intent of Congress. Price Waterhouse Coopers, LLP found that VERA equitably distributes funds across networks and that VERA focuses funding on the highest priority veterans using the VA health care system. VA achieves equity of access because funding is based on high priority veterans through the VERA Basic Care workload measure, which includes Category A veterans only, and the Complex Care workload, which provides significantly higher resources for patients with special or long-term needs.

Question. GAO also raised concerns as to whether VA headquarters had adequate, timely data to ensure effective oversight.

Answer. Collecting timely, accurate, and meaningful data from VHA's national databases is critical to the decision making process. The availability of this information directly supports the performance measurement, outcome assessment, and oversight activities of VHA. In addition, data quality is integral to VHA's efforts to provide excellence in health care and figures prominently in Dr. Kizer's Journey for Change and related documents.

In order to improve the timeliness and availability of information, VHA issued Change 2 to Directive 96–079 (Closeout of the Veterans Health Administration Corporate Data Files) on March 5, 1999. This directive changed the file closeout dates of all patient treatment information to provide more timely data for the Veterans Equitable Resource Allocation (VERA) system, health care planning and statistical purposes, and for the Secretary of Veterans Affairs' Annual Report to Congress.

A comprehensive overview of key VHA data quality issues was instituted in early fiscal year 1999. As part of this effort, a VHA steering committee conducted a Data

Quality Summit in December 1998. The summit participants recommended six initiatives to address data quality in VHA. They are:

—Form a Data Quality Council to Provide Leadership
—Define a Standards Process
—Define and Implement Local Accountability for Data
—Establish On-going Employee Education, Training, and Communication
—Programs for VHA Data Users
—Provide Patients with Access to their Data

Workgroups have been formed to address each initiative, and all workgroups have met to determine priority items on which to focus. These efforts provide a foundation for VHA's continuing process to improve the quality, availability, and accuracy of information that supports the decision process.

In order to provide a VISN-level management tool, the VHA Decision Support System (DSS) Steering Committee has just completed a test of four national measures. Based on the outcome of these tests, recommendations regarding standardization and data quality will be forwarded to the National Leadership Board for its consideration on May 18, 1999.

Question. What oversight functions does VHA currently conduct, and what is VA doing to improve its oversight of the field, and in particular improve its data collection systems so that VA can monitor changes in access to care?

Answer. Public Law 104–262 required, among other things, that VA maintain its capacity to treat certain classes of specially-disabled veterans. VA produces an annual Capacity Report, for which numerous access measures were developed and are reported on. The Capacity Report calls specific attention to changes in access to care.

Currently, VHA assesses waiting times for primary care clinic appointments in annual patient feedback surveys, and the results are shared with the field. Plans are underway to expand monitoring to include the length of time it takes to obtain a specialty clinic appointment. Interest in such a measure is driven by concerns that the increase in access due to additional community-based clinics, along with the increased efficiencies of primary care, will raise the demand for specialty clinic care. If the demand for specialty clinic care, indeed, does increase, one would expect to see increases in the time it takes to obtain an appointment. VHA is currently developing requisite software capability that will capture data on specialty clinic waiting time.

As indicated earlier, the file closeout dates were changed for all patient treatment information to provide more timely data. In addition, data quality is likely to improve in response to the initiatives undertaken in response to the Data Quality Summit described previously.

Question. Why doesn't VA have a performance measure for network directors that directly addresses the need to improve equity of access?

Answer. Equity of access means different things to different people-patients and stakeholders alike; there needs to be a better understanding of what this term entails and what are the expectations. For example, some view equity of access as meaning that all health care services should be available at all VA facilities. Others feel that all care should be available to patients via VA or contract services, and still others believe that equity translates to geographic distance or time involved in accessing care. Fundamentally, however, VHA's reorganization into VISNs was part of an effort to empower local management (i.e., VISN Directors) to determine the extent of services required and requested by patients as well as the amount of resources allocated to these services. Each VISN has improved that by virtue of establishing CBOCs. Each of the 22 VISNs has established at least three CBOCs and the total number of CBOCs approved between March 1995 and January 1999 is 272; these actions affirm VHA's commitment to improving equity of access, as defined by geographic points of availability.

QUALITY MANAGEMENT

Question. Concerns also have been raised about the lack of guidelines put out to the field in the area of quality management. The IG has recommended a national set of QM guidelines as there is a great deal of variation in individual hospitals in their approach to quality management. Will VA follow these recommendations? If so, when?

Answer. We concurred with the IG recommendation regarding establishing quality management guidance for use at all VHA operating levels. The Office of Performance and Quality will establish a process that will include a work group of senior Headquarters and field quality management specialists to recommend the specific scope of content that should be included in the guidance and to suggest the most

effective ways to expedite field access to the guidance. Following approval of the work group's recommendations, a detailed action plan for development and implementation of a field reference tool, including completion timelines, will be initiated. The process will be underway in this fiscal year.

ACADEMIC AFFILIATIONS

Question. VA plays a critical role in the education of medical students. Since 1946 VA has had affiliations with medical schools, and currently supports about 9,000 residency positions through affiliations with 107 medical schools. VA has eliminated 560 subspecialty medical resident positions in the last two years, consistent with recommendation of a residency review realignment commission. What has been VA's strategy with respect to deciding where (e.g. which particular hospitals) to eliminate these positions, and what effect have these reductions had on VA's relationship with its affiliates?

Answer. VISN targets for residency realignment were developed based on the Residency Realignment Review Committee's (RRRC) recommendations. Goals were based on the historical allocation of resident positions among facilities and projected RRRC Categories I–IV rates applied to each VISN. In September 1996, each VISN was notified of its realignment goals for medical resident positions for Academic Year 1997–1998 and beyond. Each VISN was asked to develop a plan for medical resident allocations that took into account the goals and objectives for VHA's realignment of graduate medical education set forth by the RRRC. Networks were asked to make their plans based upon a review of the respective VISN health care delivery plans, the historical allocation among facilities and relationships with academic affiliates, and the specific goals for distribution between generalists and specialists positions.

Each Network Director convened a Network Education Committee made up of representatives of VHA and academic affiliates that advised the Network Director on residency allocations within the VISN. These discussions led to the creation of new generalist residency positions where they best served VHA and affiliates training programs and a pruning process for the most vulnerable residency programs.

VHA's change strategy has emphasized alignment of excellent patient care with training of future health professionals. In this regard, VHA has provided important leadership for its academic partners during these times of great change that affects all of health care. The future health care environment will be very different from today's. In implementing the additional 50 percent reduction in specialty positions this year, the challenge was to downsize specialty programs while concomitantly developing additional primary care training opportunities. We view this challenge as an opportunity to both improve the health care of veterans and the education of future physicians.

Not surprisingly, changes in VHA's training strategies have produced understandable anxiety and resistance from some of our affiliates. The response of individual medical centers has been heterogeneous. In the aggregate, though, I believe that VHA has been sensitive to the effect of its changes, and that we have appropriately tried to engage stakeholders in the academic, accrediting, and broader health care community. Indeed, given the implications of the wide ranging changes in the nation's health care enterprise, we are committed to seeking and exploring advice from all willing and credible sources as this process goes forward.

Question. VA has less than 11,000 acute care beds in operation today compared to 35,000 ten years ago. How can VA continue to support residency programs in 125 hospitals with a third as many beds?

Answer. Across the U.S. health care system, major changes have occurred in the last decade that have resulted in substantial portions of patient care shifting from inpatient hospital settings to care delivered in an outpatient environment. Likewise, VA has made great strides in these same directions through a number of re-engineering efforts that have resulted in decreasing the total number of acute care beds, decreasing the bed-days of care per 1,000 patients, and increasing the percentage of surgeries performed in outpatient settings.

Concomitant with the shifts VA has made to the ambulatory care treatment environment, VA has increased the total number of patients receiving care, increased the number of ambulatory visits, and instituted systems to measure improvements in the quality of care veteran patients receive. VA has implemented a universal system of primary care for VA patients and opened over 200 new community-based outpatient clinics to improve access to care. VA's reengineering efforts have resulted in a more efficient health care delivery system that is able to provide quality care to a larger group of patients.

Medical schools are posed with the challenge of training students and residents for the workplace reality of their future professional lives. Consequently, academic affiliates and VA are working together to develop effective methods for care and teaching in the ambulatory setting. Examples of VA's leadership include the Primary Specialist Program where over 60 percent of all medical specialty and psychiatry residents who receive training in VA participate. This new training strategy emphasizes access, continuity, and comprehensive care for their seriously ill patients with emphasis on ambulatory care. In another initiative, VA recently received a grant of $985,000 from the Robert Wood Johnson foundation to develop new curricula for internal medicine residents who care for patients near the end of life. This project emphasizes training in the ambulatory setting, including VA clinics, hospice and the home. This project will provide leadership in 30 of our academically affiliated settings, thus having an impact on fully one quarter of the nation's medical schools. A third example is the VA Quality Scholars Program which will develop criteria for physicians training in the important area of quality improvement in health care.

Question. How many acute care beds are needed in a hospital for a strong residency program?

Answer. There is no minimum number of beds required for a strong residency program.

VA/DOD SHARING

Question. The recent report of the Congressional Commission on Servicemembers and Veterans Transition Assistance recommends a much greater level of sharing of health care resources between VA and DOD. The budget estimates that a total of just $73 million will be shared. Aren't there greater opportunities to share services with the DOD, and make better use of resources in doing so, such as joint purchasing of supplies and pharmaceuticals?

Answer. The $73 million sharing figure significantly understates the actual amount of sharing going on between VA and DOD health care facilities. Much VA–DOD sharing is done on a barter or exchange basis with little or no money changing hands. One reason for this is that, unlike VA facilities, DOD medical treatment facilities (MTFs) do not retain sharing revenues. It is therefore in their interest to receive services in kind as payment. Similarly, savings generated from joint purchasing are not reflected in sharing estimates. VA is actively pursuing all opportunities to share services with DOD facilities and their TRICARE contractors, as well as facilitate savings in the procurement of pharmaceuticals and medical surgical supplies. Currently, over 120 VA medical centers have agreements to treat TRICARE beneficiaries through agreements with DOD's TRICARE contractors.

Question. What barriers do you face in increasing the level of sharing?

Answer. The VA–DOD sharing law (38 U.S.C., section 8111) is a model of flexibility. It permits sharing between VA and DOD facilities of any health care resource provided that the primary beneficiaries of the facility providing the care are not adversely affected. No changes to that authority are required, although we are proposing that, in the future, sharing revenues be deposited in the Medical Care Collection Fund. The ability to retain the proceeds from sharing earned in prior years will promote efficiency and increased use of this authority.

DOD's migration to TRICARE has caused VA some difficulty in adapting to an unfamiliar billing and collecting system. VA's conversion to "reasonable charges" for third-party billing should promote greater consistency and, ultimately, with training, more efficient TRICARE billing in VA. There is currently and issue with DOD facilities concerning whether recent TRICARE contracts, which include active duty personnel, somehow limit the use of traditional VA–DOD sharing arrangements (between MTFs and VA health care facilities). We hope this will soon be resolved, and that beneficial sharing arrangements directly between VA and DOD health care facilities can be preserved and expanded.

Question. What specifically will be done to implement the commission's recommendations in this area?

Answer. The commission's recommendations are sweeping and remain under review. While VA's implementation plans are not yet complete, we are proceeding, along with DOD, to implement a number of initiatives that correspond to commission proposals. For example, DOD and VA have agreed on policy to consolidate the DOD separation physical exam with VA's disability evaluation physical; are working together to achieve seamless care for repatriated POWs; and, are jointly surveying veterans and military populations to better meet beneficiary needs and expectations in the delivery of health care. The VA Under Secretary for Health and DOD's Assistant Secretary for Health Affairs meet regularly with their top advisors to facili-

tate increased sharing of specialized treatment services; promote more effective and efficient procurement of pharmaceuticals, supplies, and equipment; develop a standard computer based patient record; and integrate clinical practice guidelines for disease treatment.

CONGRESSIONAL COMMISSION ON SERVICEMEMBERS AND VETERANS TRANSITION ASSISTANCE

Question. What is the Department's position on the recommendations on Montgomery GI Bill enhancements and each of the major recommendations contained in the Commission's report? Will the Administration propose legislation to implement some or all of the recommendations?

Answer. The Department is currently in the process of finalizing its comments on the Commission's report. When that is done, we will provide the Subcommittee with a complete copy of our response.

We would anticipate that in areas where the Administration agrees with the Commission and that legislation is required for implementation of the recommendation, that a legislative proposal would be forthcoming. It should be noted that not all of the Commission's recommendations were directed toward VA. Some of the recommendations were directed to the Department of Defense or the Department of Labor.

COMMUNITY BASED OUTPATIENT CLINICS

Question. VA has been given approval for hundreds of outpatient clinics in the past few years to improve access to care. How many CBOCs have been activated and how many more will open in fiscal year 1999 and fiscal year 2000?

Answer. Between March 1995 and January 1999, 272 CBOCs have been approved, of which 183 are currently operational (treating patients). Recent information suggests that approximately another 77 CBOCs will open by the end of fiscal year 1999. All but one or two of the remaining 12 are expected to open by the end of fiscal year 2000. Those one or two were part of a strategic business plan which documented a sequential opening of clinics; therefore, they are on schedule for their openings. Additionally, there are a number of additional CBOCs that have been proposed for the remainder of fiscal year 1999 and into fiscal year 2000.

Question. What is the total amount of funding being devoted to CBOCs in fiscal year 1999 and fiscal year 2000? Are they sufficiently funded?

Answer. Of the 272 CBOCs approved between March 1995 and January 1999, 183 are currently operational, with all but a couple of the remaining 89 projected to be open during fiscal year 2000. The combined actual and projected annual recurring budget for these 272 CBOCs is approximately $174 million. Additional proposals for CBOCs continue to be submitted; therefore, additional dollars will be devoted to CBOCs in fiscal year 2000. Again, no additional resources can be requested to support the establishment of CBOCs; the resources are to come from within the VISN. To date, there is no indication that the CBOCs are not receiving appropriate and adequate funding from their VISNs.

Question. Are any CBOCs oversubscribed, and if so, what is being done to address the problem?

Answer. To date, there have been no reports of VISNs not being able to accommodate any patients presenting themselves to a CBOC for care.

Question. Is the opening of any CBOCs being delayed owing to budget difficulties?

Answer. There have been some delayed openings due to issues such as contract problems, recruitment problems, and location of appropriate space. There is no indication that budget issues have or will cause significant delays in CBOCs becoming operational in fiscal year 1999. The establishment of CBOCs is dependent upon veteran medical needs and resource decisions made at the VISN level.

Question. What quality of care indicators or monitors have been established for CBOCs?

Answer. A key element of the CBOC proposals is that evaluation/monitoring mechanisms be in place for the parent facility and VISN to assure that the clinic is meeting its goals and objectives. In addition, VHA top management has requested a VHA Health Services Research & Development (HSR&D) study to evaluate the performance of those CBOCs that are operational and to recommend some standard national criteria that could be used to evaluate all CBOCs. This study is well underway and should be completed, with recommendations from VHA on national evaluation criteria, by the end of fiscal year 1999. The development of national criteria will not preclude VISNs and parent facilities from continuing to monitor certain things that are important to them and specific to their clinics.

VETERANS BENEFITS ADMINISTRATION

Question. VA's efforts to improve the timeliness of claims processing have deteriorated in the last year, and are not projected to improve significantly in the near term. It took an average of 168 days to process an original compensation claim in 1998, compared to 133 days the year before. Currently it is taking about 193 days. VA's own survey found that only 60 percent of veterans were satisfied with the way their claims were handled. When can we expect to see significant improvements in timeliness, quality, and customer service?

Answer. We recognize that the challenge to improve claims processing timeliness has increased. Some of the performance drivers which have impacted claims processing timeliness are discussed in the following paragraphs.

Workload Management

We have adopted a balanced scorecard approach emphasizing accuracy, customer satisfaction, employee development, processing timeliness, and unit cost. The balanced scorecard will focus the entire organization upon its vision and the results it needs to achieve to be successful.

We have shifted our emphasis from processing timeliness to accuracy. Improvement in technical accuracy is the number one priority for the Compensation and Pension Program. This priority is reflected on the VBA Balanced Scorecard with accuracy weighted the heaviest of the five measured performance categories.

Because of concerns about our high error rate, we have asked our employees to do a closer review of their award documents. We have also asked them to write better decisions which are understandable to our claimants and which can be sustained through the appellate process.

We have shifted our focus from working newer cases and have asked our employees to process the older claims to ensure that they continue to move through the system.

Increased Difficulty and Complexity of the Workload

Our decision makers have been faced with significant changes in the body of law governing the compensation and pension programs. Decision makers who now rate cases must do so increasingly by case law rather than a static body of regulations—a more difficult and time consuming process. The process of evaluating claims using a combination of regulations and precedent decisions is much more complex, and requires additional research time.

The impact of adjudicating Gulf War veterans' compensation claims has exacerbated our already significant backlog. Decisions for these claims are labor intensive and are completed at the expense of other claims. We have struggled with the issue of service connection for undiagnosed illness because this is contrary to the way we traditionally adjudicate service connection. VBA has dedicated resources to several efforts to ensure that Gulf War veterans are properly evaluated.

Changed Organizational Structure

The transition into the first phase of our reengineered environment has required stations to undertake a major cultural and organizational shift as they blend Adjudication and Veterans Service Divisions into Veterans Service Centers.

This reengineered environment requires extensive cross-training of personnel. As employees have been pulled away from claims processing and customer service activities to undergo training, there has been a degradation in service to our veterans.

Data Integrity

VBA has asked its managers to review operating practices, workflow, data entry methods, and management reports to ensure that all management reports are accurate. We have also asked them to promote a culture and an atmosphere where data integrity is of the highest degree possible.

Effective data management requires decision makers to spend more time on entering data and reviewing it for accuracy.

Although claims processing timeliness will continue to be a major challenge for us, we are beginning to achieve significant improvements in other areas. The following paragraphs highlight achievements thus far in fiscal year 1999.

Technical Accuracy.—In 1998, the Compensation and Pension baseline technical accuracy levels were 64 percent for Core Rating Work and 70 percent for Authorization Work. Based upon Statistical Technical Accuracy Reviews (STAR) conducted so far during fiscal year 1999, preliminary results show a 73 percent rate for Core Rating Work and 74 percent for Authorization Work.

Blocked Call Rate.—At the end of fiscal year 1998, our blocked call rate was 52 percent. Through March, the fiscal year 1999 blocked call rate is 39 percent. The

March 1998 blocked call rate was 57 percent compared to 17 percent for March 1999. Several ongoing initiatives in the area of telecommunications will also contribute to further improvements in the blocked call rate. We expect to be below our balanced scorecard fiscal year 1999 target of 30 percent by September 1999.

Pending Workload.—We have reduced the pending appellate workload. In fiscal year 1998, we had 102,834 appeals pending to be worked, and as of March 31, 1999 that number has been reduced to 101,184. We have also made progress in reducing the number of old remands (pending prior to 1996) from about 10,000 in fiscal year 1998, to 1,108 in fiscal year 1999.

Question. VA's budget indicates it will take 99 days to processing rating-related actions in fiscal year 1999. Is this estimate still accurate? If not, what is the 1999 estimate and 2000 estimate? When will VA meet its objective of 74 days, while also improving the quality of adjudication?

Answer. We are currently processing rating-related actions in an average of 161 days. We do not anticipate achieving 99 days as shown in the budget for this year. We are in the process of working with Service Delivery Networks (SDNs) to project where we will end this fiscal year for rating related actions. Once we update our fiscal year 1999 timeliness projection, we will be in a better position to establish a revised fiscal year 2000 target. As indicated above, we are already beginning to see some improvement in claims processing accuracy. Claims processing timeliness will continue to be a major challenge for us. The earliest we foresee attaining our 74-day timeliness objective in rating-related actions is fiscal year 2005.

Question. VA projects there will be 410,000 pending claims at the end of fiscal year 1999. The number of pending claims is not expected to change in fiscal year 2000. What do you believe is an acceptable level of pending claims and when will you reach that?

Answer. While "pending workload" is not one of our primary organizational measures on the Balanced Scorecard, it is a significant indicator of timeliness trends. Timeliness of processing clearly needs to improve and as one component of that improvement we will strive to reduce the pending workload to 350,000 claims by March of 2000.

Question. In 1998, VBA's accuracy rate for core rating work was only 64 percent. VBA projects to get to 81 percent by 2000. Do you believe today VBA can meet this goal? When will VBA meet its objective of accurately adjudicating claims 96 percent of the time.

Answer. In 1998, the Compensation and Pension baseline technical accuracy level for core-rating work was 64 percent. Improvement in technical accuracy is the number one priority for the Compensation and Pension Program. This priority is reflected on the VBA Balanced Scorecard with accuracy weighted the heaviest of the five measured performance categories. We are beginning to achieve improvement in this area. Based upon Statistical Technical Accuracy Reviews (STAR) conducted so far during fiscal year 1999, preliminary results show a 73 percent rate. We are encouraged by the preliminary results and expect to attain our 75 and 81 percent targets for fiscal year 1999 and 2000 respectively. We expect to reach our 96 percent goal by the end of fiscal year 2004.

CONSTRUCTION—MURFREESBORO

Question. GAO has raised questions about whether VA could pursue the $12.7 million patient privacy project requested in the budget for Murfreesboro, TN. Given GAO's concerns, does VA continue to support this project for fiscal year 2000?

Answer. Although the payback period for the expected savings has not been quantified, VHA analysis of workload and mission for the Murfreesboro facility fully supports the beds included in the proposed project. Murfreesboro is the Network referral center for long-term mental health care and it receives patients from Nashville and Memphis. The facility currently has an authorized mental health bed level of 229, and the project proposes renovation of 120 beds. The project will enhance the proposed integration of Murfreesboro and Nashville. Integration planning has identified the Murfreesboro campus as the focal point for psychiatric services for the integration. The acute psychiatric care currently at Nashville is planned to be shifted to the Murfreesboro campus as part of the proposed integration.

Since, the percentage of veterans over age 65 will increase to an estimated 69 percent by 2008, this high percentage of elderly veterans will sustain bed utilization due to an increasing utilization of mental health services that comes with aging and loss of income at retirement. Murfreesboro VAMC currently has a mental health penetration rate of 0.53 percent, which is less than half of the national utilization rate for these services (1.68 percent). Provisions for patient privacy and handicapped

accessibility will allow the facility to improve access, in line with the national utilization rates.

The Murfreesboro project is consistent with VA's mission to provide care to veterans with identified special needs and with the assigned mission of the Murfreesboro VAMC. The primary goals and objectives of the project are to eliminate serious access and quality of care deficiencies, as reflected in accreditation and life/safety evaluations. In addressing these goals, VA has taken a conservative approach to bed projections and if these estimates are unexpectedly overstated, contingency plans have been established to use the beds for gero-psychiatric patients.

COLORECTAL SCREENINGS

Question. The Center for Disease Control and Prevention (CDC) has determined that colorectal cancer is the second leading cause of cancer-related death in the United States. Federal policy and guidelines call for the regular screening of all average-risk adults after 50 and older. The guidelines call for screenings that include yearly fecal occult blood tests (FOBT), and flexible sigmoidoscopy every five years for average risk patients. Federal policy and guidelines call for more intensive surveillance of the entire colon with colonscopy for those at high risk.

What is the VA doing to ensure that the aging population of veterans are appropriately screened for colorectal cancer?

Answer. The United States Preventive Services Task Force Guide to Clinical Preventive Services (2nd Edition 1996) (USPSTF) calls for regular screening of average-risk adults age 50 and older for colon cancer using annual fecal occult blood testing (FOBT) or sigmoidoscopy. Since 1996, VHA has recommended that all average-risk veterans aged 50 years and older receive annual fecal occult blood testing (VHA 1108.1) This recommendation has been updated recently (draft update currently in VHA concurrence process, VHA 1120.2) stating that all average risk veterans aged 50 years and older should receive annual fecal occult blood testing or undergo sigmoidoscopy examination every 5 years.

Question. Is the VA following existing Federal policy and guidelines to ensure that those veterans of average or high risk are receiving the requisite colorectal screenings?

Answer. Yes. VA Policy matches existing USPSTF and the Agency for Health Care Policy and Research (AHCPR Publication No. 98–0033, May 1998) recommendations. In addition, VHA evaluates colorectal cancer screening rates among the veteran population in two ways: (a) Screening for colorectal cancer is a component of the VHA Office of Performance and Quality Prevention Index. This index tracks delivery of preventive services to veterans, and (b) VHA also surveys veterans to establish receipt of colorectal cancer screening via the Veterans Health Survey of the VHA National Center for Health Promotion and Disease Prevention. Furthermore, VA identifies veterans of average or high risk for colorectal cancer through assignment to a primary-care provider. The primary-care provider should ensure that all relevant preventive care strategies are available to the veteran including annual FOBT or periodic sigmoidoscopy for colorectal cancer. Veterans at high risk for colon cancer are referred to a gastroenterologist for regular endoscopic screening, diagnosis and management.

Question. Is the VA currently identifying veterans of average or high risk for colorectal cancer? By what process?

Answer. Yes, the VA is aggressively promoting colorectal cancer screening. Since September 11, 1991, VA policy requires screening veterans age 50 and older with annual FOBT. Since May 16, 1996, VA has required screening with either annual FOBT or flexible sigmoidoscopic examination.

Question. What is your estimate of the benefits to the veteran population to be derived from appropriate colorectal screenings (i.e., reduction in premature death, reductions in medical costs, increase in prevention and quality of care)?

Answer. The USPSTF and the AHCPR estimate the benefit of screening to be a 31–57 percent reduction in colorectal cancer mortality for the general population. Veterans can expect to enjoy similar benefits. To clarify this expectation, VHA is currently funding research—a cost-utility analysis—into colorectal cancer in veterans.

Question. What are the possible benefits to the U.S. population as a whole?

Answer. Veterans in the over 50 age group represent a significant portion of the U.S. population over age 50. VHA research and best practice models have the potential to benefit the population as a whole.

HEPATITIS C

Question. Given the increase in funding you are requesting in fiscal year 2000 for Hepatitis C screenings and treatment for veterans, what plans do you have for longitudinal studies to analyze the clinical course of Hepatitis C and identify the factors resulting in the progression from Hepatitis C to cirrhosis and liver cancer?

Answer. A three-part longitudinal study is under development. The first part will be a thorough study of the prevalence of HCV infection among veterans. The second part of the study will be an assessment of risk factors for HCV infection. This study will determine the importance of both traditional and non-traditional risk factors for infection in the veteran population. The third part of the study will explore the natural course of the progression of HCV infection to clinically important liver disease among veterans.

Question. With growing evidence of the relationship between HCV and the rising incidence of hepatocellular carcinoma, aren't longitudinal studies as a follow-up to HCV screenings and treatment essential in order to improve our understanding of the relationship between Hepatitis C and liver cancer?

Answer. Yes, longitudinal studies as a follow-up to HCV screenings are essential in order to improve our understanding of the relationship between Hepatitis C and liver disease, including cancer. This is why VA has developed the three-part effort just described.

Question. What portion of the requested increase for Hepatitis C screenings and treatment is dedicated to longitudinal studies of outcomes?

Answer. None of the earmarked budgeted dollars for HCV screening and treatment from Medical Care is dedicated to longitudinal studies of outcomes. VA Research plans to use appropriated Research funding, which is independent of the Medical Care request, for the proposed longitudinal study.

Question. Won't these longitudinal studies provide data useful in treating Hepatitis C and preventing liver cancer not only for veterans, but for the population as a whole?

Answer. Yes, the longitudinal studies should provide data useful in treating Hepatitis C and preventing associated liver cancer not only for veterans but also for the population as a whole.

ACID REFLUX AS A RISK FACTOR FOR CANCER OF THE ESOPHAGUS

Question. According to a recent New England Journal of Medicine article (N-Engl J Med 1999; 340: 825–832), there is a strong and probable causal relationship between gastroesophageal reflux and esophageal adenocarcinoma. The study found "The risk of esophageal adenocarcinoma was almost eight times as high among persons in whom heartburn, regurgitation, or both occurred at least once a week as among persons without these symptoms."

In fiscal year 1998 and fiscal year 1999, how much of the VA Medical Research budget was dedicated to studying the relationship between acid reflux and cancer of the esophagus? How much is requested for fiscal year 2000?

Answer. Gastroenterology represents a significant portion of VA's research portfolio. In fiscal year 1998, $23 million was expended on 176 research projects related to diseases of the digestive tract. In that year VA funded one investigator-initiated project relevant to acid reflux and esophageal cancer for $93,348. We would expect a similar level of investigator initiated research in fiscal year 1999 and fiscal year 2000.

Question. Given the growing evidence of the causal relationship between acid reflux and cancer of the esophagus, to what extent will VA Medical Research make this area of study more of a priority?

Answer. Cancer represents an area of high priority for the VA research. In fiscal year 1998 $22 million, representing 8.1 percent of the VA's Research appropriation, was expended on cancer. Acid reflux induced esophageal cancer is a subset of this research effort and will benefit from the broader effort. VA will continue to fund scientifically meritorious proposals submitted by VA investigators studying cancer and esophageal reflux.

More importantly, perhaps, is research that eliminates or diminishes the occurrence or severity of acid reflux. As noted in the quoted New England Journal of Medicine article, "* * * the more frequent, more severe, and long lasting the symptoms of reflux, the greater the risk [of cancer]." VA research efforts are focused on successful treatment of reflux to reduce the frequency or severity of the problem. This strategy would result in the prevention of esophageal cancer or a dramatic reduction in risk for our veteran patients.

Accordingly, the VA completed the first ever randomized controlled trial comparing medical treatment with surgical treatment for severe gastoesophageal reflux

disease (GERD) in 1989 ($1.7 million). Results showed that in men with complicated GERD, surgery is significantly more effective than symptomatic medical therapy or intensive medical therapy in relieving the symptoms and endoscopic signs of esophagitis for up to two years. While medical therapy is also effective, it is only to a lesser degree. Nearing completion in fiscal year 1999 is a multi-site clinical trial following up the earlier study ($150,000). This study would establish the percentage of patients in the surgical group who still have effective control of their GERD symptoms, thus documenting the durability of the surgical intervention and the reduction of risk related to cancer.

Additionally, VA has recently approved another multi-site trial, entitled "A Double-blind, Randomized, Placebo-controlled Trial to Evaluate the Cost-effectiveness of Alternative Management Strategies in Patients with Dyspepsia." The goal of the study is to test whether giving antibiotic in combination with heartburn medication (Prilosec—an acid blocker) is better than giving heartburn medication alone. This study will involve 826 veteran patients from 15 VA medical centers over a 30-month period of time ($7.4 million). Final disposition of this study is awaiting the availability of funds.

QUESTIONS SUBMITTED BY SENATOR BURNS

HEPATITIS C PROGRAM

Question. I am pleased that the VA budget request includes a substantial expenditure ($135 million) for evaluation and treatment of veterans with the Hepatitis C virus. It is my understanding that a very substantial portion of the veterans' population may be infected with Hepatitis C. This is likely to be a challenge for many years. Can you please explain the VA's plan for testing and treating these patients and making available all promising approved treatments?

Answer. VA has emerged as the Nation's leader in the recognition, testing, and treatment of the Hepatitis C virus. VA's public health response to this emerging epidemic fully recognizes that treatment and containment of this virus is a long-term commitment. VA has already developed a systematic management approach that addresses current requirements and will respond to future developments. VA already has put in place treatment guidelines and protocols. In addition, VA has dedicated two "Centers of Excellence" and advanced a number of partnerships with private industry that will ensure that veterans receive the benefit of the most up to date and state-of-the-art research, service, and treatment.

Question. It is my understanding that there are several approved Hepatitis C treatments, each of which has complications and limited response rates, but some of which may be particularly appropriate for certain portions of the VA patient population. Can you assure me that the VA will make all FDA-licensed treatments available for VA Medical Centers so that doctors will be able to choose the most appropriate and cost effective therapy for each patient?

Answer. VA's treatment protocol is evidence-based. It will be adjusted by the outcome of clinical trials and when FDA has approved any new drugs.

QUESTIONS SUBMITTED BY SENATOR SHELBY

MEDICAL CARE NEEDS

Question. Secretary West, veterans in Alabama note that the VA is attempting to downsize and streamline its operations. However there is a concern that the medical care needs of our veterans, especially those of World War II (WW II), are not being met.

Does the President's budget deal realistically with the medical care needs of our veterans?

Answer. Yes. The underlying premise for this budget and others is, no matter the budget level, we will ensure quality first for our patients. We ensure this by carefully monitoring through a comprehensive performance management system. For example, despite flat budgets in the past (in terms of purchasing power), we were able to increase the number of patients treated and outpatient visits while simultaneously improving our quality of care performance and customer satisfaction. We know that fiscal year 2000 poses challenges that are steep, but if past accomplishments are an indicator for future success, our track record has been outstanding.

Question. How is the VA dealing with the increased medical care needs of the WW II veterans?

Answer. Every indicator of supply and demand for long-term care shows that VA will have sufficient capacity to meet the needs of World War II veterans who use the VA health care system. This scenario assumes that VA will expand home- and community-based care services, contract for long-term care services, and increase the use of State Veterans Homes, where available. The proposed $106 million increase in home- and community-based care is not viewed as a one-time investment. Rather, the budget reflects the recommendation of the Federal Advisory Committee on the Future of VA Long-Term Care on tripling the investment in home- and community-based care over a 5-year period. VA will improve access to long-term care by providing incentives to networks to provide more long-term care services. VA will also enhance its admission and discharge policies for VA and Community Nursing Home Care. These changes will improve access and fairness. VHA staff monitors the quality of care received for all long-term care patients, regardless of setting.

Question. Secretary West, as you know there has been a process of integration and consolidation of services at Alabama's Tuskegee and Montgomery Veterans' Hospitals. I am concerned that the consolidation may have created travel hardships for veterans seeking outpatient treatment at the facilities. I am told that veterans travel to one of the facilities and many times must be transported to the other facility for their treatment.

Answer. The consolidation into the Central Alabama Veterans Health Care System (CAVHCS) was intended to improve the accessibility, quality, and efficiency of care delivered to veterans in south central Alabama and southwestern Georgia which have been traditionally served by the Tuskegee and Montgomery VA medical centers. Most CAVHCS outpatient care can be delivered by primary care physicians who are located at the East Campus (Tuskegee), the West Campus (Montgomery), the Columbus, Georgia Community Based Outpatient Clinic (CBOC), and most recently the Dothan, Alabama CBOC. Some specialty outpatient care is available at the East Campus and the West Campus, however, tertiary level specialty care is referred for the most part to the Birmingham VA medical center which serves as a referral point state-wide for veterans. Outpatient surgery is available only at the West campus because the veteran population in the CAVHCS service area will only support the critical mass needed for one program in order to maintain the necessary quality.

Question. Is it possible to have more comprehensive outpatient services at each facility so as to limit the travel hardship for our aging veterans?

Answer. The provision of more comprehensive outpatient services is dependent upon several factors such as:

—The availability of specialists and the costs of hiring those specialists as VA employees in sparsely populated areas.
—The availability of specialists in the community that may be willing to work part-time for the VA.
—The eligibility of veterans and the costs of fee basis care.
—The critical mass of veterans needing specialty care in sparsely populated areas.
—The availability of resources to duplicate scarce specialty services at several sites.

The needs of veterans living in rural areas of Alabama and Georgia mirror the needs of all citizens living in similar areas nationwide who must travel in order to access specialty medical care.

Question. In consolidation cases such as this, how does VA equitably allocate outpatient services between hospital facilities?

Answer. In the case of CAVHCS, the intent was to improve access to primary outpatient care, such as through the opening of the Dothan, Alabama CBOC, to build on the traditional strengths of the existing facilities, and consolidate at one location those services that could not, or should not, be maintained at multiple locations. The traditional strengths of the East Campus have been in the delivery of long-term, rehabilitative, and mental health care. Traditionally, the strengths of the West Campus have been the delivery of acute medical and surgical care. Because the critical mass (volume of patients) of surgical care needed was not sufficient to maintain quality in two locations, both inpatient and outpatient surgery were consolidated at the West Campus, which contained much better facilities, a more concentrated veteran population, and access to more surgeons.

Question. Secretary West, there is a concern among Alabama veterans about the ability of retired veterans and their spouses to utilize active duty military facilities for their medical care. Is there a policy within DOD and the VA regarding this issue?

Answer. Retirees and their beneficiaries under age 65 may enroll in TRICARE Prime (DOD's managed care HMO option) and receive care through a DOD health

care facility. Retirees are also veterans, and may enroll under current eligibility guidelines, to receive care from VA.

At those VA facilities that also serve as TRICARE providers, dual-eligible individuals (retirees under age 65) may be treated either as veterans or as TRICARE beneficiaries, depending on which option is to the retirees' advantage. For those veterans in priority levels (1) through (6), it is to their advantage to receive care as a veteran. For those in level (7), the decision must be made on an individual basis. VA cannot treat non-veteran family members except as TRICARE beneficiaries through sharing agreements with DOD's TRICARE managed care support contractors. In Alabama, only the Birmingham VAMC is a TRICARE provider.

QUESTIONS SUBMITTED BY SENATOR CRAIG

BOISE VA HOSPITAL

Question. Your department has claimed that the fiscal year 2000 budget is feasible, relying largely on creating new "efficiencies." The Boise VA Hospital is about as lean as it can get. Where are these efficiencies going to come from?

Answer. Additional efficiencies can and are being achieved at the Boise VA Medical Center and within VISN 20. These planned efficiency actions include further standardization of medical and prosthetic supplies with consolidated contracting for these supplies, consolidation of laboratory services, implementation of Medicare rates for purchased medical services and continued improvements in the delivery of medical services. It is the view of the Boise VA Medical Center and VISN 20 that these planned efficiencies will not cover the expected shortfall in the President's fiscal year 2000 budget. As a result, VISN 20 has chosen to address this issue through the adoption of a medical service area (MSA) concept. In this model, the Northern Alliance of VISN 20 (comprised of VA Medical Centers in Anchorage, Boise, Puget Sound, Spokane and Walla Walla) will serve as an integrated medical unit. Veterans in this area will obtain all their services within the MSA, with the exception of a few highly specialized procedures such as liver transplants. This may mean that veterans need to travel within the MSA for some tertiary services so that other services like primary care can be retained and provided on a more timely basis at the local level.

Following the release of the President's budget, the VHA networks were asked to develop plans addressing the management improvements necessary to achieve the significant savings required to operate within the proposed fiscal year 2000 budget. Those plans are currently being reviewed. Several headquarters and field-based review teams are examining the network plans, including VISN 20's, and we will have a more complete national plan by the end of June.

BOISE VA MEDICAL CENTER

Question. I would also like to submit for the record a copy of a news article from the Idaho Statesman. The article highlights the nearly 600 Idaho veterans who are awaiting care at the VA Medical Center in Boise. I think it is pretty clear that our obligation to our veterans to provide adequate medical care is not being met in Idaho.

I would like your comments on what you can do to help resolve this problem so that these 600 veterans do not have to wait any longer. I would also ask that you look into the situation in Boise, and report back to me in a prompt manner.

Answer. I will work with the leadership in VISN 20 to ensure "best practices" are in place in Boise and other facilities in VISN 20. This will insure that current resources are being utilized to an optimal capacity. VISN 20 has implemented new measures including an infusion of funds to reduce the waiting list at Boise and other VISN 20 facilities. In the meantime, we should point out that veterans on the waiting list in Boise and in other VISN 20 facilities may receive urgent or emergent care from the VA whenever they have a need for such services.

QUESTIONS SUBMITTED BY SENATOR HUTCHISON

KERRVILLE VA HOSPITAL

Question. Many veterans in South Texas are concerned about the Veterans Hospital in Kerrville, and I sent a letter to Dr. Kizer on February 11th about the Kerrville facility, yet have not received an answer. I would like to know what the specific long-term plans are for the South Texas Veterans Health Care System and the VA Kerrville Hospital?

Answer. There are currently no plans to close the Kerrville Division of the South Texas Veterans Health Care System. Current services provided at the Kerrville Division include 154 Extended Care Beds, 20 General Medicine and five Medical Intensive Care Beds, an active primary care program, and several outpatient specialty clinics. An earlier proposal to close the 20 General Medicine and five Medical Intensive Care Beds and replace them with ten Observation Beds has been placed on hold pending the fiscal year 2000 budget requirements.

INTEGRATION OF VISNS

Question. Texas is broken up into three Veterans Integrated Service Networks (VISN), with two of the centers controlling these areas from outside of the state, like Jackson, MS and Phoenix, AZ; which many veterans have complained have difficulty dealing with one another to provide service. How are we going to improve the integration of these systems, or as many feel, would it not work better if a state with a large veterans population like Texas fell under one network?

Answer. The 22 Veterans Integrated Service Networks were configured around historical VA patient referral patterns rather than State boundaries. Geography, travel distances, patient preferences and the availability of specialty referral services are major factors in VA's patient referral patterns. The facilities in West Texas (Amarillo, Big Spring and El Paso) have a predominant referral relationship with Albuquerque. Last year, 93 percent of patient referrals from these West Texas facilities were to facilities in VISN 18. Similarly, Houston has a significant referral relationship with several facilities in VISN 16. It provides many specialty services to VISN 16 veterans who are not from Texas.

Although the Texas facilities are in different VISNs, referrals are made as needed regardless of the VISN boundaries. The three VISNs that include Texas facilities have received very few complaints about referral issues or the configuration of the facilities by VISN.

TRANSFER OF LAND FOR NATIONAL CEMETERY

Question. With the majority of our WWII and Korean War veterans now in their 60s and older, there has been an increased interest in the space availability at the limited number of national cemeteries. In Texas there is no national cemetery in the Central Texas area, Waco, Temple, Killeen, and Austin. The closest cemeteries, which serve the needs of this increasingly large veterans population, are in Dallas and San Antonio. The U.S. Army at Fort Hood has stated that they would be willing to transfer land to the VA on the Fort Hood military installation for a national cemetery. Given the opportunity to acquire government land, the historical significance of the military base at Fort Hood, and the lack of a national cemetery within 100–150 miles of the Central Texas area, what plans are you making to utilize the offer made by Fort Hood and to service this community.

Answer. For the last decade, VA's basis for determining where to establish new national cemeteries has been the findings in two reports to Congress. One Report was completed in 1987 and a second in 1994. The reports identified areas in the country most in need of new national cemeteries based on concentrations of veteran population. The Central Texas area was not identified in either of these reports.

The VA is currently constructing four new national cemeteries in geographic areas that were identified in the 1987 and 1994 reports to Congress. These new cemeteries will be located in the Albany, New York; Chicago, Illinois; Dallas/Ft. Worth, Texas; and Cleveland, Ohio vicinities. This volume of construction is unprecedented in the history of the National Cemetery Administration (NCA) since its inception during the Civil War. After these four new cemeteries open later this year, VA will evaluate the potential establishment of additional new national cemeteries in the remaining geographic areas identified in the two reports. These remaining areas include, in alphabetical order: Atlanta, Georgia; Detroit, Michigan; Miami, Florida; Oklahoma City, Oklahoma; Pittsburgh, Pennsylvania; Sacramento, California; and St. Louis, Missouri.

The focus of our planning will be in those areas with the largest concentrations of veterans identified above. We recognize the burial needs of veterans in Central Texas. If land at Ft. Hood becomes available for a veterans' cemetery, it could be transferred to the State of Texas for the establishment of a state veterans cemetery. State veterans' cemeteries are a complement to our national cemeteries and are usually located by states in areas where there are not current plans for NCA to operate and maintain a national cemetery. The State Veterans Cemetery Grant Program funds one hundred percent of the cost of construction and for the cost of initial equipment when the cemetery is established. The States remain responsible for providing the land and for paying all costs related to operation and maintenance.

CONSTRUCTION OF FUTURE VETERANS' HOMES

Question. Many of the veterans in Texas are concerned about the availability of Veterans Homes in the future. The Texas Land Commissioner has said that the state is ready to provide land and state funding for the projects, if federal VA dollars come through. Will the VA be proposing any additional funding for the construction of future veterans homes?

Answer. Each budget cycle, there is a separate line item in VA's proposed appropriations package that includes "Construction Grants for State Extended Care Facilities." The State of Texas has submitted a total of 11 construction grant applications, each for a 160-bed nursing home facility in different regions of the State. The first two grants will be awarded shortly (in Temple and Floresville), with fiscal year 1999 funding set aside for two additional grants (in Bonham and Big Springs).

QUESTIONS SUBMITTED BY SENATOR KYL

HEPATITIS C

Question. I understand that because the VA budget is so tight, you plan to fund Hepatitis C activities with yet-to-be-identified efficiencies in other programs. So, clearly cost is an issue here. I understand that prices vary for different approved therapies. For example, one year of an interferon may cost from $5,300 to $8,800, whereas a combination therapy may cost from $15,600 to $17,200. How much does drug therapy cost for one Hepatitis C patient over a year?

Answer. The estimate for the drug therapy per month is $1,100 or approximately $13,200 per year (which excludes the cost of testing).

Question. Is that the cost that VA used in preparing your budget submission?

Answer. Yes.

Question. I understand there are significant clinical and economic differences among currently approved Hepatitis C treatments. The least expensive treatment has fewer side effects and is approved for treating patients who do not respond to initial therapy. What consideration did you give these factors in developing your budget submission and treatment plans?

Answer. Evidence-based treatment protocol recommends dual therapy as the standard of care; however, provision has been made in the protocol for those patients who either cannot tolerate dual therapy or are not clinically appropriate for dual therapy. Our veteran patients are provided the most up to date therapy possible and the treatment protocol is reviewed and updated on a regular basis as the science indicates the need. Our decision-making is based on the appropriate clinical indications.

QUESTIONS SUBMITTED BY SENATOR MIKULSKI

ALBUQUERQUE REGIONAL OFFICE

Question. Senator Bingaman investigated complaints by veterans and veterans organizations about the problems regarding claims processing being experienced at the Albuquerque regional VA office. I understand that you met with Senator Bingaman to discuss these problems and see what could be done to fix them. Could you outline for me what steps you have taken thus far, what initiatives or changes have been implemented, and what action items you may be planning for the future?

Answer. The following steps have been taken to improve claims processing timeliness at VARO Albuquerque:

The vacant Service Center Manager position has been recently filled. The new manager is scheduled to report to VARO Albuquerque May 10, 1999. The new manager has recently made a visit to the regional office and assessed the situation. Under his direction the implementation and execution of a Work in Progress review plan has been accomplished. The new plan is designed to provide better workload control.

Since February of this year the Albuquerque Regional Office has received assistance with the processing of over 450 cases from other regional offices. An additional 150 cases are currently being prepared to be sent out next week. Recently VBA installed video conferencing equipment at Albuquerque Regional Office to improve the office's ability to conduct video hearings with the Board of Veterans Appeals (BVA). This will provide better service to the New Mexico veterans by resulting in more timely hearings with BVA.

The following action items are planned:

The pursuit of a person to fill the Congressional Liaison position is continuing. The filling of this position will provide a direct point of contact for New Mexico's Congressional offices, as well as improving the timeliness, coordination and resolution of all congressional inquiries.

Recruitment of two additional service center employees will commence shortly. Authorization from VBA headquarters has been granted for these hires.

Albuquerque's Service Delivery Network leadership will be meeting the week of May 3, 1999. On the table for discussion will be the formulation of a help team to be detailed to the Albuquerque Regional Office.

BOARD OF VETERANS' APPEALS

Question. It takes an average of almost two years nationwide for an appeal to make it through the Board of Veterans' Appeals. Are there things that you could do or legislative assistance that you need to accelerate that process so that ALL veterans could obtain a more timely resolution to their claims?

Answer. VA is committed to reducing the time it takes for a veteran to receive a final decision on his or her appeal. Continuous improvement in appellate decision quality and timeliness has been the focus of much of BVA's budgetary and strategic planning in recent years. With the support received from the Administration, Congress and the veterans service organizations, BVA has markedly reduced the appeals backlog and improved its decision-making timeliness in fiscal years 1995 through 1998. BVA's traditional measure of timeliness is average response time. Average response time is an estimate of the time that it will take to decide all cases certified as ready for BVA review. BVA succeeded in reducing average response time from a fiscal year 1994 high of 781 days to 197 days by the end of fiscal year 1998.

The fiscal year 2000 budget reflects an important change in the way we view timeliness with respect to the VA appeals process. For the first time, BVA and VBA have adopted a timeliness performance measure that cuts across the two organizations' boundaries. This new timeliness measure, Appeals Resolution Time, measures the average length of time it takes the Department to process an appeal from the date a claimant files a Notice of Disagreement until that case is resolved, either through resolution at a VA field facility or by a final decision by the Board. Previously, most VA timeliness measures for claims and appeals processing focused on measuring various segments of time, based upon which organization was responsible for the various components of the overall processing cycle. These measures fail in the sense that they do not reflect the length of the process from an appellant's perspective, that is, from the day an appellant registers his or her dissatisfaction with a decision on a claim until the matter is finally decided. Not surprising, appellants are less interested in how long individual stages in the process take as they are about the length of the entire process. Appeals Resolution Time will provide appellants, elected officials, Departmental leadership, VBA and BVA management, and other interested parties a much more comprehensive and accurate answer to the question, "How long does the appeal process take?" Appeals Resolution Time is described in the Department Performance Plan component of the fiscal year 2000 Budget Submission as one of VA's key goals and performance measures.

VA's goal for fiscal year 2000 is to reduce Appeals Resolution Time to 545 days—a 20 percent reduction from the fiscal year 1998 level of 686 days. Our long-term strategic goal is to reduce Appeals Resolution Time to 365 days. The key to success in achieving these goals is for VBA and BVA to work closely together, looking beyond immediate organizational boundaries to seek more innovative, Departmental solutions to the problems associated with resolving appeals in the most timely manner.

CONTRACT SERVICES AND OUTREACH CLINICS IN NEW MEXICO

Question. What impact do you foresee that the President's budget request will have on contract services and outreach clinics in New Mexico and nationwide?

Answer. Following the release of the President's budget, the VHA networks were asked to develop plans addressing the management improvements necessary to achieve the significant savings required to operate within the proposed fiscal year 2000 budget. Those plans are currently being reviewed. Several headquarters and field-based review teams are examining the network plans, including VISN 18's, and we will have a more complete national plan by the end of June.

VA'S DC FIELD OFFICE

Question. A recent VA internal review, made public by a Washington Post article, found serious backlogs and a state of chaos at the DC field office. Although there is a backlog of almost 10,000 cases, the DC field office has only 158 staff, down from

almost 250 five years ago. VA has plans to distribute the outstanding claims to other field offices in the region to speed their processing.

Is the Washington Post article accurate?

Answer. The Washington Post article accurately described the workload situation. The office currently has 158 full time employees, down from 210 employees in October 1994.

Question. If so, why do these conditions exist in the DC field office?

Answer. The workload problems at the Washington Regional Office (WRO) have been escalating over the past few years due to a number of complex factors. The office had taken a very aggressive approach to merging the Adjudication and Veterans Services Divisions, in line with our Business Processing Reengineering vision for compensation and pension claims processing. Many hours were devoted to cross training employees, which reduced the time available to process claims and increased workload backlogs. WRO elected to participate in the Decision Review Officer Pilot, which focused resources on the appeals workload, but reduced the number of rating specialists available to process claims. The office prematurely moved to a team environment where teams were given responsibility for workload management without providing them with the proper training or ensuring that adequate controls and management systems remained in place. A large number of staff losses further degraded the office's ability to manage its workload and timely process claims.

WRO has a history of recurring difficulties similar to the current situation, although never quite as critical as the workload problems it now faces. It has always been difficult for WRO to work in the headquarters city and attract and retain top employees when the grade structures and opportunities for promotion are so much greater in VACO and other Federal agencies.

Question. What is your plan for handling the backlog of claims in the DC field office?

Answer. Our primary concern is obviously for the veterans who are awaiting decisions on their claims. Our immediate actions have focused on organizing the pending claims, associating all documentary evidence with those claims, and establishing the appropriate workload controls so that we can process these claims as expeditiously as possible. We brought in a highly skilled management team from the Oakland Regional Office to assist in this process. This team also provided some critical interim training support to the employees of the Washington Regional Office. A new Service Center Manager has now been appointed for the office, and we are recruiting to fill additional positions in order to further strengthen the management structure and increase the technical capabilities of the staff.

Some of the pending claims have already been transferred to other regional offices to be worked. We are developing a plan for further redistributing a significant portion of the pending workload to other regional offices for both development and rating action. Throughout the summer we will be bringing in "help teams" from across the country to screen and process claims. We will continue to call on the assistance of other regional offices until we have brought the pending workload down to a level which can be timely managed by the Washington Regional Office.

Question. Who will be in charge of correcting this problem?

Answer. The Office of Field Operations is the organizational element within the Veterans Benefits Administration responsible for the operations of the regional office field structure. That office is closely monitoring the Washington Regional Office situation and working directly with local management to implement the short term actions that will bring the workload back under control and to design the long term solution for the office that will best serve veterans.

The Washington Regional Office is part of Service Delivery Network 3, which also includes the Baltimore, Huntington, Roanoke, and Louisville Regional Offices. The Network shares in the responsibility for managing the workload at WRO and was instrumental in assessing the extent of the problems and laying out an initial course of action. The network will continue to provide assistance and support to WRO until the situation is resolved.

Question. What is your timetable for a solution?

Answer. The goal for WRO is to be in a position to maintain its workload without extraordinary assistance within 12–18 months.

Question. When can veterans who were, or are, served by the DC field office expect to see positive results?

Answer. With the actions we have already undertaken and the planned redistribution of many of the pending claims to other offices, veterans can expect to see positive results within a three to six month period. This is not to say, however, that all claims will be finalized during this period. Depending on the type of claim and the extent of evidentiary development required, the decision-making process could extend beyond the six month period.

In addition to increased attention to managing the claims process, we plan to implement the National Automated Response System at WRO in the near term. This system will assist in reducing the telephone waiting times that veterans experience when calling regarding the status of their claims.

Question. If the VA plan includes distributing these outstanding claims to other field offices, will this result in slower processing for other offices?

Answer. The work will be transferred to a sufficient number of offices so that the impact on the receiving stations will not be dramatic. The regional offices selected to assist will be those that can best handle the additional work with the least disruption to their own workloads.

Question. How long will this transfer of work last?

Answer. The WRO pending workload is being continuously monitored. As indicated in response to a previous question, we will continue to call on the assistance of other regional offices until we have brought the pending workload down to a level which can be timely managed by the Washington Regional Office.

Question. Is it possible that this will be a permanent shift of responsibility?

Answer. We have made no decisions on the long term solution for the Washington Regional Office. Our goal is to establish an effective organizational structure, implement the appropriate management systems and develop comprehensive training programs that will enable all employees to perform at their highest level of competence and ensure veterans' claims are properly developed and decisions timely made.

Question. How will this affect veterans who were, or are, served by the DC field office?

Answer. The transfer of a significant portion of the pending work to other offices is the most expeditious way of resolving the claims and bringing the workload at WRO back under control. We will be careful to notify all veterans whose claims are transferred and we will coordinate our actions to minimize the impact on claimants and their representatives. Any medical examinations required in order to process the claims will be scheduled in the local area.

VA'S DISPOSAL OF CAPITAL ASSETS

Question. What is VA's plan to dispose of excess capital assets?

Answer. VA is proposing a pilot program to significantly improve its management of capital resources by encouraging and streamlining the process of disposing of surplus government property. This proposal would allow VA to dispose of excess and underutilized property (including land, structures or any equipment associated with the property) by sale, transfer, or exchange, and use the proceeds to fund further disposal activities and other non-recurring capital needs. The pilot would be restricted to thirty dispositions over its life.

Proposed legislative changes include:

Establishing the Capital Asset Fund (CAF). Proceeds that VA retains (90 percent) from disposals, after deductions, will be deposited into the CAF to be used to fund additional disposal activities and other non-recurring capital needs. Allowable deductions would include all costs (administrative, demolition, etc.) of disposing of the asset. This fund will have a cap of $50 million, with excess proceeds to be transferred to the minor construction program.

Raising the threshold of reporting disposals in an annual budget document from $50,000 to an amount equal to or greater than the cost of a major medical facility project (currently $4 million). VA would notify GSA of all approved disposals and this information would be entered into GSA's internal database. Property with an estimated value less that the value of the Major Medical Facility Project threshold (currently $4 million) could be disposed of after notifying GSA, no other Federal agency has expressed an interest in paying fair market value for the property within 30 days of the notice, and then a Notice of Intent is placed in the real estate section of local newspapers. Properties valued in excess of the Major Medical Facility Project threshold would be described in the Congressional budget document for that fiscal year. In addition, GSA would offer the property to other Federal agencies. If after 30 calendar days, no other Federal agency expressed an interest in paying fair market value for the property, VA would be authorized to proceed with the disposal provided: (1) a public hearing is held in the local community where the disposal would occur; (2) the Secretary's intention to dispose of the property is published in the Federal Register; and, (3) the Committees on Veterans' Affairs are notified and 60 calendar days have elapsed. The Secretary would report in the yearly budget submitted to Congress on the disposals to be undertaken in that fiscal year that are valued in excess of the Major Medical Facility Project threshold, and also report on all completed disposals. For disposals in excess of this threshold, General

Services Administration (GSA) would be notified, a notice of intent would be published in the Federal Register and the Committees on Veterans' Affairs would also be notified. For disposals under this threshold, GSA would be notified and a notice of intent would be provided to the local community.

Requiring 10 percent of the proceeds to be transferred to the Department of Housing and Urban Development's (HUD) Homeless Assistance Grants Housing account.

Question. What process will be followed regarding the disposal of these assets?

Answer. VA Proposed Asset Disposal Pilot-Procedures and Process:

Offices with responsibility for real property assets (VHA, VBA, NCA) would perform surveys to determine excess or underutilized real property, and report proposals for disposal to the VA Capital Investment Board (VACIB).

VACIB will review proposals and forward its recommendations to the Secretary for approval.

For disposals less than $4 million, GSA would be notified and no other Federal agency has expressed an interest in paying fair market value for the property within 30 days of the notice and a notice of intent would be placed in local papers.

For properties valued at greater than $4 million:

1. GSA would be notified and if not other Federal agency has expressed an interest in paying fair market value for the property, VA would be authorized to proceed with the disposal.
2. The proposed disposal would be described in the Congressional Budget for the fiscal year.
3. A notice of the Secretary's intent will be placed in the Federal Register and local hearings would take place.
4. Congressional committees would be notified 60 calendar days prior to any disposal.

VA would notify GSA of all approved proposed disposals and would be authorized to perform disposal activities utilizing GSA's technical assistance when desired.

Ninety percent of the net proceeds of any sale, transfer or exchange would be deposited into CAF to fund future disposal activity, other non-recurring capital projects and augment funding for VA's homeless program. Ten percent of the net proceeds would be transferred to HUD's Homeless Assistance Grant Account.

Question. How will local communities who might be impacted by the disposal of these assets be involved in the process?

Answer. For disposals less than $4 million, a notice of intent would be placed in local papers. For properties valued at greater than $4 million, the proposed disposal would also be described in the Congressional budget, the Secretary's intention would be published in the Federal Register, and a public hearing would be conducted in the local community where the disposal would take place.

Question. What are VA's goals regarding capital asset disposal?

Answer. The goal of the disposal pilot is to improve the management of the VA's capital assets by providing incentives for the disposal of unneeded or underutilized VA real property. The pilot will also promote efficiencies, cost savings and generate income to supplement VA's capital programs. Currently little incentive exists for VA to dispose of its excess or underutilized property as it must first be offered (sometimes at little or no cost) to public and private organizations that do not directly benefit the veteran population. In addition, any proceeds that are retained by VA can only be used to construct nursing homes—not currently a high priority need.

The pilot promotes efficiency by enabling VA to redirect funds currently spent on maintenance and operating costs for underutilized property and instead use these funds to provide improved quality and access to services for veterans.

Another goal of the pilot is to generate income that will be utilized to supplement VA's capital programs in order to improve the VA's infrastructure, increase its information technology capabilities and provide better accommodations and services to the veteran.

Question. What is VA's timeline for the disposal of capital assets?

Answer. VA anticipates that the proposed process will represent a streamlining of the current one. However, the time frame required for completion of a disposal is heavily dependent on a number of factors including: the size and potential future uses of the property to be disposed of; the complexity of environmental study and/or restoration required prior to disposal; and the volatility of the real estate market in the surrounding community. While simpler asset disposal proposals may be completed within 12 months after they receive approval from the Secretary or are submitted to Congress, based on GSA and DOD experience, VA believes it may take 24 to 36 months to dispose of an asset under the most difficult conditions. The proposed pilot program is limited to 30 transactions over its five-year life.

Question. What criteria will be used to determine which capital assets should be disposed of?

Answer. VA anticipates a strategic planning process aimed at realigning imbalances or inequities between VA capital assets and veterans needs. While overall guidance and direction for this program is given at the headquarters level, much of this process will be undertaken at the regional level through each Veterans Integrated Service Network (VISN). The process provides for the creation of a Capital Assets Realignment for Enhanced Services (CARES) Steering Committees at each VISN whose responsibility is to undertake and complete a report which will be linked to that VISN's business plan. This report would include the following elements:

—A review of historical, current and projected service utilization and demand for veteran healthcare services throughout the VISN and its constituent medical facilities.

—A review of current VISN capital assets in terms of their ownership, location, services provided, physical condition, convenience of access, repair requirements and similar characteristics.

—A review of the congruence between current capital assets and the VISN's current and future projected demand for services.

—Consideration of alternatives to current service delivery modes that may enhance services to veterans.

VBA and NCA will follow similar internal processes, prior to reporting proposed disposals to the VA Capital Investment Board. In the context of capital asset planning, VA closely follows the principles in the OMB Capital Asset Programming Guide for any proposed capital investment of disposal in terms of analyzing each proposal in light of other alternatives.

Question. How will VA incorporate local flexibility with national standards regarding the disposal of capital assets?

Answer. As previously stated, while overall guidance and direction for this program is given at the headquarters level, much of this process will be undertaken at the regional level through each VISN. The process provides for the creation of Capital Assets Realignment for Enhanced Services (CARES) Steering Committees at each VISN whose responsibility is to undertake and complete a report which shall be linked to that VISN's business plan. These committees will include members representing veterans.

HEPATITIS C

Question. We understand that the VA plans to only use combination therapy to treat hepatitis C, but combination therapy is not approved for patients who have not responded to initial therapy. Another interferon therapy is FDA approved for treating all patients with Hepatitis C including those who do not respond to initial therapy. What therapy do you plan to offer veterans who are HCV positive and do not respond to initial treatment?

Answer. VA does not plan to use only dual therapy for hepatitis C infection (HCV). While combined interferon (IFN)-ribavirin treatment is associated with higher response rates, and is generally considered the most appropriate "standard" treatment, it may not be suitable for all patients as initial therapy. For example, ribavirin may cause a hemolytic anemia severe enough to require its discontinuation; this could make a patient with blood or heart disease a poor candidate for combination treatment. In addition, it is teratogenic and requires additional caution when considered for females of childbearing age. Moreover, side effects and treatment dropout rates are greater with dual versus single drug treatment. Thus, some HCV patients may be offered only interferon as initial therapy. However, combination therapy has not been used only as initial treatment; Davis et al. (NEJM 1998;339(21):1493–1499) demonstrated that IFN-ribavirin was superior to IFN retreatment for patients who had relapsed after initial IFN treatment. IFN alone is appropriate for use in patients who relapse following an adequate course of combined drugs.

The treatment guidelines address all of these concerns. We are aware that not everyone is suitable for dual therapy and our treatment protocol specifically addresses this. There is a special warning section on individuals of child-bearing age.

The development of the treatment protocol was done with the leading hepatologists in the Veterans Health Administration and based on the best clinically current information. According to the literature no single drug therapy has been demonstrated to meet or exceed dual therapy. There are some differences in response to various types of interferon. Each patient will be individually evaluated by his or her physician and appropriate therapy will be provided.

Question. Based on warnings in the label, HCV positive individuals who have cardiac, pulmonary, or renal related illnesses may not be good candidates for combina-

tion therapy, and women of childbearing age and their partners taking combination therapy must also take strict precautions to avoid the risk of pregnancy. What therapy will be made available to HCV positive veterans who may not be good candidates for combination therapy due to these risk factors?

Answer. Monotherapy with interferon (IFN) alone is appropriate treatment in those patients; it is covered in the treatment protocol. The Pharmacy Benefits Group decides which interferon products are placed on the national formulary. The clinicians review the literature and clinical trials to determine which drugs provide the best clinical benefit. This information is also gathered and reviewed by the Pharmacy Benefits Group to decide which drugs to place on the national formulary.

Question. I understand that the VA's projected HCV treatment costs are based on the cost of combination therapy. However, there is another approved interferon therapy that costs 50 percent less than combination therapy and may be more effective and/or safer in some patient populations. Have you considered how clinically appropriate use of interferon monotherapy will reduce the cost of your HCV treatment program?

Answer. We have not developed predictions of cost differences between dual (IFN-ribavirin) and montherapy (IFN alone). Such projections would require knowledge, or estimates, of the proportion of HCV patients who had specific contraindications to the addition of ribavirin to IFN in treatment of their disease, or who would be likely to drop out of, or specifically defer dual drug therapy. We have no such reliable data available which would permit such assumptions nor does any exist for other populations. Moreover, if the higher response rates reported for dual therapy are substantiated in VA patients, the more costly initial therapy could be more than compensated by savings due to lower rates of relapse and progression of liver disease. The evidence-based treatment protocol currently recommends dual therapy as the standard of care, however, provision has been made in the protocol for those patients who either cannot tolerate dual therapy or are not clinically appropriate for dual therapy. Our veteran patients are provided the most up to date therapy possible, and the treatment protocol is reviewed and updated on a regular basis as the science indicates the need, and our decision-making is based on the appropriate clinical indications.

QUESTIONS SUBMITTED BY SENATOR HARKIN

HEPATITIS C

Question. I am pleased that the VA budget request includes a substantial expenditure for evaluation and treatment of veterans with the Hepatitis C virus. It is my understanding that a very large portion of the veterans' population may be infected with this disease. This is likely to be a serious health challenge for many years. Can you explain the VA's plan for testing and treating these patients and making available all promising treatments?

Answer. VA has emerged as the Nation's leader in the recognition, testing, and treatment of the Hepatitis C virus. VA's public health response to this emerging epidemic fully recognizes that treatment and containment of this virus is a long-term commitment. VA has already developed a systematic management approach that addresses current requirements and will respond to future developments. VA already has put in place treatment guidelines and protocols. In addition, VA has dedicated two "Centers of Excellence" and advanced a number of partnerships with private industry that will ensure that veterans receive the benefit of the most up to date and state-of-the-art research, service, and treatment.

Question. It is my understanding that there are several approved Hepatitis C treatments, each of which has complications and limited response rates, but some of which may be particularly appropriate for certain portions of the VA patient population. Can you assure me that the VA will make all FDA-licensed treatments available for VA Medical Centers so that doctors will be available to choose the most appropriate therapy for each patient?

Answer. VA's treatment protocol is evidence-based. It will be adjusted by the outcome of clinical trials and when FDA has approved any new drugs.

QUESTIONS SUBMITTED BY SENATOR LEAHY

DEPARTMENT OF VETERANS AFFAIRS AND DEPARTMENT OF DEFENSE-COMPUTERIZED MEDICAL RECORD SYSTEMS

Question. In recent years I have pushed the Department of Defense to adopt new software tools that automate data capture and clinical guidance for servicemembers. These products promise to save funds by identifying servicemember medical problems and solutions continuously, while creating standardized patient data to better analyze how resources are being used. If systems incorporating these characteristics had been in place during Desert Storm, many of the medical problems experienced by veterans after that war would have been definitively traced to their causes.

I know you are working closely with the Department of Defense in developing a computerized medical record that will enhance the care of tomorrow's veterans and servicemen. I would like to make sure that your efforts are taking advantage of the progress that DOD has made recently.

Will you have someone brief me on the cooperative efforts between the two departments?

Answer. VA continues to work closely with the Department of Defense (DOD) on computerized medical record systems. Certainly, the most visible collaborative activity relates to the Government Computer-based Patient Record (GCPR) initiative, which derived, in large part, based on the data standardization problems that you referred to and that were identified since the Gulf War. This interagency project is focused on developing and implementing a framework to electronically move patient medical records between the VA, DOD, and the Indian Health Service (IHS). Members of the GCPR Project Management Team or the GCPR Executive Committee are prepared to brief you on this cooperative effort at your convenience.

HEPATITIS C

Question. I am pleased that the VA budget request includes a substantial expenditure ($135 million) for evaluation and treatment of veterans with the Hepatitis C virus. It is my understanding that a very substantial portion of the veterans' population may be infected with Hepatitis C.

Can you please explain the VA's plan for testing and treating these patients?

Answer. VA has emerged as the Nation's leader in the recognition, testing, and treatment of the Hepatitis C virus. VA's public health response to this emerging epidemic fully recognizes that treatment and containment of this virus is a long-term commitment. VA has already developed a systematic management approach that addresses current requirements and will respond to future developments. VA already has put in place treatment guidelines and protocols. In addition, VA has dedicated two "Centers of Excellence" and advanced a number of partnerships with private industry that will ensure that veterans receive the benefit of the most up to date and state-of-the-art research, service, and treatment.

Question. Can you assure me that the VA will make all FDA-licensed treatments available so that doctors will be able to choose the most appropriate and cost effective therapy for each patient?

Answer. VA's treatment protocol is evidence-based. It will be adjusted by the outcome of clinical trials and when FDA has approved any new drugs.

SUBCOMMITTEE RECESS

Senator BOND. Mr. Secretary, gentlemen, it looks like a challenging year ahead. We appreciate the testimony and the discussions today. There will be more questions. And we look forward to continuing to work with you and thank you for your attendance.

Meeting is recessed.

[Whereupon, at 11:34 a.m., Thursday, April 15, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT AND INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2000

THURSDAY, APRIL 22, 1999

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:30 a.m., in room SD–138, the Dirksen Senate Office Building, Hon. Christopher S. Bond (chairman) presiding.

Present: Senators Bond, Craig, Stevens, Mikulski, Leahy, Lautenberg, and Harkin.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

STATEMENT OF ANDREW CUOMO, SECRETARY

ACCOMPANIED BY:

SAUL RAMIREZ, DEPUTY SECRETARY
JON COWAN, CHIEF OF STAFF
GAIL LASTER, GENERAL COUNSEL
JACQUIE LAWING, DEPUTY CHIEF OF STAFF FOR POLICY AND PROGRAMS
RHODA GLICKMAN, DEPUTY CHIEF OF STAFF
HAL DeCELL, ASSISTANT SECRETARY FOR CONGRESSIONAL AND INTERGOVERNMENTAL RELATIONS
CARDELL COOPER, ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT
HAROLD LUCAS, ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING
JACKIE JOHNSON, DEPUTY ASSISTANT SECRETARY FOR NATIVE AMERICAN PROGRAMS
WILLIAM P. APGAR, ASSISTANT SECRETARY FOR HOUSING—FEDERAL HOUSING COMMISSIONERS
IRA PEPPERCORN, DIRECTOR, OFFICE OF MULTIFAMILY HOUSING ASSISTANCE RESTRUCTURING
GEORGE ANDERSON, EXECUTIVE VICE PRESIDENT, GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
XAVIER BRIGGS, DEPUTY ASSISTANT SECRETARY FOR RESEARCH, EVALUATION AND MONITORING
EVA PLAZA, ASSISTANT SECRETARY FOR FAIR HOUSING AND EQUAL OPPORTUNITY
DAVID GIBBONS, ACTING CHIEF FINANCIAL OFFICER
EDWARD KRAUS, DIRECTOR, ENFORCEMENT CENTER
DONALD J. LA VOY, DIRECTOR, REAL ESTATE ASSESSMENT CENTER

JOE SMITH, ACTING ASSISTANT SECRETARY FOR ADMINISTRATION
DAVID JACOBS, DIRECTOR, OFFICE OF LEAD HAZARD CONTROL
SUSAN GAFFNEY, INSPECTOR GENERAL

OPENING STATEMENT OF CHRISTOPHER S. BOND

Senator BOND. The Senate VA, HUD, and Independent Agencies Appropriations Subcommittee will come to order. Senator Mikulski is meeting with the ambassador from Poland this morning and asked that we go ahead and I will do so and ask her to make her opening statement when she concludes that very important meeting.

It is a pleasure to welcome Secretary Cuomo and our other guests from the Department of Housing and Urban Development who have joined us here today to testify on the President's fiscal year 2000 budget request for the Department of Housing and Urban Development. The President's budget request for HUD proposes $28 billion for fiscal year 2000, which is an increase of some $2.5 billion over the fiscal year 1999 appropriation of $25.5 billion.

I must say at the outset, as I have had to say at each of the hearings we have had to date in this subcommittee, that this again will be a very difficult year in attempting to meet the funding requirements and the programs within the jurisdiction of this subcommittee.

The caps on domestic discretionary spending will compel domestic programs to absorb some $23 billion in reductions, and the VA, HUD Appropriations Subcommittee, as one of the largest subcommittees within the Appropriations Committee, will have to absorb its fair share of domestic cuts. We hope that we will only have to absorb our fair share and not more.

As is often the case, the President's budget request for fiscal year 2000 has created unrealistic expectations by increasing spending by almost $25 billion above the budget caps through a series of puts and takes that simply do not work or exist. In effect, he has proposed spending dollars that are not there.

When these phantom funds are squeezed out it will mean real and difficult cuts; therefore, much of the Subcommittee's work this year, including the budget review and funding of HUD programs, will have to be to prioritize our funding decisions to ensure that the principal programs within the subcommittee work effectively and efficiently.

RENEWAL OF EXPIRING SECTION 8 CONTRACTS

While there are many HUD issues that merit comprehensive discussion, I begin by touching on several specific issues that are important to me. First, Congress has made a commitment to fund fully all expiring section 8 contracts. Now, this is not glamorous, it is not sexy, it is not politically high profile, but it is a vitally important commitment.

It means that we are not going to abandon the low-income families, the elderly, and the disabled who depend on Federal housing assistance for decent, safe, and sanitary housing.

Within the next 10 years the financial reality is that by fully funding the expiring section 8 contracts on an annual basis the

Congress will need to appropriate some $20 billion per year to renew all existing expiring section 8 contracts without any new incremental section 8 assistance.

Without that funding current residents will lose their section 8 assistance and the ability to afford their homes. So keeping low-income families with their children, keeping the elderly, and keeping the disabled in their homes will remain our top priority.

It is against this bleak financial setting that the request for additional incremental section 8 units must be viewed.

The VA–HUD fiscal year 1999 appropriations bill, at the insistence of the Administration, included 50,000 incremental section 8 vouchers at the cost of $283 million in fiscal year 1999. This $238 million cost will become an annual cost as these section 8 contracts expire. Again, this year, the HUD budget calls for an additional 100,000 incremental section 8 vouchers to meet low-income housing needs.

These 100,000 incremental vouchers will cost some $578 million, which again will become a recurring annual cost if we continue to meet our commitment to fund fully all expiring section 8 contracts.

Let us put a human face on this. We have thousands of families and elderly individuals who face the potential loss of their homes if we do not provide sufficient resources to extend expiring section 8 contracts. We cannot kick these people out the back door because we are so eager to fund a new family coming in the front door.

That is what my priority is and will remain, taking care of the current residents of public and assisted housing, and only after this is done will we look to provide new commitments.

SECTION 8 INCREMENTAL ASSISTANCE

Mr. Secretary, I must also remind you of a discussion that we had last year during the VA–HUD fiscal year 1999 appropriations conference concerning the funding of section 8 incremental assistance.

During the meeting with Senator Mikulski, Congressman Lewis, Congressman Stokes, and me, you promised to find adequate funds to cover the full cost in fiscal year 2000 for the 50,000 incremental vouchers which we included in the fiscal year 1999 VA–HUD appropriations bill.

You said that you would cut programs if necessary, but that you would find adequate funding to cover the costs of new incremental section 8 assistance. This was a promise you made to me and to other members of the VA–HUD appropriations conference personally, and I am concerned that the President's fiscal year 2000 budget request for HUD does not live up to this promise.

I want to be clear on this, because I believe the President's fiscal year 2000 budget fails to provide the needed funding for the existing expiring section 8 contract, and instead it relies on an advanced appropriation of $4.2 billion to be appropriated in fiscal year 2001. This would create an immediate shortfall of $4.2 billion in fiscal year 2001 within the HUD budget, which this subcommittee will have to make up.

This policy essentially says to our elderly and other low-income tenants that HUD is promising a 1-year lease, but is only willing to provide the funds for a few months, and then hope that the rest

of the rent money is available later. That just does not work, and essentially bankrupts the system.

Even more unsettling is the fact that the Administration assumes flat funding for section 8 contract renewals over the next 9 years. If you have not looked at it, and I would ask those who are here who are interested in this to look at the multi-year projections.

The projections of OMB, reflecting the President's budget, assume only $11.5 billion for expiring section 8 contracts for each fiscal year from 2001 through 2009. This means the Administration is not committed to funding all expiring section 8 contracts and begs the question as to what this means for the thousands of current residents who would be forced out of their homes.

In essence, we have two sets of books, one that looks good, but when you look at the real spending plan there is not the money there, and I am very worried about what that means. I believe in living up to our commitments, and if the budget cannot sustain additional incremental section 8 vouchers, then we ought to say that and prioritize our funding to preserve the housing assistance we currently have.

OPT-OUTS

Second, HUD is facing a housing crisis with the opt-out of a number of section 8 project-based multifamily housing developments. For example, according to the National Housing Trust, during 1998, 219 properties, with some 25,000 section 8 units, opted out of receiving Federal rent subsidies under the section 8 project-based market program. These were projects with expiring section 8 contracts with rents below the market rate. In these cases, HUD has refused to review the section 8 contracts at market.

In other words, the owners believed that they could get more rent for their properties if they did not have to rely on the existing section 8 rents for their housing stock.

Now, the Administration has a stated policy of opposing section 8 project-based assistance in favor of vouchers. Nevertheless, many of these projects are home to the elderly, or a scarce housing resource in an area in which there is little available, low-income, affordable housing.

It is just not acceptable to say we will give you a voucher. This often means that low-income families will not be able to afford the housing in their community, or there is no available housing in their community, or elderly people will need to venture out with their walkers, or, even more troubling, in their wheelchairs, to look for housing where none may exist. We, in Congress, I believe, have been clear that we need to preserve low-income elderly housing as well as low-income family housing in areas with low-vacancy rates.

I think we owe it to the communities, we owe it to our low-income families, we owe it to our elderly, and we owe it to our disabled citizens. While I believe HUD has the authority and resources to address this problem, HUD must make the commitment now to save this housing.

PROCUREMENT AND CONTRACTING REFORMS

On the right side, however, Mr. Secretary, I do want to compliment you on HUD's substantial progress in reforming the procurement and contracting procedures as reported by the National Academy of Public Administration [NAPA]. This is an area where we can jointly take pride in a significant accomplishment.

This reform grew out of Congressional concerns over HUD contracting and procurement procedures as the Department downsized, and as you know, it was the House and Senate Appropriations Committees that initially asked GAO and the HUD Inspector General to review and audit HUD's procedures for contracting, and then subsequently funded NAPA to complete the review and work with HUD on procurement reform.

Therefore, I am very pleased that HUD has taken our procurement concerns seriously and worked with NAPA to achieve what appears to be solid results. I congratulate you and the people of HUD on this significant step forward.

I hope HUD will continue to follow through on additional NAPA recommendations. HUD's implementation of NAPA's contracting and procurement recommendations are still only beginning steps in the context of HUD's larger problems, but I do believe these reforms are needed.

I am hopeful that HUD's efforts and procurement reform represent a larger commitment to a more comprehensive overhaul of how HUD does its business.

AUDIT FINDINGS

Also, I congratulate you on the first clean audit that HUD has received, but there is much work to be done. I remain disappointed that HUD again was designated in 1999 as a high-risk area by GAO, as it was in 1995 and 1997, the only agency ever designated as high risk on an agency-wide basis.

Further, the bad news is that the most recent audit of HUD's financial statements revealed 6 material weaknesses and 11 reportable conditions. This is one more material weakness and one more reportable condition than identified in last year's audit.

That is unacceptable, it undermines the confidence of the American people in the ability of the Federal Government to make a meaningful contribution to housing and community development policy.

Mr. Secretary, I know you are working hard to address HUD's problems; nevertheless, as long as the Department remains high risk I do not want to hear how you saved the Department from being dismantled. Frankly, this claim reminds me of claims about how certain financial institutions were too big to fail during the savings and loan fiasco. In HUD's case it may be both, too big to fail as well as too complex to be devolved. Nevertheless, as we move forward, I will be directing my staff to look at ways to enhance how HUD does its business, including the possibility of spinning off FHA as a separate institution, as a separate corporation, or as a government-sponsored enterprise.

HUD 2020 MANAGEMENT REFORM PLAN

I also continue to have concerns regarding a number of HUD program and management issues. In the first place, I remain concerned over HUD's implementation of the HUD 20–20 management reform plan, which is designed to rebuild the public trust in the Department through management and program reform in conjunction with the downsizing of the Department from 13,000 staff in 1992 to 9,300 currently.

We have discussed the need to maintain adequate staffing to ensure there is quality delivery of HUD program services, and I know you share my concerns that the success of each program must remain the primary goal of the Department.

Nevertheless, I am not convinced that the Department has achieved this goal. I have heard concerns about HUD's ability on processing applications and providing consistent program information to prospective clients. Where that is not done on a timely basis, as we have discussed, unreasonable delays can cost money and deals can collapse. While a number of these concerns are anecdotal, they are very real.

I am also concerned with the Community Builders program, which I initially understood to be a limited program to encourage a new generation of young professionals to invest their time and energy in housing and community development issues at the local level while helping to facilitate local decisionmaking on local housing and community development issues.

Instead I hear the program has ballooned to staffing of some 600 to 800 Community Builders out of a total HUD staff of 9,300 persons, or some 8 percent of all HUD staff. Moreover, I have heard reports that there is confusion over the role and authority of Community Builders in decision making as well as significant questions as to their qualifications and knowledge of HUD programs. This could really be a big problem if HUD's other staff are undermined while performing their jobs.

In addition, HUD's budget includes, according to GAO, some 19 new programs and initiatives, with funding of some $731 million. As we have discussed, HUD needs to focus its efforts on its core programs rather than redirecting HUD staffing and expertise to new boutique programs and activities, especially since many of these programs and activities can be achieved at the discretion of state and localities under the existing authority of programs such as CDBG and HOME.

Because of recent downsizing and restructuring, HUD is vulnerable to poor management decisions, structural weaknesses, and deficiencies in its primary housing and community development programs. An overload of new activities and programs could substantially weaken the Department.

Thus, I believe we have to continue to consolidate HUD programs and activities to ensure that HUD's primary core programs, such as public housing, section 8, CBDG, HOME, homeless assistance, FHA mortgage insurance, and the disabled and elderly programs meet the needs of our citizens, especially those who are low and very low income.

I do not need to remind you that HUD, as a high risk area, is considered vulnerable to fraud, waste, abuse, and mismanagement, and the GAO, the HUD Inspector General, and the National Academy of Public Administrators have at various times identified substantial concerns with HUD's ability to administer its programs and meet its statutory requirements.

Moreover, many of these concerns still must be resolved, as we have discussed in the past, as a matter of fiscal responsibility. HUD is one of the nation's largest financial institutions, with sizeable commitments and obligations, managing more than $400 billion worth of insured mortgages, $485 billion in outstanding mortgage-backed securities, and $180 billion in prior year's budget authority.

GAO REVIEWS

Now, the GAO and HUD IG were responsible for identifying the need for procurement reform; therefore, it was of great concern when it was reported to me that HUD has refused to allow GAO to review HUD programs, collect data, and talk to staff. I think that is unacceptable.

GAO is the eyes and the ears of Congress, and our ability to develop a meaningful HUD budget depends on GAO's ability to keep us fully informed on HUD programs and funding issues. I expect the Department to open its doors to GAO immediately, to extend to GAO every courtesy needed for its program and budget reviews.

To be blunt, Mr. Secretary, we have a mutual interest in making sure that HUD's housing and community development programs both work well and are financially responsible, and can only do this with your cooperation and with the cooperation of our agency and the GAO.

STATE/LOCAL DECISION-MAKING

Finally, I emphasize the continued need for the Department to redirect the responsibility of HUD programs and activities from the Federal Government to state and local decision-making. It is critical, because HUD does not have the staff, the expertise, or the resources to manage on a micromangement basis every program.

The success of housing and community development programs and initiatives reside at the state and local level, where other state, local, private, and non-profit resources can be leveraged to expand the availability of affordable housing and to create new economic initiatives. Most importantly, state and local housing and community development needs are best addressed through state and local decision-making.

We look forward to hearing your comments, but Mr. Secretary, first let me turn to the Members who are with me now. I turn first to Senator Leahy.

STATEMENT OF PATRICK LEAHY

Senator LEAHY. Thank you, Mr. Chairman.

The Chairman and I have been friends for many, many years and agree on far more things than we disagree on, but I would note that I see that the glass is more full than empty in this.

Mr. Secretary, I am delighted to have you here before us, and I too have some of the NATO and Kosovo things going on and will have to leave after this, but will leave questions for the record.

When you appeared before this committee as Secretary, I offered you congratulations and condolences at the same time, and you have told me on different occasions you were not quite sure which was more in keeping, but I felt then as I do now that you have brought more personal experience and more commitment to the Federal Homeless Assistance Programs than so many of your predecessors.

I also knew you were taking over the helm of a very large ship, sort of a super tanker, and everybody knew the ship was taking on water long before you were put at the helm from years of mishandling and needed to be turned around. Big ships do not make tight turns. No matter how much you turn the wheel to change course it might not be enough.

I knew you had the experience, I knew you had the ideas to take charge and implement the reform plan for the agency, I knew it takes some time for the tanker to follow your lead.

You have put together what I believe is another strong budget for fiscal year 2000. I appreciate your efforts to address the affordable housing crisis by requesting 100,000 new vouchers for rental assistance. I am encouraged to see your continued commitment to the Home and CDBG programs. I believe they are two of the most effective programs available for financing housing and economic initiatives at the local level.

I also want to commend you for conducting the first ever physical inspection of all federally subsidized properties. That is over 4.5 million properties. It is about time that we took stock of our investment in affordable housing, it should have been done long before you came, and I commend you for taking the initiative when others said not to do that. That demonstrates that HUD does care. I hope this will promote a new attitude about Federal housing programs.

The Real Estate Assessment Center that you established demonstrates a fresh long-term commitment to the Federal investment in housing. Gone will be the days when projects were built and then just forgotten. I believe what you are doing is making sure the housing units remain affordable, but also remain liveable, two things that do not always occur together.

So many Secretaries before you touted how many thousands of units of housing are all over the country. You are probably going to be the first Secretary to say that you know the condition of those units, who are the good and bad landlords, and what repairs and enforcement are required, and that is very, very good. To paraphrase a person who lived many years in Vermont, Robert Frost, you have miles to go before you sleep.

We talked about the GAO watch list. HUD was on that watch list for several years before you became Secretary. It remains there, but I am encouraged by the steps you have taken to address the problems raised by GAO, and I think we should note that 2 days ago, the National Academy of Public Administration released a report that actually commended HUD for making substantial progress in the area of procurement reform, something that should be welcome news, but also reflects improvements made.

I have seen your personal commitment and knowledge of these programs on occasions when you have been in Vermont, and to a little state like ours, taking the time when you come there, you have given great, great encouragement to people who have not had much to encourage them before in life.

Even this past week, when I was there, I ran into a couple of people in downtown Burlington who told me how much their life had been affected by your words, your presence, and your programs there in Vermont.

A lot of work lies ahead for you and your staff, and I wanted to thank you for those efforts of yours and your leadership. There will be bumps in the road in the future, anybody coming to HUD knows that will happen. I am confident you are doing your best to ensure that HUD will turn the corner and enter the 21st Century in far better condition than it was in the past.

Mr. Chairman, as always, I will work with you on these programs, because I know you are very concerned about them. I will have questions for the record, and I apologize for having to leave.

Senator BOND. Thank you very much for being with us, Senator Leahy. We will add your questions, and as always we will keep the record open for both statements and questions by all members of the committee.

And, Mr. Secretary, we hope that you will take those into account and respond promptly to them.

Let me turn to Senator Craig.

STATEMENT OF SENATOR LARRY CRAIG

Senator CRAIG. Mr. Chairman, thank you very much. I will be brief. I came in late.

Mr. Secretary, welcome.

As we all know, in 1988 Congress passed and President Reagan signed into law amendments to the Fair Housing Act that included disability and family status. Now, these Fair Housing laws are important. We all recognize that, and I do not dispute the value of the Fair Housing Act to prevent housing discrimination. This is never a valid reason for discrimination against anyone.

When Congress passed the laws the intent was to increase the inventory of accessible housing for disabled citizens. I still support and believe in that goal, so I want to congratulate you this morning Mr. Secretary for HUD's recent decision to uphold those goals. I think that is extremely valuable.

I decided to rescind proposed rules that would have prevented the public housing authorities from receiving Federal funds. The funding was to have been cut off because of the unsubstantiated claims against the agencies. I am glad that you realized that this would be an extremely punitive measure that would have harmed local low-income communities, while at the same time penalizing the agencies without proof of wrongdoing.

So there are questions to be asked this morning, there are other concerns, but I did want to recognize that, Mr. Secretary, and thank you for that.

Mr. Chairman, I would ask that the bulk of my statement be made a part of the record——

Senator BOND. Without objection.

Senator CRAIG [continuing]. So we can turn to other colleagues and get to the questions. Thank you.

Senator BOND. Thank you very much.

Senator Lautenberg.

STATEMENT OF SENATOR FRANK LAUTENBERG

Senator LAUTENBERG. Thank you, Mr. Chairman. I first commend you for trying to stretch the inadequate resources that you have, but we do face a crisis in housing for the needy and for the poor in the years ahead.

Unfortunately, I can only stay here briefly, because of a conflict with a budget committee hearing, but I do want to speak for just a couple of minutes on two important subjects.

First, I want to thank Secretary Cuomo for taking on such a difficult task and doing it as well as you have. Bringing HUD's management and finances into the 21st Century is a job that many people have shied away from, but I am pleased that Secretary Cuomo had the courage to tackle HUD's problems, and I want to commend him and his staff for their hard work and congratulate him on the progress made so far.

Second, I want to take a couple of minutes to express my concern about the funding levels available in the fiscal year 2000 appropriations for critical programs like affordable housing and community development. The budget resolution that just passed would mandate an 11 percent budget cut for most discretionary programs in the year 2000, and that is what happens when you are pledged to budget caps while defense funding is increased and protecting some other programs, while other critical programs take unacceptable hits.

These budget cuts will get worse in ensuing years and require close to a 30 percent cut, 30 percent, in programs by the year 2004. I believe that budget cuts of this size are extreme, unsustainable, and crippling, and that is why I so strongly oppose the year 2000 budget resolution.

The Senate version of the majority's budget resolution recommended the elimination of the community development block grant program. The numbers in the conference report appear to confirm the elimination of CDBG as well, and that would be a devastating blow particularly to our cities.

We already have 2 million low-income Americans on waiting lists for housing assistance and over 5 million low-income Americans pay more than half of their income in rent or live in substandard housing. This problem will just get worse if we cannot fund HUD programs at the level requested by the President.

Our cities are struggling to survive while traffic congestion and gridlock increasingly eat away at the quality of life in our suburbs. We cannot just leave these cities and forget about them. We have to face these tough economic and social problems head on.

The budget does not help with these problems. It hurts them, and we do not provide the resources to save our cities; instead we give enormous and I think unneeded tax cuts to the wealthiest Americans.

The budget resolution does not give us much detail about where these massive budget cuts are going to come from. We will learn

the answers to this question during the appropriations process over the next few months, and I hope that we will not damage our cities and cut programs which benefit working Americans to satisfy our desire to give tax breaks.

I know the Chairman and the ranking member of the subcommittee care deeply about these programs. It has been evident with their hard work in the past. They will do their best under the difficult circumstances we face this year, and I look forward to working with Chairman Bond, Senator Mikulski, and my other colleagues to find the resources necessary to continue to fund the key programs within this subcommittee.

I thank you, Mr. Chairman.

Senator BOND. Thank you very much, Senator Lautenberg.

Now, Mr. Secretary, we will give you an opportunity to have your say.

STATEMENT OF ANDREW CUOMO

Secretary CUOMO. Thank you very much, Mr. Chairman, and thank you for having us here today.

With the Chairman's permission let me quickly introduce the HUD team who is here. We have the full team here, Mr. Chairman, so we could answer any questions that the committee might have. Let me also send my regards to Senator Lautenberg before he leaves, and Senator Leahy, and Senator Craig, good to see you, sir.

INTRODUCTION OF HUD STAFF

With me at the table, Mr. Chairman, to my right is Dave Gibbons, who is the acting Chief Financial Officer of the Department. To my left is Saul Ramirez, Deputy Secretary of the Department, and Bill Apgar, who is the FHA Commissioner.

With us is—and I would ask them to stand as I call their name—Gail Laster, who is the General Counsel of the Department; Jacquie Lawing, who is the Deputy Chief of Staff for Policy Programs; Rhoda Glickman, who is Deputy Chief of Staff; Hal DeCell, Assistant Secretary for Congressional Affairs; Cardell Cooper, Assistant Secretary Community Planning and Development; Harold Lucas, Assistant Secretary Public Housing; Jackie Johnson, Deputy Assistant Secretary for Native American Programs, the first Native American to ever hold that position; Ira Peppercorn, of OMHAR, Director of OMHAR; George Anderson, who is the Acting President of Ginnie Mae; Xavier Briggs, who is the Deputy Assistant Secretary Policy Development and Research; Eva Plaza who is the Assistant Secretary for Fair Housing; Susan Gaffney, who is the Inspector General; Edward Kraus, who is the Director of Enforcement Center; D.J. LaVoy, who is the Director of the Real Estate Assessment Center; Joseph Smith, Acting Assistant Secretary for Administration; Dave Jacobs, Director of the Office of Lead-Hazard Control; and Mark Kinsey, who is the head of OFHEO.

Senator BOND. We welcome all of our friends from HUD. How many people from HUD were not introduced, if you would hold up your hands? Is there anybody else?

Okay. We are delighted to welcome all of you, and thank you for coming.

Secretary CUOMO. Mr. Chairman, I am very excited by the possibilities for this year, because we believe that we can build on the progress and success of last year. Last year was a great year for the Department of Housing and Urban Development. It was the best budget we have had in a decade.

We actually passed a public housing reform bill, which showed the ability to proceed and put one foot in front of the other, which had not happened for some time. We got past the politics, we got past the stereotypes, and we actually got something done. With that as precedent, we hope to go forward this year.

Senator Leahy mentioned the glass full, glass empty analogy, and whether I should get congratulations or condolences for my position, and I take that with a grain of salt, obviously. At HUD, there is no doubt that we have very real challenges, as do most Federal departments, and there is no doubt that HUD has its share of critics for various reasons. Some people just do not want to see HUD doing what HUD is meant to do, and I do not think they will ever be satisfied, but there are also issues that HUD has to address, but I take heart, Mr. Chairman, in your opening statement.

I do not recall another opening statement that you have made that had a flip side, that had a right side, and was actually congratulating the Department for the good things that we have done.

Senator BOND. I have been waiting a long time to get that opportunity, Mr. Secretary. I am delighted we got there.

Secretary CUOMO. Well, I am glad we finally got there, Mr. Chairman, and I knew it would happen, and we got there together, and we want to build on that positivism, and I also point to the NAPA procurement and the clean audit as indicators of the overall success and progress we have made.

NEED FOR AFFORDABLE HOUSING

There are two basic points I would like to address quickly, and then we will get on with your questions, Mr. Chairman. For me, the bottom line of this hearing, and the Department, and this budget is, is there a need that we need to address in this Nation, and can HUD address that need? As you pointed out quite accurately, there is a very great need when it comes to housing in this Nation.

Actually, the cruel irony is, the need for affordable housing is at its highest point in history as we sit here this morning. It is almost counter-intuitive, the economy is so good, all the news is good, you almost have to take a break, at least I did, to understand that the need for affordable housing is at its highest point in history, $5.3 million.

Actually, the strong economy is one of the reasons. The economy is so strong it is driving up the rents. Those who are on fixed income cannot reach the higher rents. One of the other reasons why we have such a need for affordable housing is we went out of the affordable housing business when we went to zero funding for section 8 vouchers.

I believe we are now paying for that hiatus, because when we stopped producing, we built up a backlog, and the backlog is now cresting, and as the Chairman pointed out, we have an impending crisis on the op-outs, the buildings that are now reaching the expi-

ration of the contract, the landlord has no further legal obligation to us, and the landlord can say, "I am taking my building and going to the private market."

You put those three factors together, strongest economy, the hiatus on the production of affordable housing, no new section 8 vouchers, opt-outs, and you have a housing crisis in this Nation.

SECTION 8 RENEWALS

I hear you, Mr. Chairman, when you say you are committed to renewing the vouchers and renewing public housing, and that you do not want to let someone in the back door only to have someone leave by the front door.

My point would be, Mr. Chairman, and I think the point of departure is, I believe we have to do both. We have to renew all the existing, but we also have to have more production. The waiting lists in this country are going crazy, literally.

The waiting time for public housing authorities has gone from 2 years to 3 years on the largest public housing authorities just in the past couple of years. The waiting time for section 8 has gone up to three-and-a-half years from 2 years. So this pent-up demand is having a real impact on real Americans.

Senator Mikulski's hometown city of Baltimore, the waiting time for public housing is up to 3 years. The waiting time for section 8 is up to 2 years. Kansas City, the same thing, waiting times for public housing is up to 3 years. For section 8, it is up to 7 years that people will wait for a section 8 certificate.

This is true all across the country. So I do not think we have a choice of continuing renewing or 100,000 new, I think we have to do both, and Mr. Chairman, I understand the constraints of the overall budget, but I think when it comes to this field, we just do not have that choice.

By the way, Mr. Chairman, 100,000 new vouchers is a drop in the bucket on the need, and all that does, in my opinion, is keep some of the pressure off the system, but if we go to zero vouchers again, we will increase the demand, increase the backlog, and make a bad situation worse.

We also have a need for economic development. One out of five cities has an unemployment rate which is higher than 50 percent of the national average. One out of five cities is shrinking and losing population since 1980. Cities all across the nation, especially medium-size cities, are crying out for help to keep jobs and keep their economic base, and they are looking for HUD to do that. So the need, Mr. Chairman, is undeniable.

MANAGEMENT REFORMS

The second question becomes: Can HUD meet the need? Is HUD part of the solution? While I have told the Chairman that I would not suggest by any stretch of the imagination that HUD has done all it needs to do in management. I would also say, Mr. Chairman, that we have made significant progress and we are part of the solution as opposed to part of the problem, and the chorus of objective, unbiased validators of that success is growing and growing.

Booze-Allen will attest to it. Price Waterhouse will attest to it. David Osbourne, the so-called "guru" of reinvention, will attest to it.

GAO kept us on the high-risk list, which is curious, Mr. Chairman. The House has asked the GAO for their definition of high risk that is a quantifiable formula. How do you determine high risk that cites HUD, but not Defense, not HHS? What quantifiable formula did they use? They have yet to produce the formula. They did say that whatever it is, we could not get off the list in 2 years, which is also peculiar to me. They said it was virtually impossible to have gotten off the high-risk list in 2 years.

Before we understand that significance of the term, I would like to know the definition of it, and I am waiting for that report, but GAO also went on to say, and I quote, "HUD is making significant changes and has made credible progress." That is from GAO.

NAPA, as you pointed out, said that the procurement process, which was long pointed to by critics of the Department as an Achilles heel, is significantly reformed, and we had the clean audit for the first time's in the Department's history, Mr. Chairman, and if I am not wrong, less than half of the Federal departments actually get a clean audit. So that is a real significant improvement.

I see the light. If I could have the Chairman's indulgence for just 2 more minutes.

Before we get caught up in the details of the HUD budget, and at HUD sometimes I believe the details become deceptive and we tend to lose the forest for the trees, not only has HUD's progress been organizational, as attested to by objective sources, but we have made real progress on the ground.

ACCOMPLISHMENTS AT HUD

The bottom line is this, Mr. Chairman, when you want to know what HUD has done, FHA last year did one million mortgages, which was close to a record, and returned $1.5 billion to the treasury, more money than ever before. FHA is making money. FHA is making loans. FHA is making progress.

In fair housing, we are working to double the number of enforcement actions. We have brought an energy to fair housing that has resonated across the Nation.

In community planning and development, Mr. Chairman, your interest in economic development, we have done $3.5 billion in economic development loans, and listen to this, not a single dollar taken from Uncle Sam's pocket for any default, $3.5 billion and not a dollar taken from Uncle Sam's pocket for any default, about a 7 percent default rate, creating about 300,000 jobs.

In public housing, we've created first rating system ever. By the end of this year, we will have inspected all of HUD's properties for the first time, Mr. Chairman. We have a system where if public housing is not going to work, we can actually do something about it. So not only are we making great organizational changes, but they are having a real impact.

NEW INITIATIVES

In our budget this year, we have minimized the number of new initiatives. We can argue whether there are three, as we suggest.

GAO has a different way of counting; they count 19. But in my opinion, they require a minimum amount of manpower and time, and they are necessitated by the needs of the client, because if we are not doing what Kansas City says they need from us or Baltimore says they need from us, then we are not doing our job, and these are the minimum to do that.

I agree with the Chairman, I want to focus on the poor programs; that is where our investments are. We focused on the senior housing, which is the message we got from you last year, and to the extent we have "new initiatives," they focus on the economic development side primarily, with the President's plan for APIC, and a regional approach, which I believe are the bare minimum that we need to be responsive to the clientele.

In sum, Mr. Chairman, the Department has made progress. There is a different attitude and atmosphere about HUD. The Community Builders, which are only about 380 new employees on a work force of about 9,000; 380 were directly responsive to what I have heard from this committee, and everyone who I have talked to where they said get us some people at HUD who we can talk to.

We have a new attitude about waste, fraud, and abuse, because when the FBI came to HUD, with all due respect to all the other agencies that worked for all those years after scandals were going on, when the FBI teamed up with HUD, people understood it was a different day at HUD.

I am looking forward to building on the progress, building on last year, meeting the needs, and going forward together.

Thank you, and I look forward to the discussions, Mr. Chairman.

[The statement follows:]

PREPARED STATEMENT OF ANDREW CUOMO

Chairman Bond, Ranking Member Mikulski, Members of the Subcommittee. Thank you for inviting me here today to discuss HUD's fiscal year 2000 Budget. If it pleases the Committee, I would like to enter my testimony for the record.

Mr. Chairman, last year when I presented HUD's budget to you, I told you that it represented the second step in a process that we had initiated to restore HUD's ability to fulfill our mission of empowering communities across America. Step One was to restore competence through reform, reinvention and renewal. Step Two was to expand opportunity, by creating jobs and new housing opportunities for low- and moderate income families.

Since then, working together with this Committee, we have made a great deal of progress in both of these areas. The fiscal year 2000 budget continues our efforts to restore the public's trust in this Department, and to open new doors of opportunity for people who are not yet benefiting from the current wave of national prosperity. I am convinced that HUD has the most important mission of any agency in the federal government—empowering communities to aid those most in need, to assist those who do not yet enjoy the full fruits of what this great country has to offer.

This year, HUD's budget request is $28 billion. That represents a $2.5 billion increase over the fiscal year 1999 level. It offers opportunity and security for millions of Americans. It builds on the strong foundation that we have built at the Department over the past two years—both on the budget side and the management side.

This budget builds on last year's strong bipartisan budget. Last year was truly a milestone for HUD: the first incremental vouchers in five years, expanded FHA loan limits, increases in virtually every major HUD program, and a historic public housing bill.

We could not have passed that budget without this Committee's support and commitment, Mr.Chairman. You were instrumental in making this happen, and we look forward to continued cooperation this year.

As both the last budget of this century and the first budget of the next century, this is an important budget for our nation's cities and rural communities. It rep-

resents a renewed vote of confidence by the President that HUD is on the right track, and that HUD is better positioned than ever to help communities take on the new challenges of the 21st century.

THE FOUNDATION—MANAGEMENT REFORM

Mr. Chairman, a budget is about more than dollars and cents. It's about the agency's ability to manage its funds. And on that front HUD has made extraordinary progress.

This budget is a direct result of the management reforms we have put in place over the past two years—restoring competence at HUD. As a result of Management 2020, begun two years ago, HUD is in a stronger position than ever to manage and implement this budget.

While the job is not yet done, HUD is increasingly recognized as a new model for government in the 21st century: a government that does more with less, a government that empowers communities through less regulation, fewer mandates, and better customer service.

We have now hired and trained our first two classes of more than 400 Community Builders. That means that our Public Trust Officers are now freed up to focus on ensuring that HUD funds are used effectively and in compliance with federal laws and regulations.

Some 335 properties have been referred to our new, independent Enforcement Center, under Ed Kraus, who came to us from the FBI. We have five satellite Enforcement Center offices that are now open and fully operational.

The new Real Estate Assessment Center, run by D.J. Lavoy, has completed over 13,500 inspections, averaging 150 a day. We're on track towards meeting our goal of inspecting all 45,000 apartment complexes in HUD's inventory by the end of the year 2000.

Through our Super Notice of Funds Availability (SuperNOFA), we have consolidated 40 separate competitive grant applications into one application—two months ahead of schedule. This is a first in HUD's history.

We have opened the first two HUD storefront offices—here in Washington and in Albuquerque, New Mexico—with another nine storefronts slated to open this fiscal year. The most visible evidence of management reform, the storefronts are easily accessible consumer-friendly service centers in downtown business districts, where people can walk in to get information about HUD programs and activities.

We opened HUD's new Section 8 Financial Management Center in Kansas City. The new Center consolidates the management of the Department's largest program—Section 8 rental assistance program. Previously, this function had been dispersed among dozens of field offices.

There is clearly more work to do. It will take time to fully implement all of our reforms, to turn around all of the problems that built up over time. But there is growing, independent evidence that these management reforms are making a difference.

Even the recent (January, 1999) General Accounting Office Report supports the work we are doing to reform the Department. While we were of course disappointed by GAO's continued finding of high risk, the GAO found that "HUD is making significant changes and has made credible progress since 1997 in laying the framework for improving the way the Department is managed. HUD's Secretary and leadership team have given top priority to addressing the Department's management deficiencies."

That is a vote of confidence in our efforts to reform HUD. Even more of an endorsement is the clean, or unqualified, audit that we just received from HUD's Office of the Inspector General—the first in HUD's history. The Inspector General stated that "the unqualified opinion represents a considerable achievement for HUD, and it further reflects continuing improvements in HUD's commitment and ability to properly account for funds entrusted to the department".

Since audited financial statements were first required by the 1990 Chief Financial Officers Act, HUD had received no opinion or, more recently, only qualified opinions. While we still have work to do, this new opinion is a validation of the work that has been done so far.

Another important measure of progress is our Y2K preparedness. In January, the House Committee on Government Oversight and Reform gave HUD an A-minus on this front—ahead of 18 other Federal agencies. I am also encouraged by this week's new report from the National Academy for Public Administration that concluded that HUD has substantially improved its contracting and procurement operations. And just yesterday we announced the results of the first comprehensive physical inspections of public housing around the nation.

Management 2020 is on track. A December, 1998 report from Price Waterhouse Coopers LLC found that "implementation of the Community builders, Enforcement Center, Procurement reform, Real Estate Assessment Center, Storefronts and Troubled Agency Recovery Center is well under way. Each project met all or substantially all of the critical milestones that HUD established for completion as of September 1."

OUR PROGRAMS ARE ACHIEVING TANGIBLE RESULTS

HUD's management reforms are being translated into real, tangible benefits for the American people. Look at some of the results we're achieving in some of our key programs:

CDBG.—Each year, Community Development Block Grant funds go to 847 cities, 137 counties and another 3,000 small cities and counties. An Urban Institute Study found that CDBG is one of the largest sources of non-tax Federal assistance for the construction or rehabilitation of privately owned housing. The largest single use of CDBG money (30 percent) is housing rehabilitation, leveraging $2.31 for every CDBG dollar. In our latest Report to Congress, we reported that for the three-year period 1994–1996, 641,000 housing units were developed or rehabilitated through CDBG.

During the same period three-year, CDBG economic development funds created approximately 445,000 jobs. We have also boosted the economic development impact of CDBG through the Section 108 Loan guarantee program—with some $3.5 billion in commitments to 652 projects over the past six years, creating thousands of additional jobs. Most CDBG economic development goes to small businesses—more than half of all businesses assisted employ five or fewer persons. And jobs created with CDBG assistance meet basic tests of job quality: 89 percent of the jobs remain after four years; 96 percent are full-time jobs; 90 percent pay more than the minimum wage. And 32 percent are held by local residents.

HOPE VI.—HOPE VI is the most visible of our efforts to transform public housing, replacing obsolete high rises or outdated projects with new, livable communities. Over the seven-year history of the HOPE VI program, we have distributed a total of $3.1 billion—$540 million each year—for 104 projects in 28 states plus the District of Columbia and Puerto Rico. These funds have leveraged $3.4 billion in additional funds.

But more than the overall numbers, we are making more effective use of these funds. In 1993, the average cost per unit was $94,345. That dropped in 1998 to only $74,700 per unit. The number of non-HOPE VI dollars leveraged has increased—from only 32 cents for every HOPE VI dollar in 1993 to $2.28 per HOPE VI dollar in 1998.

Brownfields.—One of our newer initiatives, our Brownfields Redevelopment Initiative, is beginning to have an extraordinary impact in cities by returning contaminated land to good use. Last year we committed just $25 million in direct grants to 23 communities. In addition to leveraging $141 million in guaranteed loans, this initial outlay will generate another $811 million in additional investments, creating an estimated 9,500 jobs.

Elderly housing.—We are proud of the track record of our elderly housing programs. Over the past two years our Section 202 program has funded 320 projects, for approximately $900 million—creating some 12,500 new elderly housing units. Overall, the program has about 7,600 projects and serves 350,000 people. Also, over the past two years, through our Section 232 mortgage insurance program we have insured 334 nursing homes or assisted living facilities for $2.4 billion. Another 440,000 elderly people live in public housing, approximately 400,000 receive housing vouchers or certificates, and another 100,000 elderly live in project-based Section 8 facilities.

Mr. Chairman, with these kinds of initiatives already in place and our management reforms underway, we are better positioned than ever to take on the new challenges of the 21st century—challenges addressed by this budget.

FISCAL YEAR 2000 BUDGET ADDRESSES FIVE MAJOR CHALLENGES

HUDs' fiscal year 2000 budget addresses five major challenges facing America: (1) ensuring that our communities remain economically competitive in the new global economy; (2) tackling the continuing crisis of affordable housing; (3) moving closer to One America; (4) finding regional solutions and creating sustainable communities; and (5) a addressing the aging of America.

HUD's economic development mission has become more important than ever in the rapidly-changing global economy. By any measure, the nation is doing well. The numbers are compelling: eighteen million new jobs, the lowest peacetime unemployment in more than 40 years, a stock market that is off-the charts, the lowest inflation since the 1950s.

But the rising tide of opportunity has not yet lifted all communities. There are still too many places—in both our inner cities and rural areas—where jobs are scarce and poverty persists at levels well above the national average.

The good news is that, as the President said in the State of the Union Address: "Our greatest untapped markets are not overseas—they are right here at home. And we should go after them."

Several HUD programs will help communities tap these markets, and, at the same time, help spread our prosperity to all corners of our nation. The goal of these programs is to ensure economic competitiveness of all communities by uncovering new markets, ensuring strong regional economies, tapping new sources of private capital, helping businesses grow and prosper in underserved communities, and expanding our effort to move people from welfare to work.

CDBG

CDBG is the most flexible federal aid to both cities and smaller rural communities. Contributing to vital community infrastructure, housing, and economic development, this year's request for the CDBG program is up $25 million to $4.775 billion. And formula funding that goes directly to entitlement communities and states will increase by $130 million over 1999 enacted levels.

Community Empowerment Fund

Our proposed Community Empowerment Fund will boost capital for business investment and job creation in underserved inner city and rural areas. The CEF combines and streamlines two existing HUD programs: our existing Economic Development Initiative (EDI) grants program and with Section 108 guaranteed loans. We are requesting $125 million in competitive EDI grants, which will leverage an estimated $625 million in guaranteed private loans and support an estimated 100,000 new jobs. Overall, our budget seeks $1.3 billion in loan guarantee authority under Section 108 of the Housing and Community Development Act.

We have established two priorities this year for these grants: Welfare-to-Work job creation and City-Suburb Business Connections that help central city firms tap into regional economies. Under a pilot to be launched later this year, we will also use the CEF to nurture a badly-needed secondary market for economic development loans.

America's Private Investment Companies (APICs)

The President has proposed a comprehensive New Markets initiative to bring business investment to underserved inner city and rural communities. HUD is requesting $37 million to subsidize and secure $1 billion in privately issued, federally-guaranteed loans, along with $500 million in private equity commitments, to create for-profit venture capital funds known as America's Private Investment Companies (APICs). APICs will make much-needed private equity capital available to larger businesses that are expanding, or relocating, or joint venturing in inner cities and rural areas. APICs will be jointly administered jointly administered by HUD and the Small Business Administration.

Empowerment Zones

Empowerment Zones and Enterprise Communities have successfully combined tax credits with federal grants and loans, along with local resources to attract billions in private sector investment. Our fiscal year 2000 budget requests $150 million for Empowerment Zones—$105 million that will go to 15 recently-selected Round II urban Empowerment Zones, and another $45 million for Strategic Planning Communities that placed 16th through 30th in the Round II competition. Our budget also requests funds for three related programs: to support additional, non-designated communities, to establish technical assistance partnerships, and to emphasize regional strategies that tie the zones to their regional economies and employ urban youth.

Youthbuild

Finally, we are requesting an increase in the highly successful Youthbuild program. In 1999, Youthbuild will serve between 5,000 and 6,000 disadvantaged youth,

who will—literally—will help rebuild their communities as they learn vital job skills. We are requesting an increase from $43 million to $75 million.

THE CONTINUING CRISIS OF AFFORDABLE HOUSING

At the core of HUD's mission is the charge to provide housing that is decent, safe and, affordable to all. Despite the longest peacetime economic expansion in the Nation's history, rents have soared in many regions with strong economies. In fact, an all-time high of 5.3 million households—12.5 million people—face the high rent burden known as "worst case" housing need. And worst case needs have grown especially fast among working families.

What's more, persistent gaps in homeownership remain for low- and moderate-income families and other under-served groups. With the nation's homeownership rate running at a record high of 66.3 percent, large gaps remain—cities lag behind suburbs, and underserved groups need increased access to mortgage credit. Special housing needs persist for homeless people, disabled people, and people living with HIV/AIDS. And as many as 600,000 individuals have no home at all on any given night.

To meet this challenge, our budget opens doors to affordable housing in three ways: First, by expanding affordable rental housing. Second, by expanding homeownership opportunities. And third, by meeting special housing needs.

Section 8 renewals and incremental vouchers

To expand rental housing, HUD is requesting $10.6 billion in new budget authority to renew existing Section 8 contracts—covering 2.4 million rental units. We are also requesting 100,000 new vouchers to help address the tremendous need that remains.

A number of the proposed new vouchers have designated purposes: 25,000 will expand the pool of Welfare-to-Work vouchers; 18,000 will be for homeless persons, to ensure the availability of permanent housing solutions at the end of the Continuum of Care; and 15,000 will be targeted to extremely low-income elderly persons. Another 42,000 will be unencumbered and will be distributed to Public Housing Authorities to help the many families on the Section 8 waiting lists throughout the country.

Transforming Public Housing

We must continue our efforts to transform public housing. Last year the Congress enacted a historic public housing bill. This year, our budget requests a significant increase in public housing operating funds, from $2.81 billion to $3.0 billion. We are also are proposing $2.55 billion for the Capital Fund, a slight increase over last year's request. We are also are requesting continued funding for HOPE VI, which allows communities to replace obsolete high rises with new, mixed-income, mixed-use livable communities and housing vouchers. We are also are seeking continued funding for the Drug Elimination Grant Program (DEG) to reduce crime and restore safety in public housing.

HOME

The HOME program is a proven housing rehabilitation and production tool in both urban and rural America. We are requesting $1.61 billion, a small increase over last year's level. This will provide more than 85,000 units of affordable housing for both owners and renters through a combination of new construction, rehabilitation, acquisition and tenant based-assistance.

Homeownership

We must redouble our efforts to expand homeownership. This year's State of the Cities report this year again identified homeownership gaps between whites and other groups—African-Americans, Hispanics and other minorities—as well as between cities and suburbs. As a result of the FHA loan limit increase approved last year by Congress, we are projecting expanded demand for FHA and therefore are requesting a $10 billion boost in the FHA loan volume cap, and a $50 billion increase in the Ginnie Mae guarantee limitation. Additional proposals to boost homeownership include continued funding for Housing Counseling and another round of Homeownership Zones.

Native American assistance

Native American housing needs will be served through the Indian Housing Block Grant Program, and the Indian Housing Loan Program. And, per Congress direction in last year's budget, we propose to address rural housing needs through the Rural Housing and Economic Development program. There we will focus on innovations that complement USDA's important work in rural housing.

Homelessness and Special Needs

Reducing homelessness is one of this Department's top priorities. In 1993, HUD initiated the Continuum of Care to provide a coordinated community approach to homeless assistance, with the goal of moving homeless persons from homelessness into jobs and permanent housing.

The Continuum of Care is working, leveraging many times the investment of Federal resources. For fiscal year 2000, we propose an increase of $150 million, to $1.12 billion. This increase, plus 18,000 new rental vouchers to create permanent housing solutions, will address the housing needs of the most vulnerable Americans—those making a transition from the streets back into homes and community life.

HUD is also proposing an increase of $15 million in the Housing Opportunities for People with Aids program (HOPWA), to $240 million. This increase is solely dictated by the increase in the number of cases and in the number of jurisdictions eligible for funding.

Elderly and the disabled

Our special needs programs also serve the elderly and disabled. We are proposing $194 million for the Section 811 program serving persons with disabilities, matching last year's enacted level the same as last year. We also propose to increase the number of disabled persons served by increasing the portion of funds that may be used for vouchers from 25 percent to 50 percent. We are also proposing a total of $747 million to fund programs that serve the nation's rapidly expanding growing elderly population. These elderly programs are discussed in more detail below.

Citizens Volunteer Housing Corps

We are also proposing a modest initiative—at $5 million—to mobilize a corps of citizens through a new Citizens Volunteer Housing Corps to help reclaim and to rebuild abandoned and dilapidated housing in cities across the country. The Corps will tap into the spirit of civic pride and expand the stock of affordable housing, doing for existing housing what Habitat for Humanity and other groups now do in the arena of new home building.

MOVING CLOSER TO ONE AMERICA

For Despite the more than 30 years, of prohibition of discrimination in housing has been prohibited under law. Yet audits of discrimination in the rental and sales market show that an estimated over 2.5 million plus instances of discrimination still occur annually nationwide. Today's discrimination is often more subtle than it was in the past, but it is no less real and no less damaging to our social contract as a nation that values equality of opportunity for all. It might not always be overt as it has been in the past, but it is there. We will only reach "One America," in the President's words, when we all have equal housing opportunities.

Last year, President Clinton announced his commitment to doubling the number of fair housing enforcement actions by the year 2000. To help complete this effort, we propose to increase the Fair Housing Enforcement budget by 18 percent—to a total of $47 million.

Our budget request provides for increased funding of both the Fair Housing Assistance Program (FHAP) and the Fair Housing Initiatives Program (FHIP). This request includes monies for innovative partnerships between public and nonprofit fair housing groups, as well as the second year of FHIP funding for a national audit of discrimination in housing rental and sales. This audit will create the first ever report card at both the national and local levels of the extent of discrimination against each of the Nation's major racial and ethnic groups.

REGIONAL SOLUTIONS AND SUSTAINABLE COMMUNITIES

Our communities face a number of threats to sustainable development, from uncontrolled growth to crime and drug abuse, from environmental hazards and a lack of energy efficiency in housing to blight and under-investment in vital community infrastructure. Many of these challenges call for cooperative regional solutions that span jurisdictional lines.

To address these challenges, the Administration has proposed a comprehensive Livable Communities initiative. This provides communities with new tools and resources to preserve green space, ease traffic congestion and pursue regional smart growth strategies.

Many HUD programs already support these goals. CDBG grants can be—and are being—used to support an array of activities to create safe and livable communities; HUD's Community 2020 mapping software allows communities to quickly match government resources with community needs, using state-of-the art geographic in-

formation system technology; and HOPE VI helps create sustainable, mixed used communities.

Regional Connections

In addition, we are proposing $50 million in competitive Regional Connections grants as a key part of the Administration's livability initiative. These funds may be used by states, partnerships of local governments, businesses and civic groups to develop and pursue smarter growth strategies across traditional municipal lines. Without in any way mandating solutions or telling local communities what to choose, Regional Connections will define "smarter growth" to mean two things, broadly speaking: first, more compact development in new growth areas, and, second, coordinated reinvestment in already built-up and infrastructure-rich areas (usually cities and older suburbs). Smarter growth is not slow growth or no growth—but different growth, growth back in, growth in support of livable communities.

Brownfields

The Department is proposing to double the funding for the Brownfields Initiative to $50 million in fiscal year 2000. This will accelerate the Administration's previous commitment to a four-year, $100 million program.

Abandoned Buildings

Our Abandoned Buildings Initiative will turn "Brown Yards into Backyards" by addressing some of the primary sources of blight in our urban neighborhoods: abandoned apartment houses, single family homes, warehouses, and even office buildings. As part of the Administration's Better Quality of Life initiative, we are requesting $50 million in competitive grants that will go to local governments to demolish blighted abandoned buildings as part of a comprehensive plan to redevelop properties for commercial or for residential use, while safeguarding historic buildings.

Lead Paint and PATH

We are also proposing continued funding for Lead-Based Paint Reduction and the Partnership for Advancing Technology in Housing (PATH), at the same levels as the fiscal year 1999 appropriation.

THE AGING OF AMERICA

The final challenge addressed by the HUD budget is the "Aging of America". Just as we are committed as a nation to saving Social Security, we must also ensure housing security for older Americans. HUD is proposing a total of $747 million in fiscal year 2000—an increase of $87 million—as well as changes in existing programs. These are aimed at both increasing the supply of housing for America's elderly, and improving the housing of those already receiving assistance.

We propose a comprehensive approach—a Continuum of Care—that will enable our seniors to both obtain decent housing and access the supportive services they need.

Healthy Homes for Seniors

This Continuum begins with helping seniors stay in their own homes. Elderly residents are often house-rich and cash-poor. To help them get the money they need to stay in their homes, HUD will expand and focus its Healthy Homes for Healthy Seniors Initiative on the needs of the elderly. Healthy Homes will allow seniors to convert the equity in their homes into rehabilitation and property improvement loans through HUD's reverse mortgage program.

Administrative changes

Because caring for our elders starts with the family, the Administration has proposed a $1,000 long-term care tax credit to help families meet the costs of long-term care for their relatives. HUD will build on this proposal by allowing families who own apartments to rent them to family members under the Section 8 program while retaining appropriate safeguards against abuse.

Section 202

Finally, HUD will continue its commitment to the successful and popular Section 202 Housing for the Elderly program with $660 million in fiscal year 2000. The funds in fiscal year 2000 will expand non-profit senior housing by an estimated 5,790 new rental units. We propose that $100 million of the 202 funds will be used to convert some existing elderly housing to assisted living facilities, with additional services to help low-income frail elderly live as independently as possible.

Elderly housing vouchers

We are also requesting an additional $87 million for 15,000 new vouchers for extremely low-income elderly, to be used in projects using the Low Income Housing Tax Credit. The Administration will shortly submit legislation to authorize these additional subsidies.

CONCLUSION

This is a reasonable, responsible and critically needed budget request that will serve America's communities well as they take on the challenges of the next century.

It addresses the needs of millions of Americans who, despite our great national prosperity, do not yet have the affordable housing they need or the economic opportunity to live in safety and security. Our budget brings together HUD's programs in innovative, integrated ways that will truly make a difference in people's lives and in the places they live.

Mr. Chairman, with this budget, along with our management reform efforts, I look forward to working with you and the Members of this Committee to make the goal of decent housing and a suitable living environment a reality for all Americans.

Senator BOND. Thank you, Mr. Secretary.

Because of scheduling conflicts, Senator Craig is going to have to leave to meet the British Prime Minister.

So let me turn the questioning over to you, Senator Craig.

IDAHO FAIR HOUSING COMPLAINTS

Senator CRAIG. Mr. Chairman, thank you for that courtesy.

I have one question of you, Mr. Secretary. There are others, but let me ask this one, because it is the one most perplexing in my State of Idaho right now.

You have mentioned fair housing and fair housing enforcement. Let me run you through a scenario that we are finding ourselves in conflict with right now in Idaho that is causing some real problems. In 1988, Congress passes the Fair Housing Act. In 1991, Fair Housing amendments go into effect.

In 1991, HUD publishes Fair Housing guidelines, makes points that they are not mandatory. In 1996, HUD releases manual with disclaimer that the regulations were not accurate or complete, and I have looked at the manual and it is printed right in there. In 1998, Idaho, the first 25 complaints filed by the Idaho Fair Housing Council. In 1999, an additional 52 complaints filed.

Here is the problem we have, one of our builders and property owners has settled, all the rest are fighting it, and they are fighting it on this premise, but when these were built there were no guidelines, or there were no specific guidelines, or there was no educational program, or an admission within the manual that they were not accurate or complete.

Now, based on a contract with the Idaho Fair Housing Council, they are out filing complaints and fines are being slapped on these builders. The builders are saying, "Wait a moment. Why do you not just come to us and show us the problem and we will correct it, instead of fining us, because we operated under the law, and the law was not clear?", and HUD admits it was not clear, and it is kind of like "We do not give a darn. We are going to enforce it."

We have a big problem in Idaho, and I am not very happy, because I know most of these builders, I have met with them, I have worked with them, and they said, if we have problems, we will correct them.

Interestingly enough, no one filed a complaint until you put a contract out and somebody needed a job, and that is how I am reacting, and we created an Idaho Fair Housing Council, and they went out around the state with a fine-toothed comb. Up until that time, by a very cautious and careful check on the part of my staff, there were no complaints.

Nobody had felt discriminated against, and in one instance where it occurred, it was corrected immediately so that there was full access. But none of our disabled people had felt they had been denied access.

Now, the initiative says we are going to walk through it with a fine-toothed comb, and our builders are saying, wait a moment, if you point it out, we will correct it, but do not come in here like a gestapo and slap us with complaints and fines and say we will meet you in court, because the builders are saying, fine, we will meet you in court, and when that happens, Mr. Secretary, it compounds the costs, and we have a lot of builders saying, why should we ever get involved again? If the government is going to do this, why should we get involved in constructing these kinds of facilities, if this is the relationship that is existing.

The reason that is of a concern to me, Mr. Secretary, is Idaho fortunately is one of those growth states. Our economy has been relatively robust. We do not have the inner-city problems that you face and have dealt with. What has happened in a robust growth economy is that property values go up, people of lesser means cannot find housing, because the housing prices price them out of the market, as people come in for the jobs and can afford to buy these houses and fix them up and improve them.

So we have a need, a need in Idaho for low-income housing, but we have a building community today that is saying, what the heck, if this is the relationship, we will have no relationship, because we can go out and build an apartment building and get a much greater return, and not have to worry about the hassle. There is the problem. How do we deal with it?

Secretary CUOMO. Well, Senator, first, two quick points, and then I will ask the Assistant Secretary if she has any specific information on this. I share the Senator's concern.

We are trying to attract private-sector builders to HUD programs, and many of them come dragging one foot, because they are a little afraid with dealing with government and getting involved with the regulations, et cetera, so we do not want to make the experience an uncomfortable one.

As the Senator poses it, I would agree with the Senator, that you cannot change the rules once the game has begun, and if HUD was unclear about the rules when they began the game, you cannot then come back and say, well, we have decided retroactively.

I would ask the Assistant Secretary if she has any specific information on this case.

Ms. PLAZA. Yes. I thank you, Mr. Secretary, and thank you, Senator.

First of all, let me make clear that the Fair Housing Act is administered fairly. Fairness is part of the game, and as part of the requirements in the Fair Housing Act, we are required to enter

into conciliation efforts with the builders or with any respondent that is being complained about under the Fair Housing Act.

The law has been in the books for 10 years, and there is some uncertainty, and as a result, we are going around the country, and specifically we have gone to the State of Idaho and Seattle, in that area, your area, to conduct many seminars on the requirements of the design manual and accessibility requirements.

We are not out to play "gotcha" at all, even though we are emphasizing enforcement under this Administration. I can tell you about a number of seminars that we have sponsored and many education efforts that we have sponsored in the State of Idaho.

I am familiar with the complaints. The Council that you mentioned, the Fair Housing group that you mentioned, is entitled to file these complaints when they find that certain buildings violate the Fair Housing Act.

We do not always take all of the complaints that are filed. Of those we do take, we look at them very, very carefully to determine whether we have jurisdiction, and then beyond that, we investigate the case, and we sometimes get the parties together and have the whole issue resolved through conciliation. We are not out to get any builders, we are not out to get any of the industry.

Senator CRAIG. Well, I thank you for that explanation. Two years since your initiative was aggressively started, 77 complaints. Now, that is big for Idaho. It may not be big for New York City or a large area, but that is very big for Idaho, and we have checked prior to that, none.

Now, that does not mean there were not problems, and I am not willing to say there were not, but I have checked this personally, because of the outcry from folks who are just simply saying, look, we are not being treated fairly here, if we had known the difference and it were clear.

Education is a part of that responsibility, and as I have said, I just checked last night before the hearing how many of these complaints have been settled. One in 2 years. The rest of them are ongoing, and my builders say that they feel they are being mistreated, and they are going to fight it.

Now, many of them have gone on to correct the problem, because they did not want to deny anybody access, but they are going to fight out of principle, because the guidelines were not there, or it was not clear. So I hope you will take another look at this.

This is not good in a state that needs low-income housing, as I have explained, and the very builders that will build that are the builders that are walking away from it.

Secretary CUOMO. Senator, just so we are clear, because you raised two issues. One is we do fund Fair Housing groups who are charged with taking the law, and educating about it, and enforcing the law, and I think they do a good service, because many times people just do not know about this law. The second issue is that we are retroactively trying to enforce a law which was unclear, ambiguous, or did not exist at the time.

Senator CRAIG. It is the retroactivity that we are frustrated over.

Secretary CUOMO. Yes, and I can see the Senator's frustration there. I will look at it myself, and I agree with the Senator, if we

are retroactively enforcing a law which was unclear or ambiguous, we should not be doing that.

Senator CRAIG. But as you know, in those instances, a partnership works a lot better than a whip. Let us jointly correct this together for the sake of the people who need the service, instead of saying gotcha.

I know you say you are not doing that, but the fines that are levied and the frustrations that are out there cause our builders to think that way.

Ms. PLAZA. I can understand that.

Secretary CUOMO. We will look into it, Senator, and we will get back to you.

Senator CRAIG. I appreciate it.

Senator BOND. Thank you very much, Senator Craig. We are very pleased to be joined by the Chairman of the Full Committee. Is there anything that you wish to add?

Senator STEVENS. No.

FLAT FUNDING FOR SECTION 8 RENEWALS

Senator BOND. All right. You come at a very good time, because we are about to talk about one of the most difficult problems that we face in the appropriations process. I mentioned it in my opening statement. Mr. Secretary, as we discussed, the Office of Management and Budget is proposing flat funding of $11.5 billion for section 8 contract renewals for the next 10 years.

That comes out of their comparison, and policy, and baseline. This means that low-income families, low-income disabled, and low-income elderly will be put in a position where they will lose their housing in the years to come. Just taking the year 2001, the next year, the Administration proposes $11.5 billion for section 8 contract renewals.

Nevertheless, under the Administration's own estimates, it would require $15.6 billion for section 8 renewals' existing contracts in 2001.

My question to you is: How many families will lose their homes if we stay with the OMB budget request of $11.5 billion for fiscal year 2001?

Secretary CUOMO. Mr. Chairman, the OMB director has stated a number of times, unequivocally, that the Department's position and the Administration's position is that it is committed to renewing all vouchers that are there, period.

We share the same concern that the Chairman shares, that the last thing we want to do is not be able to renew a voucher, not be able to fund public housing, and the President himself is committed to that, I can tell you that on firsthand knowledge.

In terms of the out-year budgets, OMB will go on to explain that there are a number of contingencies that they are working through, primarily the one about the Social Security fix, and once that is accomplished, there could then be adjustments on other elements within the budget, but at the end of the day they are committed to funding all the section 8 certificates.

Senator BOND. Mr. Secretary, the reason I asked this question is because it has a great deal to do with the commitments we made in this current year. The problem, the challenge, the fact of life in

housing is the commitments we make this year have to be funded in future years, and we show the need, when you go out to fiscal year 2008, 2009, you get up to $26 billion, $27 billion.

Now, I do not know any Social Security fix or any Social Security change that is going to impact the requirements for renewing these section 8 certificates, nor do they change what the President has projected in his request for the future. How many families would have to be kicked out of housing if the budget for fiscal year 2001 is $11.5 billion?

Secretary CUOMO. The position of OMB, Mr. Chairman, is that the contingency would never occur, that they are committed to making sure that all the vouchers are fully funded, all the expiring ones, as well as the additional ones that we are proposing.

Senator BOND. Mr. Secretary, are you telling me that they have two sets of books——

Secretary CUOMO. No.

Senator BOND [continuing]. One of them they presented to us and another one they mean?

Secretary CUOMO. No.

Senator BOND. This is the crux of the matter. Maybe Mr. Gibbons could tell me, how many families would we have to throw out if we had $11.5 billion in 2001? Mr. Gibbons?

Mr. GIBBONS. I would have to go back and take a look at that and provide that for the record.

Senator BOND. I do not want it exact. You can do the figures. Tell me.

Mr. GIBBONS. Well, it would depend on what year, but by——

Senator BOND. Fiscal year 2001.

Mr. GIBBONS. It would be——

Senator BOND. 2001. We are looking at how many people on October 1, 2000, would be dumped on the streets. The Secretary——

Secretary CUOMO. None.

Senator BOND [continuing]. And I do not want to see that.

Secretary CUOMO. But Mr. Chairman——

Senator BOND. We are fighting an uphill battle.

Secretary CUOMO. Mr. Chairman, to be fair, almost without exception during my tenure at the Department the relevant budget discussion is always the immediate year on the table, and the out-years always vary. I remember out-years where we were almost zeroing out CBDG in the out-years, because there were many assumptions, and maybe it is just being the HUD Secretary, but I take it 1 year at a time, that is the relevant year that is in discussion, and the Administration has said unequivocably that in the out-years they are committed to finding the funding, which obviously, Mr. Chairman, has to be the position, because it is consistent with everything that we have done and everything that we are saying we want to do.

Senator BOND. But Mr. Secretary, we got relevant yeared this year. We put in 100,000 new incremental vouchers, and you and I agreed that those will be fully funded. They are not. This is the relevant year. This is the relevant year. We are $4.2 billion short on—I mean on the 100,000 vouchers we did not have a full amount provided in the budget, because——

SENATE STAFF. We funded $50,000 incremental——

Senator BOND. $50,000 incremental.

SENATE STAFF [continuing]. But the HUD budget has pushed out $4.2 billion, because there is not adequate funding.

Secretary CUOMO. Just to be clear here, Mr. Chairman, when you said in your opening statement that this year we fully fund all the vouchers within the President's budget, we said we would do that, and we did do that. This year they are fully funded, with 50,000 from last year, or 100,000, depending on how you count, but the incremental from last year and the additional we proposed this year are fully funded this year.

Senator BOND. But that is fully funding for these vouchers that carry over, have to be funded in fiscal year 2001.

Mr. GIBBONS. Maybe I can sort of address this. We are mixing two issues. With respect to the advanced appropriations, the point is not correct to say that we will be postponing the appropriation of $4.2 billion into the year 2001. The proposal is that you would fully appropriate the entire $11.5 billion in this budget.

That covers all renewals, including the incrementals from last year, plus the 100,000 that we are requesting for this year. It would fully fund those. What it says is, and it is a bit of a misnomer to call it an advanced appropriation, it says, having done that, we would delay the availability of $4.2 billion of those funds until October 1, 2000.

Probably the best way to demonstrate this is perhaps by example. Suppose that a contract expires on April 1.

What the proposal would do is include immediately all the funds necessary to draw down and pay for that contract up through September 30, and then on October 1 the funds would be made immediately available without any future appropriation, or the period of October 1 through the next April, and then what the Administration's proposal is, is that is repeated every year.

Senator BOND. Well, the problem with that is, it puts us farther behind, because we have traditionally provided at least the full year of a contract. We are going to be in a position where we will then have only $7.1 billion for expiring contracts in 2001, if you push it off.

Mr. GIBBONS. No. You are going to appropriate the entire $11.5 billion, and that is important to emphasize, because to the recipient, to the owners, and to the tenant, this becomes a completely invisible process. Nothing changes. The terms of the contract do not change, the period of the contracts do not change.

The only thing that is happening here is we are making the funds available in the remaining part of the fiscal year 2000, and for the funds that will not be needed until the next fiscal year, they will be made available on the first day of the next fiscal year. In the past we have fully funded the contracts for the entire year, even though it crosses 2 fiscal years.

Senator BOND. Right. My point is that we are making commitments, as tough as this year's budget is, we are struggling to fund what we already have committed, and if we push off the $4.2 billion to the next year, to fiscal year 2001, that is why I am asking, we will have more, significantly more, section 8 contracts expiring than we will be able to fund with the $11.5 billion that is projected by the President's Office of Management and Budget.

Secretary CUOMO. Mr. Chairman, I think we are going past each other here. You would appropriate the full amount this year to renew all the expiring contracts. We would not draw down on the amount we need for next fiscal year until the next fiscal year, but you would have appropriated the full amount.

Mr. GIBBONS. Yes, that is absolutely correct; otherwise, we could not legally make a contract for a whole year, but the fact is that you will fully appropriate these funds.

Senator BOND. Yes, but we are having to appropriate it out of the 2001 funds.

Mr. GIBBONS. But you do the same thing next year and in each subsequent year, and if you look at the out-years, you can see that there is $4.2 billion that is rolled each year, so you are basically doing this every year from now on, so the net effect is no change in the out-years. This has no impact on the availability of funds in the out-years.

Secretary CUOMO. Mr. Chairman, let me say it this way. What we have done for the first time is we have justified the period of the section 8 with the fiscal year. Instead of paying for a section 8 contract on its own annual basis, which may cross fiscal years, we only pay for the amount of that section 8 contract which is in that fiscal year, which goes to September 30.

Senator BOND. That is correct. When I came here we had funded the section 8 contracts on a multi-year basis, and we have taken on more and more responsibilities——

Secretary CUOMO. Yes.

Senator BOND [continuing]. And the problem is we are caught in not just crack, a chasm that is getting bigger, because these numbers get to be huge, and I just want to go—just so we can figure out how many section 8 are at risk, I would like to know how many section 8 contracts—would there be a shortfall? How many section 8 contracts would we not be able to fund in 2001 with the assumption of $11.5 billion for fiscal year 2001?

Mr. GIBBONS. In 2001, we do not think that there would be any shortfall in 2001.

Secretary CUOMO. Just to stay with the Chairman's point, Mr. Chairman, I think what we, as you correctly stated, section 8 at one time were 10 years, and 5 years, and then that went down to 1 year——

Senator BOND. Now we are going down to part of a year.

Secretary CUOMO. Well, now what we have said is, basically, yes, we will only fund that amount of a section 8 voucher which we actually have to pay for in that fiscal year, and the amount of that voucher for the next fiscal year we will pay the next fiscal year, yes, but we are paying for the full price of that section 8 voucher this year. We would be deferring costs until next year the other way.

Senator BOND. Well, there is a difference between the budget authority and the outlays, and the outlays obviously are going to occur in 2001.

Secretary CUOMO. Yes.

Senator BOND. The budget authority you are putting the budget authority on a current basis, and saying you are only making the budget authority, but what I want to know is how many vouchers—

there is a difference of $11.5 billion versus $15.6 billion. That is $4.1 billion in budget authority. If you are rolling that over into fiscal year 2001, then are you not short—you start to work with $7.1 billion in 2001.

Secretary CUOMO. The outlays are actually the same. We are outlaying what we would outlay. The BA, we are only spending the BA this year that we need for this year and the BA for next year, starting September 30, from now on, would be paid next year. Then where do we get the BA in the out-year, that is where the Administration says they are committed to funding the BA.

Senator BOND. Yes, but I mean their projections make the totally unrealistic assumption that you can hold it at $11.5 billion, and we all know, looking at the BA needs, that that figure is shooting up, and we are facing a train wreck. How many section 8 vouchers, full-year section 8 vouchers does $4.1 billion fund?

Mr. GIBBONS. Well, vouchers run about $6,000 a piece.

Senator BOND. Okay. So you have a paper and pencil there. I know you are quick on math. We will just sit here and wait. Mr. DeCell is back there, he always sends letters to me, Mr. DeCell is a wizard at math. Somebody just give me the figures.

Secretary CUOMO. Mr. Chairman, while they are doing that, I do not understand the contingency. If the Administration did not find the money in 2001.

Senator BOND. This is the budget. We are trying to figure out what commitments we can make this year that we can continue next year, because I am very much concerned, as I have pointed along. Mr. Gibbons, the number is?

Mr. GIBBONS. The $4.2 billion continues to roll over, so next year's funding level for this program is still $11.5 billion, even by the OMB estimate. It is not $7.3 billion. It is $11.5 billion this year and it is $11.5 billion next year, and part of that $11.5 billion is the roll-over of the $4.2 billion. That occurs each and every year.

Senator BOND. Yes, but you have already rolled it over. You have already rolled it over in——

Mr. GIBBONS. You will roll it again. You would roll it again.

Senator BOND. You have already rolled it over to 2001.

Mr. GIBBONS. You keep rolling it every year.

Senator BOND. You rolled it over at $11.5 billion, so actually you have taken advantage of that roll over. You were using up your cushion in 2000.

Mr. GIBBONS. You keep rolling it. Every year, if you look at the out-year estimates, every year shows about $11.5 billion. Part of that is a roll-over of $4.2 billion. So $4.2 billion is fully funding those contracts every year.

It is a different issue as to whether—well, your first question was whether $11.5 billion was enough, but the $4.2 billion is in the budget every single year, so there will be no reason why those vouchers would not be renewed.

Senator BOND. Yes, but you have the $4.2 billion, it is rolled over from 2000 to 2001, means that you cannot get another $4.2 billion by—you had used up that $4.2 billion when 2001 rolls around, so you have $15.6 billion in expiring vouchers, and only $11.5 billion. What is the number? How many section 8 certificates is that?

Mr. GIBBONS. That is a different question. It has nothing do with the $4.2 billion, per se.

Senator BOND. No, but I would say it is a difference between what is recommended and the need. What is that? That is a different calculation. You are dividing $6,000 into $4.2 billion.

Mr. GIBBONS. That would be around 8,000 units.

Senator BOND. How many?

Mr. GIBBONS. It is 7,000 units.

Senator BOND. Seven thousand? No. No. You are losing a couple of zeros. If you divide 6,000 into $4.2 billion——

Secretary CUOMO. Mr. Chairman, if you would like——

Senator BOND. No, no, this is simple. I mean we have to—can somebody do math? Can somebody do math? Six thousand goes into 4.2 billion a lot more than 7,000 times.

Secretary CUOMO. About 80,000.

Mr. GIBBONS. Seventy thousand.

Senator BOND. Try it again. This may be a problem. We may be—all right. How many times does $6,000 go into $4.2 billion? Seven sounds right. How many zeroes does it have? There is a voice in the back. Voice in the back.

Secretary CUOMO. 700,000.

Senator BOND. 700,000. Thank you very much. Okay. Seven-hundred-thousand vouchers are at issue here, and that is what we are worried about, that is why—we have 700,000 vouchers that are at risk under these long-term budget projections, and if we were to add more incremental vouchers, we would increase the number of existing vouchers at risk. That is my point, Mr. Secretary. We have not accounted for the needs of these expiring vouchers and the significant increase in budget authority needed to accommodate them.

Secretary CUOMO. Mr. Chairman, you have lost me along the way, because the $4.2 billion, this economic adjustment for this year would continue every year on the out-years——

Senator BOND. Right.

Secretary CUOMO [continuing]. And, therefore, the $4 billion, or whatever the number is, would never really come due, because you would continue to roll it forward, and the Administration has repeatedly said in the out-years they are committed to funding all expiring, and we also know that the out-year budgets are only projections that get modified, and we also know that this year, especially with the budget caps and the pressure we are under, and contingencies like Social Security out there, the bank on the out-years at this point I think would have too many variables to come up with any reasonable conclusion.

Senator BOND. As much as I enjoyed this, I am going to turn to my ranking member and the Senator from Iowa, but I would make the one simple point. You can further squeeze the BA requirements by rolling over the BA to the actual year that it will be expended, but you can only get the benefit of that roll over one time.

Secretary CUOMO. That is correct.

Senator BOND. If you get the benefit of it in 2000, you cannot get the benefit of it in 2001. That is where we hit the wall. That is the kind of question that you and we have to resolve before we make commitments for more programs that will be more expensive in out-years, and that is where we have to do the work. Maybe for

clarification and for such enlightenment I now turn to Senator Mikulski.

Welcome, Senator.

STATEMENT OF BARBARA MIKULSKI

Senator MIKULSKI. Thank you very much, Mr. Chairman, and I apologize both to you and Secretary Cuomo. I had to attend a very important NATO ceremony with the Polish Prime Minister and then attend the meeting with the Prime Minister of Great Britain, Tony Blair.

Mr. Chairman, in the interest of time I am just going to ask that my opening statement be included in the record——

Senator BOND. Without objection.

Senator MIKULSKI [continuing]. As if I were here on time.

Mr. Secretary, let me just go to some questions that I would like to focus on, and let me tell you what they would be. I would like to focus on HOPE VI, on housing for the elderly, and then also what success we might have seen from Brownfield's, or it is too early to tell. In the interest of time, and if it runs out, then perhaps we can go to a second round.

HOPE VI

HOPE VI, as we know it has probably been one of the single-most important tools to deal with the concentration of poverty in our high-rise public housing. However, now that we have had HOPE VI for several years now, I would like to ask you, number one, what success do you think we have had from this program, and give you then three questions.

My three questions really are: Number one, not only what have we accomplished on the policy objective side of HOPE VI, but as really the originator, I am concerned about the cost of HOPE VI. The projects seem to be very expensive, more expensive than if we essentially gave vouchers to the poor.

Number two, I am concerned about the fact that the demolition of the public housing, that all we have done is just take vertical concentrations of the poor and through the way that we have handled the moves of the people who are in it, just done horizontal concentrations of the poor, often destabilizing neighborhoods on the basis of social class, and then number three, there also seems to be an issue around the fact that there seems to be a small number of developers who are continually winning the HOPE VI contracts, and there are those that are concerned that we have essentially an oligopoly growing up of developers.

So tell me about the money. Tell me about, is HOPE VI really now becoming a hollow opportunity, that for all of that money we spread sieged neighborhoods, distressed neighborhoods, and all we are doing is creating more siege, rather than stability, and then also the competitive bid process.

Secretary CUOMO. Senator, thank you very much for the opportunity to talk about this. I am very excited about what we have done here and what the Senator has done by starting this HOPE VI. We are actually on to something I think for the first time in the history of public housing.

What HOPE VI said was, let us demolish the bad and rebuild the bad, which was the right intention and the right idea. One of HUD's problems was, we had no good way of really separating the good from the bad. We have now put a full system into place, where we were actually inspecting public housing.

The HOPE VI program basically said let us demolish the bad. HUD's first problem was, we did not have a good way of telling the good from the bad. We have since put in a full system in place, physical inspection, audits, full rating system for public housing for the first time ever. We just got the first sample back on the physical inspection. Eighty-seven percent of public housing was actually, once inspected, in good or excellent condition. These were by outside, private-sector contractors.

So we know what is good, we also know what is bad, and then HOPE VI says demolish the bad and rebuild. We will meet the goal of about 100,000 units we think by 2003, which was the initial goal of HOPE VI. On the cost of HOPE VI I share the Senator's concern——

CONCENTRATIONS OF POVERTY IN PUBLIC HOUSING

Senator MIKULSKI. Wait a minute, Mr. Secretary. The issue around HOPE VI was not the condition of the buildings, but the condition of the concentration of poverty in the buildings.

Secretary CUOMO. Yes. Yes.

Senator MIKULSKI. That is what I want you to focus on. Believe me, modernization, safety of architecture, but it was not the physical architecture that was so troubling that led to the HOPE VI, it was the concentrations of poverty.

Secretary CUOMO. Okay. Then let me get to the third point of the three-part question that the Senator asked; the concentration of poverty. I checked the numbers after our previous conversation, and you were right, Senator, my initial impression was actually wrong.

We do not now have a prohibition against the concentration of section 8 vouchers in the neighborhood, and I went back and checked after our conversation, and there is a logical misstep, in my opinion, upon our review.

We do have prohibitions against the concentration of public housing construction. You cannot go into a neighborhood that is overly concentrated, your term was saturated, and build more public housing.

We specifically say if a census track has a high concentration of assisted households, you cannot go in and build more public housing, because we do not want to concentrate. We do not have that same requirement when it comes to section 8.

So you could bring in more section 8 tenant vouchers into a neighborhood, overload, saturate, overly concentrate a neighborhood with section 8 voucher holders, and it does not violate any HUD regulation or any HUD planning guideline, and that is what has been happening. I enjoyed the Senators analogy of the vertical/horizontal.

We went to deconcentrate, but in the effort to deconcentrate we may have just reconcentrated. This is only in the past couple of days, prompted by the Senator's conversation, but we are now

going to go back upon our review and come up with a regulation which mirrors the public housing regulation, the goal is not to reconcentrate a different neighborhood, and we would pass a regulation and put out a notice for comment, because there is going to be a lot to discuss here, but that says you cannot use section 8 tenant vouchers to overconcentrate an area, period, let alone in an effort to deconcentrate a previously concentrated area. I think that will get to exactly the Senator's point about what has been happening with the——

Senator MIKULSKI. Well, I want to be very clear on where I would like you to go. First of all, number one, we want to acknowledge that if someone has a section 8 voucher that in the United States of America they can go anywhere with that section 8.

Secretary CUOMO. Yes.

Senator MIKULSKI. So we want to affirm essentially the concept of individual freedom and mobility. Number two, we want to honor and respect all Fair Housing laws, so that whatever regulations come, we do not in any way inhibit individual choice and also our legal framework of fair housing.

Number three, we want to make sure it is not a hollow opportunity for the poor, that it is not a hollow opportunity for the poor.

Let me say this about HOPE VI. I would have thought that I did not have to prescribe every single thing in law for you, when I say you, I mean HUD, to think about the next steps. When we knew that a building was going to come down, the people were going to go somewhere. Obviously, nobody thought about that consequence. I did not think we had to be that prescriptive or micromanaged. Now that I am raising this issue, I am sure that there will be a consequence to that regulation.

So before you are quick to think that you are satisfying me, what I am looking for is opportunity for the poor, and that there is no Federal program that stabilizes neighborhoods, and that is what has been happening.

Either we have public housing, which concentrated poverty, we have private-sector apartment holders and inner-beltway communities that just took buckets and buckets of section 8 and created another form of public housing, but what did both the poor and the taxpayers who wanted to help the poor get for our money?

Now that we have raised this issue, which obviously had never been raised in HUD before, I want you to really focus on this, because I believe you agree on the same public policy objectives, but do not just come out with a quick reg to think you are going to satisfy me.

The question is: How can we make sure that the poor have hope and opportunity, and that we play a role in taking sieged neighborhoods and moving them into stability, not spreading siege to stress, and I am concerned that we are spreading siege to stressed neighborhoods and putting them into siege categories. I am using thematic language, and I do not want to be the prescriptive micromanager.

Now, I gather you are going to do a careful examination of this. Number two, you are going to come up with a strategy and a framework for regulatory change, again, meeting the test of fair housing.

When can we look forward to hearing your analysis and what you think you would like to do, in consultation with mayors, the National Association of Counties, civil rights groups, as well as grassroots community organizations?

Secretary CUOMO. Senator, I would like to have a paper to you first, and I would like to have that done within several weeks, because this is a complex issue.

Senator MIKULSKI. Very.

Secretary CUOMO. Just so you know, Senator, it is not that this was a concept that was totally missed. What has actually happened, and again, this is only on 2 day's conversation, but we could not tell you, because we did not have the technology a couple of years ago exactly where the vouchers were being used by census track.

We just did not know. We could stop the construction of public housing in a concentrated neighborhood, because we knew where the buildings were, but we did not know where the section 8 person was going with that voucher.

We now have improved the technology, we have improved our information. We can actually tell you now where all these section 8 vouchers are.

Senator MIKULSKI. Well, I appreciate that. Remember, when we started the conversations on HOPE VI, we wanted to eliminate what I called Zip Codes of pathology and create Zip Codes of opportunity. So let us hear now about the costs and also competitive bidding.

TOTAL DEVELOPMENT COSTS

Secretary CUOMO. I share the Senator's concern that the numbers on HOPE VI are apparently high on some projects, and we discussed this last year, and we have actually done quite a bit to reduce the costs, and for the first time we have cost limits. We have something called the TDC, Total Development Costs, where we say this is a cap, if you will, no how much we are willing to spend on the reconstruction of a unit.

One quick caveat, sometimes, Senator, these numbers are somewhat deceiving, because it is not apples and apples. You will hear numbers that it cost $200,000 to build a HOPE VI unit. That may be technically correct, but it is misleading, because it is not apples and apples.

When you go to do HOPE VI, you have a very high deconstruction or demolition cost, because you have to take down the old building. You very often have a very high abatement cost for Brownfield's problems. You often are building community service centers, parks, et cetera, which get added to the cost of the housing, but really they are separate costs, they are community development costs rather than housing unit, per se, costs.

With that caveat and that stipulation, we have put in place for the first time total development costs. There are caps on how much we can spend. We did it in collaboration with our partners, our stakeholders.

Elinor Bacon, who is a Deputy Assistant Secretary, who has done a phenomenal job on this, is now working on the next level of cost control, which is what they call "soft costs," which will actually go

below the total cap and say we now want to talk about the attorney's costs, the accounting costs, the tenant costs, and we will come up with caps on those sub-costs, if you will.

On the number of developers we had a conversation from our first conversation, Elinor Bacon has a whole plan in place to reach out, to bring in more developers. We do not want to have a captive audience or a captive industry. We are working with a number of groups, Urban Institute, different building groups, AIA, APA, and we want to get as many private-sector developers as possible competing to drive down these costs, and we will.

Senator MIKULSKI. Well, thank you. I know that my time is up. The issue around the developers came to me through other people who raised this as a yellow flashing light. I am not sure who they are or what they are, but you should be aware that that was a concern, and like anyone else, a good set of requirements and competition always works in the marketplace. I will go to my senior housing in my second round.

Senator BOND. Thank you, Senator Mikulski.

Senator Harkin.

STATEMENT OF TOM HARKIN

Senator HARKIN. Thank you, Mr. Chairman. Mr. Chairman and Mr. Secretary, I want to just cover some things dealing with rural areas.

RURAL HOUSING AND ECONOMIC DEVELOPMENT

Mr. Chairman, last year this subcommittee provided a new initiative, which I thank you for, the $25 million in rural housing, which you put out, of which $4 million of that went to Iowa. Just last weekend I was out visiting some of these projects, the rural housing that had been built with this money, and, again, I want to thank you, Mr. Secretary, for what you have done with this, because your office in Kansas City has just been really great about pushing this program.

The money that we have gotten in Iowa has been leveraged up to five times, five times, with Fannie Mae Foundation, with local banks, I think with Farmer's Home Rural Development, and the Iowa Department of Economic Development. Five times.

So I was seeing some of this housing built in these small towns, so families that I have seen moving into these new houses with maybe as much as 60 percent of median income now becoming homeowners, and I have to tell you, to see the look on their faces, many times single mothers with two or three kids, they do not have much money and now they have a home that they can call their own. It is just an incredible thing that is going on out there.

I would like to invite you out there to take a look at it, because they are really doing good stuff out there. I do not know what they are doing in Missouri, or whatever, in other states, but I can just tell you in Iowa they have leveraged this money up to five times and it is doing a great thing.

So I just wanted to tell you that, and as the Department considers grant applications for the Office of Rural Housing and Economic Development I hope we will see a real priority for proposals that provide for home ownership in small towns, where they can

take this money that we allocated and really leverage it up. So I hope you take a look at what we have done in Iowa.

I do not know if we are unique. I have not been in other states, but it just seems to me they have done it, and they have done it in a short period of time. So whatever is happening out there, I hope you will take a look at it and give some priority to this in small towns. We need that housing out there.

Now, secondly, I was listening to your exchange with Senator Mikulski on section 8, we have a real—whatever problems you have in urban America, we have them in spades in rural America in section 8 housing, Senator Mikulski. Vouchers do not work too good in a small town, because you have a lot of these elderly people living in these small towns, they are in these section 8, they have no place to go. So a voucher just does not work for them.

We are losing a lot of the section 8 housing in Iowa. I have talked to some of these people. You have people who have been paying up to 40 percent, and these are people in their seventies. The only income they have is Social Security. They have nothing else. Eighty percent of the elderly people in Iowa exist only on Social Security, and the average Social Security check in Iowa is around $700 a month. You go figure. They are paying up to 40 percent.

The housing, as opted out, I have talked to them, now they are up to 60 percent of their monthly income going to rent. They have no other place to go. You can give them all the vouchers you want, unless they move half-way across the state or go to Davenport, or Des Moines, or someplace like that, and then they are away from their kinfolks, their families, and stuff like that. So I really think and hope that you will do some real targeting, the projects. Now, I am not very cognizant of what is happening in some of the urban areas. I leave that to my friend and my colleague from Maryland, and others, but I can tell you about rural America, and these small towns, and somehow we have to start targeting in these areas. I do not know if you can do it administratively, I hope you can, and if you can comment on that I would sure appreciate that.

Secretary CUOMO. Yes. Senator, first, thank you for the words about the rural housing and economic development initiative, it is something we are very excited about. It is going very well in your state. We have a good team of what we call community builders out there who are people who work with the local governments, work with the state government, and that is working well.

The problem you point to, we discussed it earlier, we called it the opt out problem, it is, in my opinion, the housing crisis for this year. These are buildings which were under contract with the federal government——

Senator HARKIN. I understand.

Secretary CUOMO [continuing]. For about 20 years——

Senator HARKIN. I understand that.

Secretary CUOMO [continuing]. Different terms.

Senator HARKIN. I understand that.

Secretary CUOMO. The contracts are expiring, the owners are now saying we may opt-out of the program. They tend to be opting out of the program where they have better buildings, frankly,

where they can go on the market and make more money. Those are precisely the buildings we want to keep.

Our answer has been, "Well, do not worry, we will give the tenants a section 8 voucher, and they can go find an apartment," but that is not enough, frankly, because a lot of the tenants are elderly, they do not want to go out on the market and find an apartment, they cannot find an apartment for the rent that the section 8 voucher pays, and it is just a life crisis for them.

I think we have to go at it two ways. One is we need a systemic solution for these opt outs, where we can go to the table with these owners and say, I want to renegotiate, and where it is a good building that we want to keep in the inventory, we have to be in a position where we can negotiate with the owner and keep that building in the inventory, and figure out a way that we do not have to go through this every year, because this is such a tumult on the tenants.

We have a legal, or maybe a statute, or a regulation that on an annual basis the landlord is notifying all the tenants that their lease may be up at the end of the year, which just gets all the tenants in an uproar on an annual basis.

We need to be able to negotiate with the owner, we need to come up with a longer-term contract so we do not go through this every year, and we need to keep the good buildings in the inventory.

FAIR MARKET RENTS

At the same time, we have to make sure that the section 8 vouchers do work everywhere, and that they are paying an amount where you can actually get an apartment in those circumstances where you must.

This gets into something called the fair market rent, how much the voucher pays, and we are working through that now, but there are too many instances right now, frankly, where the section 8 voucher does not pay what it needs to pay to get an apartment in an area where we want the person to live.

Senator HARKIN. I appreciate that, and that is true. I know about the FMRs, but keep in mind, and this may be somewhat unique to Iowa, but I think it is true of a lot of the rural states. We have a disproportionate portion of elderly living in small towns.

They are in these section 8 houses, and they are pretty accessible for elderly, but if they get a voucher, even if they get the FMR, and they have to go to another place, usually those apartments are not that accessible, they have a lot of stairs, or upstairs someplace, that they are just not that accessible in small towns.

I mean you have to get out of your mind that we are in an urban area. These are these small, little towns. So they are just not really a kind of a place where these elderly people can go.

Maybe it is a little bit unique to Iowa. I do not know. We have the highest proportion of the elderly over the age of 80, and second only to Florida in over 65, so perhaps we are a little bit unique, but I can tell you that in these small towns, the FMRs just will not work either, you know, that 40 percent thing, where you are talking about giving them 40 percent of the fair market rent for the area like that.

In some cases it might work, but in a lot of these cases it just does not work. So I do not know, if you are going to be talking to section 8 landlords and getting them to renew their contracts, obviously, it is going to cost you some money.

You do not have a lot of money, so I am asking you to look at targeting, and to think about some things, Mr. Secretary, where you say, okay, let us look at areas where we have very low vacancy areas, we have rural elderly projects, in which there is little in the way of alternative or appropriate housing, and sort of build that into some kind of targeting. If you cannot do that administratively, I would like to know and maybe we ought to do something legislatively, if you cannot do it administratively.

Secretary CUOMO. I agree with the Senator's concerns 100 percent. Within the next couple of weeks, we are actually going to have a plan exactly on this problem, because as it is unfolding it is getting worse. I agree with the Senator's point about the targeting, and we do have to have some targeting. The elderly are in prime rural areas where there is not an alternative.

But we also have to be careful the way we do this, because this becomes a negotiation with the owners, and we cannot be in a position where the owners believe they have us over a barrel either, and we have no choice but to renew the contract, because then our negotiating position just went out the window, and we will wind up in a position where it is not a negotiation at all, it is one-sided, and we are going to have to pay whatever they demand, and we do not want to be in that position, also.

Senator HARKIN. I agree. I agree.

Secretary CUOMO. It is a tricky situation, but I hear what the Senator is saying 100 percent. We are aware of it. The Administration is aware of it, and we will have a full proposal that meets the needs nationwide, and the particular needs in your state.

Senator HARKIN. Thank you, Mr. Secretary.

Can I get one more in?

Senator BOND. Sure. Quick.

Senator HARKIN. Thank you, Mr. Chairman.

Senator BOND. It has not turned red yet.

HOUSING FOR THE DISABLED

Senator HARKIN. All right. Housing for the disabled. The disability community is very upset, Mr. Secretary, over the limited support for housing assistance. The need is very high. The funding has dropped considerably from its funding levels in the early 1990s for the 811 program.

The Consortium for Citizens with Disabilities did an analysis of the loss of housing for the disabled, because of the elderly only designation passed in 1992. They found considerable housing units being lost from 1993 to now. I understand that HUD is doing an inventory of the losses for assisted housing for the disabled.

You do not have to tell me now, but if you could just get to me the status of the study, and please have HUD take a look and make available to field offices and disability advocates the specified and specific assisted housing projects that have changed their tenant selection policies to not include the disabled.

I do not know what more can be done, but if you have any more ideas on what could be done to help the disability-oriented non-profit organizations, and there are some out there, to compete and administer these housing units in a quality fashion, what more can be done to help these non-profit organizations compete and administer these housing units in a quality fashion.

It has to do with, I am hearing from disabled groups saying that under the 811 program, because of the elderly-only, they are losing a lot of this, they have lost a lot of the assisted housing units. How many, we do not know. I hope you can do an inventory and tell us.

[The information follows:]

LOSS OF UNITS FOR THE DISABLED

The Department has designed a study which will examine the extent to which the privately-owned assisted stock serves the non-elderly disabled. It will also detail the way in which non-elderly people with disabilities access the assisted housing stock in 10 housing markets. The contract for the study is expected to be signed be the end of July 1999, with results available approximately one year later.

Senator HARKIN. And second, can you develop some better criteria or are you in the process of doing so to get these non-profit groups out there better able to compete and administer these?

Secretary CUOMO. Senator, we were in the midst of doing both. I will get to you the study of the numbers as soon as that is ready, but that should be ready almost imminently. I agree with the concern, I have met with the disabled groups. We have the 811 program, it is $194 million. We proposed to continue the funding at $194 million.

I would very much like to be able to say, Senator, we will put more money in the 811 program, but as the preceding conversation with the Chairman would suggest, I think he is trying to suggest to me that money is a little tight this year. I am starting to get that general hint.

Senator BOND. Mr. Secretary, I am glad we are kind of reaching that conclusion, and if you would, provide for Senator Harkin and us your full answer to that, we are faced with a vote coming up fairly shortly, and we are going to try to get in a couple more rounds, go as quickly as we can on this, but I do want to follow-up on Senator Harkin's question on the opt out.

OPT-OUTS

We appreciate the practical problems, but there have been some confusion over the authority and the ability of HUD to deal with the opt-out problems. I am a little confused about Mr. Apgar's testimony before the House Appropriations Committee. He did seem to indicate that the Department has the authority and funding through a tenant protection appropriation that could be used to resolve it, and I would appreciate knowing whether HUD has the authority to resolve the opt-outs, which are vitally important, particularly in rural communities with limited housing supply.

Is there authority in the appropriations account, or is there authority as part of the existing mark-to-market legislation, which really is the flip side of the opt-out problem. Do you need more authority? We have to get it resolved. You need authority one way or the other.

Secretary CUOMO. Mr. Chairman, thank you very much. You are right, this is the flip side of the mark-to-market crisis, if you will. If you remember, last year, and the year I was confirmed, the big crisis was the mark-to-market, and we had to address that.

We addressed that crisis, and now we are on to the next one, which is almost the flip side. As this is unfolding, Mr. Chairman, it is getting worse, and the pervasiveness of it is now starting to communicate itself.

Section 8, Senator, is normally an urban problem, inner cities. We are hearing from everyone all across the nation, and the number of landlords who are now considering opting-out, is increasing, my own theory is, as the economy is getting better.

Senator BOND. Mr. Secretary, let us move on to the authority issue.

Secretary CUOMO. Let me ask Commissioner Apgar if he would like to respond.

Senator BOND. Excuse me for interrupting. Can you do it?

Mr. APGAR. In the mark-to-market legislation it did provide our capacity to raise rents under certain circumstances, that is correct, but as the Secretary mentioned we need a comprehensive approach, otherwise, we will just get in a bad negotiating posture with the property owners.

We estimate that fully marking-up all the inventory to market across the board would require about $600 million to $800 million worth of research this year and every year out in the future. So obviously that is a non-starter.

We have to think about a way to target the resources toward the appropriate cases. We need to have other tools that we do not have authority for to complement this, for example, to take the tenant issue off the table by making sure that we have enhanced vouchers, so we are not debating whether or not we are going to be throwing tenants out or not, that we have the authority to give enhanced vouchers for residents everywhere.

We need to talk about this renewal issue, whether or not we can do something around the multi-year renewal without committing funds. So there are elements for which we have authority for and elements which we need authority for.

Senator BOND. Do you need additional legislative authority?

Secretary CUOMO. Yes.

Senator BOND. When will you provide it for us?

Secretary CUOMO. We are in the process of putting together a package and working on the House side with folks who have already put legislation forth.

Senator BOND. Okay. Let us know, would you please, because it is vitally important. If you need legislation, let us know.

Secretary CUOMO. We will.

[The information follows:]

OPT-OUTS

Market rents for certain properties.—Building on HUD's emergency actions, a longer-term program should be established to raise selected properties' rents to market. This program should include targeting criteria for which properties' rents will be increased and specific commitments that will be required from owners in return for increased rents. By extending the criteria and commitments embodied in HUD's

initiative to a full fiscal year, the Administration proposes to spend up to $100 million for this purpose in fiscal year 2000.

Improve Section 8 renewals.—Recent changes in renewal policy have led to greater insecurity for residents and owners through frequent resident notifications and changing rules. Recognizing this, Congress provided for a single notification under a five-year contract that could replace the current annual notifications. HUD is using this provision as part of the five-year commitment required from owners under its emergency initiative. Extending this authority to allow a single notification prior to the expiration of a contract of any length would encourage longer-term preservation of affordable housing while removing the fear among residents caused by misleading notices each and every year. Second, renewal of Section 8 contracts could provide greater security to owners while reducing HUD's administrative burden. Currently, owners may be required to perform a study of comparable market rents each year at the renewal of the contract. A better alternative would be to allow an operating cost adjustment to be applied for four years, with a comparability study needed only every fifth year to ensure that rents remain in line with the local market.

Market returns for other properties.—While lifting Section 8 rents to market and providing more secure renewals can limit opt-outs of valuable affordable housing, these actions will have limited success in avoiding prepayments in properties that are important to preserve as project-based housing. Limiting prepayments is more difficult than limiting opt-outs because the subsidy level provided by the mortgages is fixed. Part of a potential solution could be a reexamination of current limits on rents, distributions and "excess income", all of which were called for by statute at a time when subsidized rents were not linked to local markets. Now that Congress has realigned project-based Section 8 rents so they are driven by local market conditions, HUD could further this change by realigning rents, distributions and "excess income" more closely to market in HUD's other privately-owned project-based properties. These changes could be targeted to the best properties and none of them would require additional appropriations. Rents in Section 236 and 221(d)(3) properties could be capped at the market level (offset for the interest subsidy) instead of the current budget-based formula, although still limited to 30 percent of residents' incomes. Distributions could be revised to allow for recognition of project equity built up over time instead of remaining tied to the original equity contribution. And continuing a trend by Congress over recent years, "excess income" could be made available to the owners of certain 236 projects to better approach a true market return.

New resources and ownership.—Even when owners choose to remain in HUD's multifamily subsidy programs, there are cases when new ownership or resources are needed to preserve decent affordable housing. Whether for tax or other business reasons, owners may be effectively locked into ownership despite a waning interest in running the property. Or in markets where local rents are below what is needed to pay for recapitalization later in the project's life cycle, other forms of resources may be necessary outside of current rent and interest subsidies. Any effort to stop the loss of affordable housing should take account of these cases by encouraging the transfer of properties to more motivated owners, particularly tenant organizations and non-profits. One way to do this is through targeted increases in Section 8 rents to market for valuable properties in strong markets that would not otherwise be eligible but agree to a transfer to a tenant organization or non-profit. A second method would be to target federal subsidies to affordable multifamily properties that receive State and local contributions subsidizing a transfer or recapitalization. Finally, the current legislation guiding the disposition of properties foreclosed by HUD could be made permanent, including the option to transfer properties to resident organizations and non-profits with Up-Front Grants in negotiated sales.

More effective resident protection.—Even with a comprehensive proposal that includes all the suggested changes discussed, there will still be cases where owners choose to opt out. In these cases, HUD can better protect residents by offering "enhanced" vouchers that allow them to remain in their homes without substantial rent increases when an opt-out occurs. Any proposed solution should give HUD the authority to offer "enhanced" vouchers in all opt-outs at up to market rent levels. In addition, Congress could clarify the permissible increases in "enhanced" rent levels over time by allowing them to track reasonable increases after the first year.

GAO

Senator BOND. We will try first to get it through the authorizing side. If that fails, you know what happens. We would love to see it authorized.

Mr. Secretary, I mentioned a grave concern I had about GAO. GAO has told us that their staff cannot meet and talk with HUD people directly, that GAO is required to submit written questions on all issues rather than dialogue. As I mentioned, GAO is our eyes and ears. What is the problem, and can we get your commitment to get back working a normal relationship?

Secretary CUOMO. Mr. Chairman, I was not aware that we were not. I have no problem. I have not been informed. I will ask the Deputy Secretary, who does this on a day-to-day basis, if he has any ideas.

Mr. RAMIREZ. What we have done, Senator and Mr. Chairman, is that, quite frankly, with the different tasks that we have put at hand, the staff that we have available, we have asked GAO to help coordinate the work that they are asking for. It requires a great deal of time and manpower to respond to a lot of their requests.

We want to organize it and make it as expeditious as possible to compile the information that has been requested. What has happened is that when it comes down to specifically the concerns they have had as it relates to the budget, is that we would like to coordinate our responses on the budget through the CFO's office.

We have been more than willing to set up any sort of working schedule with the different program areas to be able to answer those questions, but to give you a recent example, just yesterday they called in and asked for two pages of information on work that they wanted to get out of the budget office from specific program areas, and they wanted to meet yesterday, and it is very hard to assemble the team of a half-a-dozen or a dozen individuals that actually have to deal with responding to the issues, because they were very program specific in that kind of short order.

We want to keep our working relationship a strong one, we appreciate the work that they do, and we want to work with them to coordinate a more effective way of getting that information——

Senator BOND. GAO does this all the time, they go around and ask lots of questions of lots of agencies, and this is the first time I have ever heard them really complain that they were getting stiffed. I would like to not worry about this problem.

I have a lot of other things to worry about, but if it is a problem you can bet I am going to be worrying about it, and you can either solve it at the Department, or you will solve it in my office. I really would be in a bad mood if we had to solve it in my office.

Secretary CUOMO. We do not want you in a bad mood, Mr. Chairman.

RENTAL SUBSIDY OVERPAYMENTS

Senator BOND. Rental subsidy overpayments. The HUD IG's financial statements found a number of material weaknesses. For example, HUD reported in 1997 that it spent $18 billion to provide rent and operating subsidies to a variety of programs, but on the basis of data collected for 1996, HUD estimated it had provided

over $900 million in overpayments, $900 million, funds that could be used, for example, to fund all these other things. What has HUD done to reduce subsidy overpayments?

Secretary CUOMO. Mr. Chairman, I would ask FHA Commissioner Bill Apgar to respond.

Senator BOND. Please.

Mr. APGAR. Well, as you know, we are engaged, first, in a pilot effort to establish the capacity to do income matching where we use income records and other things to match to tenant income files to identify which situations that might exist in terms of overpaying. That has been successful, and now we are moving to a total income matching approach.

We have designated REAC, the Real Estate Assessment Center, our new data analysis agency to take over that responsibility, and they are literally matching millions of files of information to try to identify which particular vouchers, or project-based subsidies, or public housing residents may be mispaying their rent, and providing that information back to the authority.

There are some constraints on that process, because of our limited capacity to use and divulge the income tax records, but we are working within the confines of confidentiality to get the information so that the local housing authority and the residents can move their rent payment in line.

OBLIGATION AND MONITORING OF HUD FUNDS

Senator BOND. I am going to have a number of questions for the record. I will submit one that has been called to our attention about, it says, "As of September 30 of last year, HUD had unexpended balances totaling more than $158 billion. About $40 billion was unobligated, and $114 billion was obligated, but not expended."

I am concerned about these very high balances. It seems to be the equivalent of about 6 years of budget authority, and I would appreciate for the record, and I will give you a fuller question for the record, how HUD monitors and oversees the funds to ensure they are obligated and expended as prescribed, because that seems like a huge number, and I would like to get to the bottom of that. I do not know if you have looked at that.

Secretary CUOMO. We have. I will get you that, Mr. Chairman, in detail; but just a general comment, in some ways it is the nature of our business. Many times, we often will award a certain amount of money and the organization, the city, the PHA then has to go find a site; then has to do architecturals; and then has to break ground.

Sometimes there is even a lawsuit, believe it or not, in the midst somewhere. So it tends to be the nature of our business, but I will get you a thorough explanation.

EEOC COSTS

Senator BOND. One final question. As we all know the HUD IG is currently the subject of an EEOC investigation centering on the promotion of a staff member. It has come to my attention that the Department has contracted with outside counsel in a manner that is inconsistent with typical investigative practices for EEOC com-

plaints, and that there has been hundreds of thousands of dollars spent on it.

What are the normal costs associated with an EEOC complaint, and how much is being spent on this investigation?

Secretary CUOMO. Mr. Chairman, the Chairman I am sure knows that one of the things that the Department does is fair housing anti-discrimination work. We take that very seriously. A charge like this against a senior official we take very seriously, and we wanted to make sure that we practice what we preach.

Senator Craig was talking about our fair housing work, and how good we are at telling everybody do not discriminate. When we have a complaint in-house we want to make sure we are just as good as reviewing ourselves as we want to be at reviewing everyone else.

The matter is now in Federal court. I believe there is a Federal lawsuit, because the Department did not come to any conclusion, did not take action, and the aggrieved party has the right to go to Federal court, which they did exercise, and the matter is now in court, and will be resolved through the judicial process.

Senator BOND. Is it customary to spend several hundred thousand dollars on counsel to investigate other EEOC——

Secretary CUOMO. I do not know that that was the number, but I do not know that it is customary to have this type of complaint by this senior of an official against this senior official, especially when the Department has been as adamant as it has about racism and discrimination. So I do not think this is at all a typical situation, Mr. Chairman.

Senator BOND. I would appreciate knowing if there are any similar circumstances or any similar cases, how much it cost, how it was handled, any other officials. With that, let me turn the questioning back to Senator Mikulski.

[The information follows:]

COST OF EEOC COMPLAINT

The normal costs associated with the investigation of an EEO complaint, as will as the amounts of the contracts awarded to the law firms Williams & Connolly and Day, Berry & Howard for the specific EEO investigation at issue, are described in the report prepared for HUD by Donald Bucklin of Squire, Sanders & Dempsey. Copies of that report and its attached exhibits have been provided to the Committee under separate cover.

ELDERLY HOUSING

Senator MIKULSKI. Thank you, Mr. Chairman. In anticipation of a vote shortly, I just want to say to the Secretary, I am going to submit the rest of my questions for the record, but let me give you the framework for my questions on housing for the elderly.

As you know, I have persistently raised the issue that demography is destiny, and that we have senior housing that was built under the Carter Administration and in the early days of the Ford Administration. The seniors themselves are aging in place, and the buildings are getting old, and the question is, what is the public policy thrust in what we are going to do to help that particular population.

They are going from 60 and robust to 80, and many being frail elderly, different situation, with no continuum of care. Then, num-

ber two, really with the aging baby boomers coming online, how also are we—not all boomers have Cuisinarts, and 401Ks, and a variety of other things, they are poor, so the question is, what about them?

As you know, I asked for a report, it was delivered this week. We have not had a chance to review it, but let me give you three yellow flashing lights that I am going to respond to in your testimony.

You want to have something called Healthy Homes, help seniors stay in their homes. My experience is that that is often a platitude and not a program. That is in every program where I hear let us help people. That is not only at HUD, that is throughout social agencies. So I do not want platitudes, I want programs.

Second, your recommendation is to convert equity in their homes and to rehab and property. My flashing yellow light in that is one of the biggest senior scams has been reversed mortgage.

There is the bonafide reverse mortgage that has helped people for independence, but it has been fraught with scam, and our friends at Fannie Mae have been one of the leaders to make sure again that we know that where there is need, there is greed, and that often we go to scams run by scum. I do not want this to happen here. So I do not want platitudes, I want a program, and I do not want another senior scam.

Having then said that, it is how we are going to use tax credits. We are going to have more vouchers. There is what Senator Harkin has raised, $87 million for your new vouchers. I really do not know if this is a program or essentially people forage through what is existing, try to come up with something new, and again, I am out of the placating me business, I want to be in the senior opportunity business, and the senior safety net business.

So we are going to raise questions with your initiative for which we have significant yellow flashing lights, and then perhaps we could work together to see what we can really do to address these problems in a way that is not more vouchers, complicated programs around tax credits, and oh, gee, we are going to keep them in their own home.

Poor people do not often have equity in homes. If your house is already going to a siege neighborhood, and you paid $50,000 for it, it is now worth $12,000. There is not a lot of equity there.

Secretary CUOMO. Senator, let me make one quick comment, and then I refer it over to the FHA commissioner. I know time is short, so I will keep it brief. You just received the report, I am aware, but you should also know that the basis of the work, there has been a lot of work that has gone on over the past year, a lot of consultation, and I believe this program that we have come up with is not a platitude at all, but it is a program.

You should also know the situation we find ourselves in at HUD time and time again is we cannot buy our way out of these problems. It could be very easy for me to say I will tell you the solution to senior housing, take the 202 program, bring it from $600 million to $7 billion. We do not have that luxury.

I also do not think that would be responsible. We have many different programs at HUD, and sometimes the truth is, bringing those fragmented programs into a systemic approach that actually

makes sense, we did that with the homeless programs and the continuum of care——

Senator MIKULSKI. Exactly right.

Secretary CUOMO [continuing]. And that is what we are trying to do with the senior programs.

Senator MIKULSKI. Well, rather than have everyone respond, let us look at the report, you know my yellow flashing lights——

Secretary CUOMO. Yes.

Senator MIKULSKI [continuing]. And then let us see, as we move forward, what we can do, again, for a safety net for seniors, why stewardship of taxpayers' funds, and that continuity of care just along what you said about the homeless program, and I think we could really do something exciting and beneficial. Thank you very much.

Secretary CUOMO. I think we can, Senator. Thank you.

Senator MIKULSKI. Mr. Chairman, that is it for me.

Senator BOND. Thank you, Senator Mikulski.

Senator Harkin, do you have——

PRIVATIZATION OF GNMA

Senator HARKIN. One short one, Mr. Chairman. Thank you.

I just want to talk a little bit about Ginnie Mae, there have been some proposals out there to privatize Ginnie Mae. It was suggested in the Senate budget resolution, and I am informed that while there might be a gain for the year 2000 of some $2.5 million, that HUD would lose money every year thereafter. I do not have figures on that, but I understand it is quite a bit, and I expect that some of the targeted efforts by Ginnie Mae to promote housing would be lost, and I just want to know what your thoughts are on this issue. Do you have any figure on about how much HUD might lose in the future?

[The information follows:]

WOULD MONEY BE LOST IF GINNIE MAE WERE PRIVATIZED?

The answer has a couple of parts, one of which is relatively straight forward and the other more problematical.

The straight forward part of the response is that the Treasury looses the compound value of the net income foregone by not having Ginnie Mae. The average annual growth rate of Ginnie Mae's net income over the past 8 years (through 1998) was 9.5 percent. If we assume that that rate would prevail over the next 10 years, on average, then the Treasury would be giving up approximately 12 billion dollars in net income. Of course the offset would be tax revenues from a fully taxable entity and the price received from the sale of the Ginnie Mae franchise.

The more problematical part of the response is that a sale of Ginnie Mae would also likely affect the volume of loans to be insured or guaranteed by FHA, VA and RHS. A private Ginnie Mae would most likely be traded at a significant discount price to the current Ginnie Mae MBS because it would not likely have the full faith and credit guaranty of the U.S. Treasury. Moreover, over the initial formative years of the new "Ginnie Mae", there would not likely be a significant volume of securities issued (the old Ginnie Mae and the new Ginnie Mae securities would not trade on the same basis, i.e. they are not interchangeable) which would also serve to lower its price relative to current Ginnie Mae MBS. The lower prices of the new Ginnie Mae's have a twofold effect on lending to low- and moderate-income families, the primary beneficiaries of the Government mortgage insurance and guaranty programs. More time would be necessary to estimate this effect.

The first effect of lower Ginnie Mae prices is that the interest rate to potential FHA/VA/RHS borrowers is higher because interest rates and prices are inverse to each other. The higher interest rates on home loans necessitated by lower prices on the securities would disqualify a number of such borrowers at the margin. Families

and communities would not enjoy the benefits of home ownership and the Government would loose the premium income on the loans that would not be made.

The second effect of lower Ginnie Mae prices would be to encourage lenders to turn their attention to secondary market instruments that would yield relatively higher prices and, therefore, lower rates for their customers. They would follow this course of action because of competitive reasons—offer their customers the lowest rates possible on home loans—and because they seek the highest return on their capital in order to remain in business-higher prices, and increased customer base, mean more potential return. The alternative secondary market sources (i.e. the other GSEs) would not likely be of primary benefit to low and moderate income borrowers, especially first time buyers, since, today's market, the alternative sources tend to not place priority on FHA/VA/RHS lending or loans to borrowers that typically use FHA/VA/RHS.

Secretary CUOMO. Senator, I will get you the numbers, but I could not agree with you more, this would be a terrible mistake, this would be a fire sale tragedy, fiscal irresponsibility, in my opinion. Ginnie Mae makes about $600 million this year, $670 million——

Senator HARKIN. $600 million, yes.

Secretary CUOMO [continuing]. $674 million this year. They proposed selling it for like $2.5 billion or $2.8 billion. That would be very shortsighted, in my opinion, to take a recurring asset, just on the dollars and cents, you are making $670 million, you settle for $2.4 billion, $2.8 billion, it is not an intelligent financial transaction, plus Ginnie Mae works amazingly well with FHA as part of this affordable housing system.

Why would you want to take Ginnie Mae out, disassemble the system that is working? FHA works. Ginnie Mae works. They are working better than ever before. They are doing more loans, they are making more money. We have so many things that are broken.

Why do we want to go to the one place that is working well by everyone's admission and fix what is not broken?

Senator HARKIN. Well, I appreciate that, and Mr. Chairman, I do know what your personal feelings are on this, but obviously you know what mine are now, but it just seems to me that, first of all, OMB is suggesting it, and we have the Senate budget resolution suggesting it, and I say a pox on both their houses on this one. I just do not understand how OMB could come up with that.

My staff tells me that the preliminary figures might be that HUD might lose somewhere in the neighborhood of maybe $300 million to $500 million, something like that. Anyway, it is extensive. So it just seemed to me very shortsighted for OMB to suggest that.

Thank you, Mr. Chairman.

Senator BOND. I can assure you that suggestions sometimes go into the budget resolution, and assumptions or suggestions from OMB do not necessarily drive the bus around here.

Senator HARKIN. I sure hope that is true on this one.

Senator BOND. We will take their views for what they are worth. Mr. Secretary, do you want to add——

Secretary CUOMO. Just as a point of clarification. On this one, I do not want to have OMB unfairly criticized. They originally thought of this idea, they thought again, and OMB is against the sale of Ginnie Mae.

Senator BOND. Oh, is that a fact now?

Secretary CUOMO. Yes, it is.

Senator BOND. Okay.
Senator HARKIN. Good.

ADDITIONAL COMMITTEE QUESTIONS

Senator BOND. We have plenty of other things to worry about. We promised to submit some interesting and challenging questions for the record. Our colleagues may wish to have additional statements. We will keep the record open.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR BOND

SECTION 8 CONTRACT RENEWAL AND INCREMENTAL SECTION 8 ASSISTANCE

Question. As I discussed elsewhere, the HUD budget for fiscal year 2000 has raised expectations about providing additional section 8 housing assistance while implementing policies and long-term budget goals that will actually decrease the availability of housing for low-income families, including the elderly and disabled.

For example, the HUD fiscal year 2000 Budget proposes 100,000 new incremental vouchers for fiscal year 2000 while actually reducing substantially the level of funding needed in the future to preserve and support rental assistance for families that are currently assisted. In the first place, HUD has shifted the responsibility for paying for expiring fiscal year 2000 section 8 contracts by deferring $4.2 billion until fiscal year 2001, despite the fact that the cost of expiring section 8 contracts will increase by some $2 billion in additional funding needs in fiscal year 2001 to maintain existing section 8 contracts. In addition, OMB has decided to freeze the funding of rental assistance for section 8 contract renewals at $11.5 billion for fiscal year 2001 and each year thereafter through fiscal year 2009. This would mean over 250,000 low-income families, including the elderly and disabled, will lose existing section 8 housing assistance under HUD's proposal. To put this in real terms, this also means for every new family HUD proposes to provide incremental housing assistance, HUD will be kicking some 2 to 3 families out the back door. How can you justify the HUD fiscal year 2000 budget when, as a practical matter, it removes housing resources from those who can least afford to lose it?

Answer. The Department's long standing policy has been to renew all existing section 8 contracts and the Department did not deviate from this policy in the fiscal year 2000 budget request. When the Department requested the $4.2 billion in advance appropriation, the intention was to shift the date the funding is appropriated to the time the funding needs actually occur. With the advance appropriation, there is no need to change the expiration dates on contracts, and there will be absolutely no impact on either the tenants or the owners. The advance appropriation will not actually be scored under the rules of the Budget Enforcement Act until the start of the next fiscal year, on October 1, 2000. Because we are providing funding for a large portion of our section 8 renewals only through the last day of fiscal year 2000, as opposed to a full 12 months, we will need to be certain that funds to continue those contracts will be available the first day of fiscal year 2001.

It is true that OMB decided to freeze the funding of rental assistance for section 8 contracts in future years. This issue will be addressed during internal budget negotiation on the fiscal year 2001 Budget. OMB Director Lew has also stated that funds have been set aside within the Administration's total budget request to fully fund contract renewals and other programs once Congress and the Administration reach an agreement on Social Security.

Again, as mentioned before, if full funding for contract renewals is enacted as requested with advance appropriation or if the full amount needed is available in the beginning of fiscal year 2000, no one will be "kicked" out including the elderly or the disabled.

The 100,000 new incremental vouchers requested by the Department are desperately needed. As described in last year's Report to Congress on Worst Case Housing Needs, there are 5.3 million households with worst case needs. HUD's most recent report, Waiting in Vain: an update on America's Rental Housing Crisis, tells us that the waiting lists for public housing and Section 8 tenant-based assistance is growing and that the average time on the waiting list, before receiving assistance has increased. In the nation's largest cities, the wait can be as long as 5–10 years.

Among the causal factors are the loss of affordable housing stock—a drop of 1.3 million units or 19 percent between 1996 and 1998—and the lack of additional Federal support for affordable housing.

Question. Mr. Secretary, as you know, I support additional housing assistance, including section 8 assistance as part of a menu of flexible tools subject to local decision-making. However, because of budget constraints and the need to meet a number of national objectives in a number of agencies, I have had to make certain compromises that balance funding decisions in a fiscally responsible manner.

Nevertheless, as part of our discussion last year in adding 50,000 incremental vouchers, you promised to ensure that adequate funding would be provided to cover the cost of this incremental rental assistance in fiscally responsible manner. Nevertheless, the HUD fiscal year 2000 Budget now proposes an additional, 100,000 incremental vouchers at an annual cost of some $585 million. In addition, the VA/HUD Appropriations Subcommittee has the responsibility to cover the cost of those 50,000 incremental vouchers as a recurring annual cost.

Again, I remind you that the costs of renewing expiring section 8 contracts continues to rise each year. For example, the cost of renewing section 8 expiring contracts in fiscal year 1999 is $9.5 billion and will rise to an actual cost of $13.6 billion in fiscal year 2000 and to $15.6 billion in fiscal year 2001. How has HUD responsibly covered the cost of the fiscal year 1999 incremental vouchers and fiscal year 2000 proposed incremental vouchers, especially since HUD has used a budget gimmick of pushing off until fiscal year 2001 or that other programs, such as VA Medical, will have to cut to pay for these contracts. I always try to look ahead that overcharging my credit cards now. How do you plan to pay for these additional contracts in fiscal year 2001 (and to make it real assume flat funding for fiscal year 2001 at the President's budget level for HUD for fiscal year 2000 or at a funding level of $11.5 billion)?

Answer. I can assure you that the cost of renewing 50,000 incremental units enacted in fiscal year 1999 is fully covered in fiscal year 2000. As stated earlier, the advance appropriation was requested to shift the date the funding is appropriated to the time the funding needs actually occur. The advance appropriation will not be scored under the rules of the Budget Enforcement Act until the start of the next fiscal year, on October 1, 2000. Neither the owners nor the tenants will feel the impact with this methodology change since there will be no change on the expiration dates on the contracts. Funding for contracts renewals in fiscal year 2001 and forward will be addressed again during internal budget negotiation on the fiscal year 2001 Budget. The 50,000 vouchers enacted in fiscal year 1999 and 100,000 vouchers requested in fiscal year 2001 will be covered in our fiscal year 2001 budget request. As Director Lew has stated that funds have been set aside within the Administration's total budget request to fully fund contract renewals and other programs once Congress and the Administration reach an agreement on Social Security.

SECTION 8 OPT-OUTS

Question. HUD has made a point of emphasizing its commitment to low-income families and the provision of affordable housing. Nevertheless, there are a number of section 8 project-based housing developments throughout the country that receive rents that are below market. Because of lost revenue, a number of owners are opting out of the section 8 program and raising rents beyond the financial ability of many residents. This is especially troubling where the projects are elderly or are located in areas where vacancy rates are low. For example, in 1998, 219 section 8 properties with some 25,488 units opted out of the section 8 program. HUD has done little to address this problem and, in fact, a number of HUD policies have exacerbated the loss of this housing and the displacement of low-income families, including the elderly and disabled. This is even more troubling since HUD has both the authority and funding available to renew these section 8 contracts. I am looking for a commitment from HUD to preserve this housing for low-income families and a time schedule reflective of the seriousness of this problem to the many families facing displacement. Also, please advise as to why HUD has not acted.

Answer. HUD has done and is doing all that is feasible with the legislative authority and funds that Congress has made available to this effort. For example, we have just issued instructions to our field offices for an Emergency Initiative to mark up to market project-based rents in developments we believe are most likely to opt-out. Our initiative is necessarily limited by the cost of such increased Section 8 rents and by the authorities available under existing law, but the Emergency Initiative is to prevent further losses in the assisted housing inventory pending Congressional action on the appropriations request for fiscal year 2000, and a package of legislative changes which are being formulated. The Budget request includes suffi-

cient funding for a broader program to stop opt-outs, as well as funding to permit expanded availability of enhanced vouchers to prevent displacement of families in circumstances where owners decline to renew.

In the final analysis, we believe that owners are opting-out for a number of reasons, many of which are outside of the Department's ability to address. HUD cannot unilaterally solve the opt-out problem. We must work in partnership with the Congress to address this important issue.

EEOC INVESTIGATION

Question. Mr. Secretary, as you know, Ms. Gaffney, the HUD IG, is currently the subject of an EEOC investigation centering on a complaint that Ms. Gaffney discriminated in the promotion of a minority staff. It has come to my attention that the Department has contracted with outside counsel in a manner inconsistent with typical investigative practices for EEOC complaints with the Department spending hundreds of thousands of dollars in hiring a number of law firms to handle the investigation. What are the normal costs associated with this type of complaint at HUD?

Answer. The normal costs associated with the investigation of an EEO complaint are described in the exhibits to the report prepared for HUD by Donald Bucklin of Squire, Sanders & Dempsey. Copies of that report and its attached exhibits are attached.

Question. How much has HUD spent and will spend on this investigation? Also what firms have been hired and what have each of these firms been hired to do?

Answer. The law firms Williams & Connolly and Day, Berry & Howard submitted a joint proposal in response to HUD's request for proposals for an EEO investigation and related legal services. The respective responsibilities of these firms and the amounts of their contracts is described in a report prepared for HUD by Donald Bucklin of Squire, Sanders & Dempsey. Copies of that report and its attached exhibits are attached.

Question. Finally, why did HUD feel it necessary to not follow the normal investigative procedures? Does this mean that the normal procedures are inadequate and that other parties in the EEOC process are receiving less justice?

Answer. The specific reasons for HUD's decision to select a new contract investigator for Mr. Newsome's complaint are detailed in a report prepared for HUD by Donald Bucklin of Squire, Sanders & Dempsey. A copy of that report and its attached exhibits are enclosed.

[CLERK'S NOTE.—The following report "HUD EEO Complaint IG–98–01: Review of HUD Actions Relating to the Investigation of the Newsome Allegations," prepared for HUD by Donald Bucklin of Squire, Sanders & Dempsey can be found in the subcommittee files.]

EEOC COMPLAINTS

Question. Please provide a breakdown of all EEOC complaints since January of 1993 by each HUD office, including the Office of the Inspector General, Office of the General Counsel and Office of the Secretary.

Answer. An EEO complaint inventory summary is attached.

TABLE I.—COMPLAINT INVENTORY SUMMARY

[Reporting period from 10/01/93 to 09/30/98]

HUD regions	Complaints			
	On hand beginning	Files during	Closed during	On hand at end
1	6	1	7	.....
2	6	2	8	.....
3	16	3	19	.....
4	49	16	65	.....
5	39	14	53	.....
6	104	20	124	.....
7	14	4	18	.....
8	42	2	44	.....
9	49	10	59	.....

TABLE I.—COMPLAINT INVENTORY SUMMARY—Continued

[Reporting period from 10/01/93 to 09/30/98]

HUD regions	Complaints			
	On hand beginning	Files during	Closed during	On hand at end
10	6	2	8	.....
OSEC	2	19	5	16
ADSFM	.....	10	7	3
CPD	4	39	29	14
OGC	1	26	15	12
OLCR	.....	1	1	.....
GNMA	.....	2	2	.....
HOUS	24	270	154	140
PIH	16	90	58	48
FHEO	13	129	78	64
PDR	.....	1	.....	1
ADMIN	12	62	40	34
GIG	7	41	36	12
CFO	.....	5	5	.....
LBP	.....	5	2	3
Total	410	774	837	347

Question. Please identify all actions taken to reduce any concerns identified through EEOC complaints determined to be valid.

Answer. For each EEO complaint which results in an administrative or judicial finding of discriminatory conduct, HUD complies with any resulting orders to remedy the injury suffered by the complainant. Such remedies can include reinstatement, promotion, transfer, money damages, amendments to personnel records and changes to agency personnel practices. In addition, the vast majority of EEO complaints are resolved by agreement between the complainant and the agency. In such cases, without conceding that discriminatory conduct has occurred, HUD negotiates appropriate responses and/or remedies with the complainant to address the concerns underlying the original complaint.

RENTAL ASSISTANCE OVERPAYMENTS

Question. The HUD IG's fiscal year 1997 financial statements audit found a number of material weaknesses in HUD's internal controls. For example, HUD reported in 1997 that it spent some $18 billion to provide rent and operating subsidies through a variety of programs. On the basis of data for calendar year 1996, HUD estimated that it had provided over $900 million in overpayments. This is a huge amount of funds lost to the Department—funds that could, for example, be used for section 8 assistance. What has HUD done to reduce subsidy overpayments?

Answer. The $900 million indicated in the question represents the potential for excess payments, which even if true, may not be recoverable by the Department. The potential overpayments arise from a number of factors, including but not limited to: tenants under reporting or unreported income and underpayment of rent, falsifying deductions which on which rent is based, errors in data base information, etc.

To overcome the problem of potential excess payment, The Secretary has directed the Department's Real Estate Assessment Center to lead a task force to analyze several income verification techniques with potential for expanded use of Federal tax return data. In recent years HUD has used computer matching to Federal tax return (Form W–2 and Form 1099 data obtained from the Social Security Administration and the Internal Revenue Service), to identify unreported tenant income and excessive housing assistance for tenants who receive rental assistance from housing agencies, owners and agents. Use of Federal tax return data has been effective in identifying prior underreported income. However, to date use of Federal tax return data has been limited to random samples of households and to selected housing agencies and owners/agents. Various techniques for expanding the use of the alternative techniques are being assessed during 1999 by the Task Force. The Depart-

ment is aggressively working at putting in place the information technology and human resources necessary to implement a large scale computer matching program.

Through the implementation of new systems and reforms, it is expected that the task force will address any policies or procedures which created the climate for either overpayments or the potential for overpayments. Six action teams chartered by the Task Force, comprised of staff from CFO, CPD, Housing, OGC, PIH and REAC, will address the following areas: 1. continue and expand income matching programs; 2. strengthen re-certification efforts; 3. expand the Social Security Administration computer matching; 4. ensure full population and data integrity of HUD's systems; and 5. institute penalties for overpayments of rental assistance, and perform monitoring and oversight.

HUD's Office of Policy Development and Research also is contracting for an evaluation of housing agencies'/owners'/agents' effectiveness in (re)certifying tenants for rental assistance.

However, it should be noted that there are various legal, technical and administrative barriers to HUD's efforts to fully and comprehensively implement income matching and verification of tenant reported income during the eligibility certification and recertification processes.

Further, the implementation of various provisions of the 1998 Housing Act will significantly impact tenant income verification. Examples of such provisions include flat rents and minimum rents. Extensive efforts have been made to improve the accuracy and timely reporting of information to the tenant data bases.

HUD with the support of the Social Security Administration, has implemented social security (SS) and supplemental security income (SSI) computer matching for all housing agencies. This computer matching is highly effective in detecting past unreported SS and SSI for tenants and in preventing future unreported income. HUD also has modified the computer system it uses to facilitate SS and SSI matching and reporting for tenants who receive rental assistance from owners and agents who administer programs of the Office of Housing. A pilot of SS and SSI matching for the Office of Housing's rental assistance programs commenced in September 1998. It is anticipated that the SS and SSI computer matching program will be expanded to all owners and agents during fiscal year 1999.

All of these initiatives are on-going and are expected to yield results during fiscal year 2000. To supplement the initial statement in this response, it should also be noted that the Task Force's full scale review also has the potential to uncover instances where tenants overpaid their rent due to not being given credit for eligible deductions, inaccuracies in the recertification process, errors in the database, etc.

PUBLIC HOUSING ISSUES

Question. We understand that the PHA in San Juan, Puerto Rico was permitted to privatize and is now under review by Justice and the HUD IG for criminal fraud. What steps has HUD taken to limit fraud at this PHA?

Answer. HUD's Atlanta Office of the Inspector General (OIG) is preparing a comprehensive report of their findings. Pending the release of that report, the Department has been informed that the following issues were raised by the Caribbean Office OIG: (1) weak internal controls; (2) some procurements were selected without sufficient competition; (3) advertising of competitive procurements was below standard; (4) cost analyses were incomplete, (5) procurement actions were not properly documented; and (6) procurement staff were not properly trained.

Pending the completion of the Atlanta OIG report, the Department developed a "work out" plan with the HA and has initiated the following interim steps:

—Increased monitoring and oversight of procurement activity at the Puerto Rico Housing Authority (PRHA) by the field office;

—Required the PRHA to hire an independent firm to run the day-to-day operation of the modernization program ($180 million—largest source of funding, and the program that is the focus of the investigation);

—Required the PRHA to retain an Independent Public Accounting (IPA) firm to audit the accounting operations. The IPA has completed an audit of the PRHA's fiscal year 1997 and issued a qualified letter of opinion. The fiscal year 1998 audit of the PRHA operations has not been completed. The IPA has been requested to examine and reconcile all accounts/expenditures called into question during the period 1993–1996;

—Insured that the PRHA's accounting operations conform with Generally Accepted Accounting Principles (GAAP) (the PRHA complied with this requirement this month, 6 months ahead of the time established in the "work out" plan);

—Required the PRHA to create an Office of Internal Auditing to monitor and enforce compliance with internal controls (based on a proposed restructuring plan developed by the IPA); and

—Took steps to establish a training program to permit procurement staff from the PRHA to learn from another housing authority that has a model procurement system.

Question. What tools does HUD have to limit this type of problem and what has HUD done in this case?

Answer. Some of the tools available to the Department are noted above in the response to the specific actions that the Department has taken in the specific instance of the alleged fraud at the PRHA. However, this question and the response deals specifically with tools from a preventive perspective.

Under the new Public Housing Assessment System (PHAS), which replaced PHMAP, the annual audit of HAs by an Independent Public Accounting firm will be more stringent. In addition, pursuant to Management Reform 2020, HA accounting practices are now required to conform with the GAAP. Further, HUD will continue to require risk-based Field Office monitoring, and more responsive public trust (i.e., earlier reporting of perceived discrepancies, inconsistencies or potential fraud). Finally, as appropriate, the Department will request assistance from the OIG in uncovering procurement irregularities.

HOMELESS ASSISTANCE

Question. HUD moved over $20 million from the fiscal year 1999 homeless assistance funds to fund fiscal year 1998 supportive housing applications. Congress was not advised of this funding decision before the transfer of funds and the decision runs counter to how we budget for activities under appropriation accounts within the Subcommittee. What is HUD's legal justification for this action and was the action reviewed for consistency with the HUD Reform Act as well as relevant appropriation requirements?

Answer. The Department acted in full accordance with all programmatic statutory and regulatory requirements, HUD Reform Act requirements and all applicable appropriation requirements in the award of 65 non-competitive Supportive Housing Program (SHP) grants in fiscal year 1999. As detailed in the January 19, 1999 opinion by Associate General Counsel Robert Kenison, the legal authority for non-competitive awards under SHP is expressly identified in Section 583.235(a) of the Code of Federal Regulations. Additionally, as specified in Associate General Counsel Kenison's opinion, HUD published notice in the Federal Register on February 4, 1999 identifying the legal basis for awarding SHP funds non-competitively and advising all applicants of the funding action being taken.

Question. Please identify the legal citation for this action?

Answer. As stated immediately above, the legal basis for the funding action taken in awarding SHP funds non-competitively is found at 24 CFR 583.235(a). This provision specifically provides that SHP projects "may be renewed on a non-competitive basis."

Question. Were conversations held with jurisdictions before awards were made? Please identify all conversations—the dates, subject matter and parties.

Answer. It is normal, routine, and expected practice that applicants not selected during the award of McKinney Act funding make contact with various HUD officials in both Headquarters and Field Offices following the grant announcement process seeking an explanation for their non-selection. That pattern was maintained following the December 1998 announcement of McKinney Act project selections. Please find attached, to the extent this information could be recollected by the individuals involved, a listing of conversations by date, subject and individuals that we believe is responsive to your request.

REQUESTED CHART OF CONVERSATIONS WITH APPLICANTS SUBSEQUENTLY AWARDED FUNDS NON-COMPETITIVELY

Date	Spoke with	Regarding
HUD Participant: Jean Whaley		
December 29, 1998	Bob Durando City of Portland, Maine	Debriefing on lack of award.
December 29, 1998	Matthew Eddy & Dana Totmann, City of Portland & State of Maine	Other resources for homeless assistance review team process comparison of last year's applications.
January 4, 1999	Bob Duraslo, City of Portland, Maine	Request for faxing of Gaps Chart submitted.
	Matthew Eddy, City of Portland, Maine	(No notes).
	Bill Johnson congressional staff (Maine)	Explanation of award process.
January 5, 1999	Matthew Eddy, City of Portland, Maine	No notes.
January 6, 1999	Bill Johnson, congressional staff (Maine)	Arranging meeting between Maine officials and HUD.
January 7, 1999	Bill Johnson, congressional staff (Maine)	Confirm meeting.
January 11, 1999	Matthew Eddy, City of Portland, Maine	Questions on (1) S + C 10 percent set aside; (2) PRN for 1998; (3) Scores; and (4) Differences in Gaps Chart.
January 11, 1999	Penny Madrey Johnson, Director of Housing, Dayton, OH	Debriefing Dayton applicants via phone.
January 13, 1999	Stacy Austin & Bob Durando's assistant, City of Portland, Maine	Faxing Bob Durando the scores for Maine.
January 13, 1999	Unknown Participants from Oklahoma City, Oklahoma	Debriefing Oklahoma City applicants via phone.
January 15, 1999	Stacy Austin, City of Portland, Maine	(No notes).
January 19, 1999	Penny Madrey Johnson-Director of Housing, Dayton, OH	Debriefing phone call for applicants in Dayton.
January 20, 1999	Delegation of representatives from both the City of Portland and the State of Maine.	Attended meeting between HUD and Maine delegation.
HUD Participant: Cliff Taffet		
January 20, 1999	Delegation of representatives from both the city of Portland and the State of Maine.	Failure of any projects in either Portland, Maine or State of Maine to be funded.
HUD Participant: John Garrity		
January 13, 1999	Unknown participants from Oklahoma City, Oklahoma	Conference call to debrief applicant on reasons for low score in the homeless competition.
January 19, 1999	Penny Madrey Johnson, Director of Housing; Dayton, OH	Conference call to debrief applicant on reasons for low score in the homeless competition.
Numerous calls (uncertain of exact dates) between January 11–19.	Matthew Eddy, City of Portland, Maine	Information on reasons the City of Portland, Maine and the State of Maine failed to be selected for any award in the homeless competition.
January 20, 1999	Delegation of representatives from both the city of Portland and the State of Maine.	Failure of any projects in either Portland, Maine or State of Maine to be funded.

EMPOWERMENT ZONES

Question. A recent IG audit concluded that HUD does not have an effective program of oversight and control of the program. What is HUD doing to ensure that empowerment zones are functioning according to their local plan?

Answer. On March 12, 1999, the Empowerment Zone/Enterprise Community (EZ/EC) Initiative Office fully responded to the finding and conclusions reached in the recent IG audit report. The report was based on audits in four Empowerment Zones and a review of HUD's EZ/EC Initiative Office. The EZ/EC Initiative Office found that the report came to a number of erroneous conclusions.

HUD's oversight and controls are consistent with its statutory and regulatory responsibilities. HUD has two main statutory and regulatory responsibilities related to the EZ/EC Initiative. First, HUD is responsible for designating new urban EZ/ECs. See 26 U.S.C. 1391. 24 CFR 597.300–597.302. Second, HUD is responsible for "regularly" assessing the progress of the urban EZ/ECs so it can make a periodic determination as to the continuing eligibility of the EZ/EC.

HUD's monitoring responsibility derives primarily from section 1391(d)(2) of the Omnibus Budget Reconciliation Act of 1993, which provides for the revocation of an EZ/EC's designation if the HUD Secretary determines among other things, that a designated EZ/EC is not complying substantially with, or has failed to make progress in achieving the benchmarks set forth in the strategic plan. The implication of this responsibility is that HUD will collect and review information relating to the progress of the EZ/EC toward achieving its strategic plans.

The Department has issued regulations to implement this requirement. See 24 CFR 597.400–597.403. Pursuant to regulation, EZ/ECs must submit "periodic" reports to HUD detailing the actions they have taken to implement their strategic plans. HUD uses this information along with other information to evaluate the progress of the EZ/ECs.

To keep abreast of the EZ/EC activities, HUD requires each EZ/EC to submit performance reports that detail the progress made toward implementation of the strategic plan. To date, HUD has formally evaluated the progress of the EZ/ECs once and released the results of that determination in March 1997. As a result of the first biennial evaluation, five of the 72 EZ/ECs were issued warning letters requiring them to improve their performance or risk losing their designation.

HUD uses a number of tools to keep track and oversee the interim progress of the EZ/ECs. For example, the EZ/EC Office receives feedback based upon annual field office assessments. In addition the annual reports from EZ/ECs and field office assessments, HUD receives information from the following:

—the applicable HUD Secretary's Representative who is responsible for helping the particular EZ/EC implement its strategic plan;
—monthly telephone conferences with the EZ/ECs;
—residents or other stakeholders associated with the EZ/EC;
—HHS—the agency that funds the EZ/EC Initiative;
—the States that are responsible for distributing the funds to the EZ/ECs;
—the lead entity responsible for implementing the EZ/EC strategic plan; and
—news accounts relating to the EZ/EC.

As noted above, one of the unique aspects of the EZ/EC initiative is its reliance on performance measurements to ensure local implementation efforts are a success. The HUD EZ/EC Office works closely with the EZ/ECs to ensure they fully understand the principles of performance measurement and the importance of accurate reporting. In fact, the EZ/EC Office has implemented a new automated Performance Measurement System (PERMS) to improve the understanding of EZ/ECs and the accuracy of reporting. Training and technical assistance to grantees on performance measurement is scheduled for July. This will include hands-on instruction from a staff and a consultant who will review EZ reporting for accuracy and appropriateness.

The next "periodic" performance report is due at HUD the end of August 1999. At that time, it will be forwarded electronically to the appropriate field office for review and evaluation. The field offices will evaluate the progress or lack of progress and the status of each implementation plan and report to Headquarters that information.

In addition, each EZ/EC keeps track of the projects and programs it uses to meet the goals of its strategic plan. In addition, the individual projects and programs have implementation plans formerly called "benchmarks" that track the results such as the number of jobs created, the number of loans provided to businesses, and the number of child care slots provided to residents. The implementation plans, which are approved by the local EZ/EC governance structure, provide a blueprint for action

by and evaluation of the EZ/EC. Together with State and local government oversight these efforts result in continuous tracking of EZ/EC progress.

Question. Please provide a status review of each empowerment zone—achievements and failures.

Answer. Since its inception in 1994, the Clinton/Gore Administration's EZ/EC Initiative has produced outstanding results by empowering people to create business opportunities and jobs, leverage public and private partnerships, provide affordable housing and make their communities safer and better places to live. Distressed neighborhoods—with some of the deepest pockets of poverty in the nation—are now on the road to recovery. After decades of decline, there are now great opportunities and brighter futures for residents and families living in the EZ/EC neighborhoods.

Hundreds of individual EZ/EC achievements are featured in our three best practice publications called, "What Works!—Volume 1, Volume 2 & Volume 3." The following EZ/EC-reported accomplishments provide a national snapshot of the cumulative accomplishments of the Empowerment Zones and Enterprise Communities as reported by the EZ/ECs. The EZ/ECs reported this information using the new Internet-based EZ/EC Performance Measurement System (PERMS). The cumulative results shown below are based on the inaugural submissions by the EZ/ECs. We expect the quality and quantity of reporting to improve over time as the EZ/ECs become more familiar with PERMS and more sophisticated in the art of performance measurement in general.

Projects and Programs.—The EZ/ECs report that 2,600 neighborhood-based projects and programs have been developed and are underway as a result of each EZ/ECs' locally-derived strategic plan. Federal EZ/EC seed money has leveraged over $10 billion in additional public and private sector investments related to the implementation of local EZ/EC strategic plans.

Workforce Development.—The Empowerment Zones and Enterprise Communities report that they are engaged in more than 550 job training programs with over 42,000 Zone residents having received job training. Nearly 30,000 Zone residents have been placed in jobs as a result of these job training programs. Zone residents have attended approximately 270 job fairs resulting in 16,000 job placements.

Access to Capital.—As a result of the Empowerment and Enterprise Zone initiative, access to cheap sources of capital—the lifeblood of commerce—has greatly improved. Loan pools totaling $2 billion dollars have been created with 1,700 loans processed and 5,000 jobs created from those loans. The EZ/ECs report that over 4,300 businesses have been served by the capital access/credit access programs and 4,500 businesses have received technical assistance. In addition, the EZ/EC Initiative has created the largest community development bank in the nation—the $430 million dollar Los Angeles Community Development Bank—which has loaned over $70 million to businesses that could not obtain conventional bank financing.

Housing.—The Empowerment Zone and Enterprise Communities report that they have completed 2,400 housing units and have rehabilitated another 11,000. Nearly 14,000 homeless people have been served under the "homeless to housing" program. Within the Zones and Communities, there are 146 homeownership programs that have served 8,600 residents.

Private Sector Involvement.—Private sector involvement has played a vital role in the Empowerment Zones and Enterprise Communities. Countless corporations have hired Zone residents and actively participated in EZ/EC governance, as well as provided funds and in-kind technical assistance to the Zones. Well-known companies involved in the Zones include General Motors, Ford, Chrysler, Home Depot, The Walt Disney Company, GAP, Inc., Ameritech, Rite Aid, Microsoft, Starbucks, MCI/Worldcom, IBM, and scores of others.

Environment.—The EZ/ECs report that they are engaged in 39 Brownfield's projects—transforming abandoned and contaminated commercial and industrial sites into clean, reusable parcels of land. Forty-three sites have been transformed to date. The EZ/EC's are also involved in approximately 180 beautification programs.

Public Safety.—The EZ/ECs report that nearly 380,000 people have been served by the 300 public safety programs operating in the Empowerment Zones and Enterprise Communities. There are 580 crime prevention programs which have served 310,000 residents.

Health Care.—There are 220 health-related programs in the EZ/ECs serving 94,000 residents. Seven new health-care facilities have opened in the EZ/EC neighborhoods and four have been remodeled which has expanded service to 9,000 EZ/EC residents.

Human Services.—Within the Empowerment Zones and Enterprise Communities, there are a number of human services underway serving residents including:

—369 recreation programs serving over 116,000 Zone residents;

—157 child care programs serving over 4,850 Zone families;
—21 elderly programs serving over 2,480 Zone residents; and
—339 youth programs serving over 65,000 Zone youth.

Education.—Vital to the well-being and economic development in the EZ/EC's is education and as a result of the EZ/EC initiative, many education and training programs have served Zone residents. The EZ/ECs report:

—residents have been served in 641 K–12 education programs;
—residents have been served in 106 vocational education programs;
—residents have been served in 74 post-secondary assistance programs; and
—Approximately 13,300 residents have been served in 152 head-start/pre-school programs.

FHA SINGLE FAMILY PROPERTY INSURANCE

Question. What steps has HUD made to reduce actuarial risk to the Mutual Mortgage Insurance Fund. For example, insurance claims increased over 25 percent between 1996 and 1998, from 60,884 claims to 76,086 claims. In addition, the total claim payments increased 38 percent, from $4.2 billion to $5.8 billion during this period.

Answer. MMI claims have increased from 53 thousand claims for $4.1 billion in 1996 to 59 thousand claims for $5.3 billion in 1998, an increase of 12 percent in the number of claims and 29 percent in cost. In order to reduce the risk from claims, the Department has analyzed the reasons for the increases.

1. The average dollar value of an MMI insured mortgage has risen 34 percent between the 1992 book of business and the 1998 book, even while the loan limits locked FHA into a lower value portion of the market in many areas.

2. The very large 1993 and 1994 books-of-business are approaching their peak claim period (estimated to be in years 5–8 after endorsement).

3. The economic downturn in California led to increased reliance on FHA insurance during the 1990s, since FHA does not reduce the level of business in economically troubled areas. In 1992, California loans comprised only 9 percent of the dollar volume of MMI portfolio; steady growth brought this to 19 percent in 1998. Additionally, much of California also qualifies as high cost area, so that the average loan is higher than much of the rest of the U.S. and the continuing economic problems in some areas of the State have produced higher claim rates.

4. The increased use of adjustable rate mortgages (ARMs)—rising from 16 percent in 1992 to 35 percent in 1997—has led to increases in both costs and numbers of claims in MMI. Currently the low mortgage interest rates on fixed-rate mortgages (FRMs) in 1998, combined with FHA actions changing underwriting for ARMs, have reduced the percentage of ARMs to about 20 percent in 1998.

As a result of this analysis FHA has taken several steps to mitigate these risks which include:

1. In 1998, FHA started requiring that borrowers qualify for ARMs at 1 percent above the initial interest rate, and prohibiting "buydowns" of the ARM interest rate. This change will not be an immediate cure, as FHA cannot change the terms of loans already written, but we expect ARM claim rates should be more similar to the FRMs in the future.

2. The FHA loan limits were increased to a 48 percent floor and an 87 percent ceiling relative to the Fannie/Freddie conforming loan limit. These increases are also expected to reduce the rate of FHA claims relative to the Insurance in Force (IIF), and increase recoveries on claims. FHA experience has shown that loans in the middle of a market are less likely to go to claim, and are less costly. They also result in higher recoveries, as the properties are more salable. Increasing the loan limit allows FHA more participation in the lower-risk mid-market loans.

3. FHA has increased the use of loss mitigation which allows homeowners to stay in their homes where possible, and preforeclosure sales which reduce the magnitude of loss to the Fund. Making incentive payment to a lender for modifying a loan; engaging in special forbearance action; or filing partial claims are substantially less expensive than the cost of foreclosing, holding, and selling a property. There are substantial savings to the MMI Fund and benefits to the homeowners and communities in applying loss mitigation techniques to allow the homeowners the chance to keep their homes.

4. The Department has implemented an REO disposition method which uses management and marketing contractors. This is also expected to reduce expenses by providing a higher recovery on FHA properties than previously received.

5. The Department has implemented the Homebuyer Protection Plan. This plan was designed to address the issue of inadequate FHA appraisals. The plan has the following components:

—Appraisals will be more thorough and will identify basic physical conditions and potential problems;
—Homebuyers will be notified of defects and the FHA insured loan cannot be closed until all conditions are satisfied;
—Appraisers will be accountable and tougher sanctions will be imposed for deficient appraisals;
—The appraiser will recommend a full home inspection if a significant problem is present;
—Home inspection costs up to $300 may be financed in FHA mortgages;
—Homeowner counseling will be emphasized;
—The FHA loan evaluation system will be available to all FHA-approved lenders;
—FHA up-front premiums will be reduced for homebuyers who receive counseling and/or purchase center city properties after counseling; and
—A system to refer homeowners who are in danger of serious default to counseling or other assistance will be developed.

These actions are expected to ensure that homebuyers get good quality homes that will prevent major unexpected costs which might lead to early claims and to give more timely access to counseling or other assistance before a homeowner is enmeshed deeply in debt. Where a claim is unavoidable, the actions are also expected to provide a better return to the MMI Fund.

Question. In addition, REO properties have risen over 25 percent over the last two years, with "on-hand" properties of 31,000 and 40,000 properties in 1997 and 1998.Has HUD implemented the property disposition reform legislation included as part of the VA/HUD 1999 Appropriations bill? What other steps is HUD taking to reduce its HUD-owned inventory?

Answer. HUD has not yet implemented the new property disposition legislation; and, as stated in the 1999 and 2000 Budgets, does not intend to begin implementation before fiscal year 2002, with a phase-in period through fiscal year 2004. One of the lessons of the assignment reform legislation is that FHA needs sufficient time to implement major changes to the FHA programs to involve the community and to allow lenders and credit counselors to become familiar with the changes. This legislation was requested to give FHA an additional tool to increase returns to the fund, to be applied as conditions warrant.

An additional reason for delaying the implementation of the legislation is that FHA implemented, in March of 1999, the Management and Marketing contracts which allow private concerns to maintain and sell HUD-held properties. Some time will be required to evaluate the effectiveness of this effort.

Question. Also, GAO's high-risk review of HUD indicated that there are serious issue with regard to the use of appraisals (based on audits in New Jersey and Ohio), where the appraisals did not take into account structural soundness and continued marketability of Housing. What is HUD doing to ensure that appraisals reflect the market value of a property?

Answer. The Management and Marketing contracts are a major step HUD has taken to reduce the property inventory. As of March 31, 1999, 16 contractors have been managing the FHA-held single family properties, each handling a region of the country. The contractors have bid to receive a percentage of the selling price, so they have a real incentive to sell the properties for the highest possible price and as fast as possible. These contracts are expected to reduce inventories, lower holding time and costs, provide better security and maintenance while properties are in the inventory, and increase sales proceeds.

Note: Senator Bond is using claim numbers somewhat at variance with our budget numbers. MMI claims shown in the actual columns of the Budgets were:
—53,111 and $4,113M in 1996 (1998 Budget) and
—59,275 and $5,291M in 1998 (2000 Budget) and
—The total SF number of properties shown on the roll-forward tables from accounting is 26,837 on 9/30/96; 34,116 on 9/30/97, and 39,370 on 9/30/98.

FAIR HOUSING INSURANCE INVESTIGATIONS

Question. HUD is trying to micromanage CDBG, HOME and public housing through fair housing policy. For example, HUD recently issued a proposed rule that conditioned the receipt of CDBG funds on an acceptable (as approved by HUD) fair housing policy by the state or locality. HUD also has interfered with the ability of PHAs to address discrimination complaints by prohibiting PHAs from using public housing funds to investigate or litigate complaints. HUD also has threatened to cut off public housing funds to PHAs unless PHAs settle any discrimination complaints. Mr. Secretary, your comments.

Answer. A "charge" of a violation of the Fair Housing Act by HUD is not mere accusation or allegation. Pursuant to the Fair Housing Act regulations, HUD may only issue a charge after HUD has:

—determined that the allegations state a claim under the Fair Housing Act;
—determined that the claim is timely;
—determined that the complainant has standing to assert the violation;
—notified the respondent of the Fair Housing Act complaint;
—permitted the person to submit any evidence that responds to the allegations;
—investigated the complaint, including exculpatory evidence;
—attempted to conciliate the complaint; and
—based upon its full investigation and all evidence submitted by both parties, determined that reasonable cause exists to believe a discriminatory housing practice has occurred.

The Department has a statutory duty to affirmatively further fair housing in all HUD programs, including the Community Development Block Grant program. When the Department has credible evidence that a jurisdiction has violated the Fair Housing Act or other civil rights authorities administered by the Department, it is obligated not only to pursue the case under civil rights authorities, but to ensure that HUD is not furthering the discrimination by funding the jurisdiction that is violating a fair housing law. HUD has been sued for its failure to ensure such affirmative furthering of the fair housing laws in the past.

If a jurisdiction has been charged with a Fair Housing Act violation, this serves as evidence challenging the jurisdiction's certification that it is complying with fair housing laws. HUD regulations require that the jurisdiction be consulted and be given an opportunity to cure the suspect certification. In many instances, the Department will require the jurisdiction to provide special assurances of compliance with fair housing laws prior to obligating the CDBG funding. If the jurisdiction does not cure the suspect certification by resolving the fair housing charge or providing adequate special assurances, then the Department will reallocate the CDBG funding to other jurisdictions that are complying with fair housing laws.

Once a court renders a judgment in a fair housing case, the matter is resolved and there is no need for the Department to take further action.

HUD issued a proposed rule in order to obtain public comment. The Administrative Procedures Act requires this and the Department was evaluating the public comments. HUD fully complied with the Administrative Procedure Act requirements. In fact, HUD extended the comment period and invited numerous groups (including a briefing with representatives from the House Majority staff of the Housing Subcommittee on Housing and Community Opportunity) to discuss their views during this comment period.

HUD does not require submission and approval of a jurisdiction's analysis of impediments to fair housing choice. However, HUD provided extensive training and developed a guide to provide information on developing an analysis of impediments. In 1996, HUD published a Fair Housing Planning Guide which provided information on how to conduct an Analysis to Fair Housing Choice, undertook activities to correct the identified impediments, and the types of documentary records to be maintained. In addition to HUD field staff working with communities, HUD conducted 22 training sessions nationwide during the summer, fall, and winter of 1997. These sessions were attended by over 1,700 people representing CDBG and HOME grantees, public housing agencies, fair housing organizations, and housing industry groups. These sessions educated participants about the rights of their constituents to fair housing planning.

HOME IMPROVEMENT LOANS

Question. GAO in July 1998 reported problems with HUD's oversight of the lenders' compliance of the home improvement loan program, noting that in fiscal year 1997, HUD conducted on-site quality assurance reviews of only 4 of the 3,700 lenders in the program. What is HUD doing to ensure that lenders' comply with the home improvement loan program and homeowners are not being defrauded?

Answer. FHA has charged the Home-Ownership Centers (HOCS) with reviewing a portion of the 203(k) home improvement loans, as well as other FHA loans, for compliance with FHA regulations. If substantial violations are found the case is forwarded for remediation and/or penalties. This April, FHA furnished additional information to GAO regarding oversight of the 203(k) program. A summary of this information follows: from January 1, 1996 through February 28, 1999, FHA performed 52 quality assurance reviews on lenders originating 203(k) loans, resulting in 3 referrals for Limited Denial of Participation, 6 Referrals for Debarment, 9 lenders re-

ferrals to the Mortgagee Review Board, and 3 additional firms referred to the HUD OIG for violations.

Based on data for January 1996 through February 1999 period, 203(k) loans are concentrated among a relatively few lenders. While 2,158 different lenders made these loans, 89 lenders (4 percent) wrote 60 percent of the 50 thousand loans. The Quality Assurance Divisions monitored 19 percent of these high volume lenders in this period.

On Title I cases, a training program is being developed so that staff can exercise closer scrutiny on cases going to claim to ensure that the proper underwriting standards were applied when the loan was written. FHA plans to review cases going to claim in 1998 and 1999, with further reviews depending on the results.

HOME WARRANTIES

Question. HUD is revising the requirement that new homes covered by FHA mortgage insurance be protected through 10-year structural warranties; in the future, the warranties will not have to exceed a 1-year period. Why is HUD reducing the time that new homes must be covered by structural warranties?

Answer. HUD published the Builder Warranty Rule for High-Ratio FHA-insured Single Family Mortgages for New Homes in the Federal Register on March 25, 1999, as an interim rule in order to avoid elimination of all warranties under the terms of the Downpayment Simplification provisions (Sec. 212) of the fiscal year 1999 Appropriations Act. Congress extended this legislation for Downpayment Simplification for loans executed for insurance in fiscal years 1998, 1999 and 2000. Statutory provisions of the Downpayment Simplification program would override and eliminate all existing FHA high ratio requirements. However, instead of eliminating warranty requirements entirely, FHA changed the requirement to a comprehensive, 1-year builder warranty. This type of warranty, which is standard in the home building industry, is consistent with the intent of the Down Payment Simplification legislation, which was to bring FHA requirements more in line with the private sector practices.

The background and rationale behind the Builder Warranty Interim Rule also provide perspective on the interim rule. Prior to approval of the 1999 HUD/VA Appropriations Act, FHA required new homes (a year old or less) to meet certain conditions in order to qualify for a high ratio loan (defined as those loans with a loan-to-value ratio greater than 90 percent), including pre-approval of plans and specifications for the home or the requirement of a home warranty "acceptable to the Secretary of HUD."

FHA believes that the warranty change is sound policy for several additional reasons:

1. The 10-year warranty requirement costs FHA borrowers hundreds of dollars more than a standard 1-year builder's warranty, yet it provides relatively little effective protection to consumers in the later years. Rather than force FHA borrowers to pay for this warranty, HUD is bringing its requirements into line with the rest of the home finance industry.

2. FHA is not prohibiting 10-year warranties; rather it would no longer require these warranties to qualify for high ratio loans. The builder or 10-year warranty provider can still provide these warranties and homebuyers can still purchase them. New construction represents approximately 3 percent of FHA business in the recent past, so the overall impact of the elimination of the 10-year warranty requirement is slight.

3. Building industry standards and local code enforcement practices have progressed substantially since the 10-year warranty was first instituted, providing much greater protection to consumers. Furthermore, local government agencies are much more aggressive in enforcing local building codes, further mitigating the risk of significant problems with a newly constructed home.

That being said, the Department is sensitive to the issues outlined in the comments we have received, and, as a result, has withdrawn the Builder Warranty interim rule, effective April 23, 1999. Although the points outlined still represent the position of the Department, it has agreed to further consider this issue.

FINANCIAL AUDIT OF HUD'S FISCAL YEAR 1998 FINANCIAL STATEMENTS.

Question. Clean Financial Audit of HUD's fiscal year 1998 Financial Statements. For the first time, the HUD IG (and KPMG) was able to conclude that HUD's consolidated financial statements were reliable in all material aspects. Nevertheless, while HUD deserves praised for this result, the final audit reflects serious and continued weaknesses in HUD's internal controls and financial management systems. For example, HUD remains unable to ensure the reliability of income data for pur-

poses of determining the Federal subsidy payment. As discussed elsewhere, HUD estimated that it overpaid rental subsidies by $900 million in 1997 because of poor data control. This audit also determined that HUD was unable to substantially comply with the Federal Financial Management Improvement Act (FFMIA).

Nevertheless, KPMG's March 9, 1999 report on FHA's financial statements concluded that (1) FHA must address staff and administrative resource issues; (2) FHA must place additional emphasis on early warning and loss prevention systems for insured mortgages; (3) FHA must improve federal basis and budgetary accounting; and (4) Information technology systems must be improved. KPMG raised a number of other serious FHA issues, especially with regard to HUD-held properties. What steps has HUD taken to address these concerns?

Answer. Local administrators of HUD's rental assistance programs (i.e., public housing agencies and private owners/management agents) determine rental assistance eligibility and level of benefits based primarily on household income data. Long-standing problems have been that: (a) some tenants fail to report all income as required, and therefore receive excess rental assistance, and (b) local administrators generally do not have access to income data needed to determine if tenants failed to disclose all their income.

As a partial solution to the problem, in recent years HUD has supplied local administrators with social security and supplemental security income data that HUD receives from the Social Security Administration, for tenants scheduled to recertify for rental assistance. The income data provides up-front income data to prevent future abuses, and to detect past abuses.

Because of various legal, technical and administrative constraints, local administrators generally cannot obtain access to other income data, i.e., wages and unearned income data, needed to detect income amounts that tenants fail to report. The excess rental assistance tenants receive from failing to report their income occurs primarily from the legal, technical and administrative constraints—not from poor data control. HUD plans to implement a large-scale computer matching program in calendar year 1999 that will aid significantly in detecting and deterring program abuses involving unreported income. This initiative involves the use of wage and unearned income data that HUD receives from the Social Security Administration and the IRS.

Hopefully, by the end of July, detailed Corrective Action Plans will be established to address all of the deficiencies identified in both the FHA and HUD audits. In most cases, the Department has already initiated, or is well on its way in accomplishing recommended improvements. For example, FHA developed and implemented an approach in the past year to meet Federal accounting standards for the fiscal year 1998 Financial Statements, in addition to continued compliance with commercial standards. This was a major accomplishment and enabled the auditor to render a clean opinion on the Department's consolidated financial statement. FHA has formulated detailed workplans to refine and make further improvements. For example, for the material weakness "Federal Basis and Budgetary Accounting Must Be Improved" identified in the audit of 1998 FHA financial statement and noted in the question, KPMG made five specific recommendations. FHA responded with a management workplan to implement each, with which the independent auditor agreed. The audit recommendations and workplan are as follows:

1. Implement routine procedures to analyze unliquidated obligations for contracts and purchase orders and de-obligate those items which have expired, timely;

—FHA plans to implement routine procedures, as recommended, to analyze unliquidated obligations for contracts and purchase orders and de-obligate those items which have expired, all in a timely manner. Although details of the new procedures have yet to be worked out, the three offices to be involved in coordinating the new procedures have all agreed in writing to ensure that the task is accomplished.

2. Reconcile the accounting and budget systems for loan guarantee commitments and endorsements, to ensure all credit subsidy amounts are recorded properly;

—FHA is reconciling the accounting and budget systems for loan guarantee commitments and endorsements and has reissued to the field the established procedures related to positive credit subsidy. Beginning with fiscal year 1999, regular reconciliation of obligational and disbursement reports are being conducted to resolve discrepancies and to correct records on an on-going basis. Prior-year disbursements and obligations are being reconciled to determine whether a cumulative adjustment is needed. Additionally, a comprehensive examination of reporting systems, field guidance, and budget execution procedures is underway, including implementation of a new Development Application Processing (DAP) System to provide integrate loan application processing by field offices with on-line funds assignment and control.

3. Prepare formal documentation of the process to prepare Federal basis financial statements and the SF–133, which includes cross walks of GAAP accounts to the Federal basis, and identify all required sources of budgetary system information;

—Last year FHA recognized the need for documentation of the process, and included the requirement in the statement of work provided to the contractor responsible for preparation of the fiscal year 1998 financial statements. The contractor has documented the process to prepare Federal basis Financial Statements and the SF 133s. Also, the contractor is implementing the use of budgetary accounts in the FHA accounting system.

4. Prepare formal documentation of the cost allocation time survey process, and conduct the survey periodically during the year; and

—FHA agrees that a routine cost allocation time survey must occur. The process used to conduct the cost allocation survey for fiscal year 1998 was not formally documented because FHA had not decided whether to continue using the same survey methodology, however, this documentation was completed in March. FHA plans to conduct a mid-year and an year-end time allocation survey for fiscal year 1999 using the same approach used last year. The mid-year survey will be initiated shortly using an updated list of approximately 150 survey recipients. In fiscal year 2000 and future years, FHA will continue to utilize the time allocation survey approach periodically throughout the fiscal year, while also investigating alternate sources of full cost identification and time allocation data such as Activity Based Costing (ABC).

5. Implement existing plans to address identified financial management issues related to the LLG.

—FHA's contractor has completed documentation of model data sources and assumptions, as well as LLG methodology and sensitivity analysis. Policies and procedures are currently being developed.

LOS ANGELES COMMUNITY DEVELOPMENT BANK (CDB)

Question. This CDB was funded by HUD with $430 million as part of the Federal efforts to rebuild LA after the 1992 riots. The bank was created to help businesses rejected by commercial lenders and assisting unsophisticated borrowers into the banking world while requiring them to hire residents of the urban core. While the bank is still operating, it is troubled with more than a third of its major borrowers out of business or in trouble with their loans. Also, only about 132 jobs for residents in the poorest areas obtained jobs as a result of bank investments. Currently, the bank is subject to a number of lawsuits which claim intrusive requirements by the bank caused defaults and business failures. This is a HUD-funded entity and HUD retains responsibility for oversight of the use of the HUD funds used to capitalize this institution. What has HUD done to provide oversight of this institution and what steps has HUD taken to prevent continued losses and possible misuse of funds.

Answer. HUD's designation of the Los Angeles City and County Empowerment Zone application as a supplemental Empowerment Zone was not part of the Federal government's initial commitment to rebuild Los Angeles after the 1992 riots. Rather, it grew out of the Administration's Empowerment Zone/Enterprise Community initiative.

The city cited the need for the CDB as the lack of financial assistance from commercial lenders to new and existing businesses in the EZ target area. However, there was no requirement in the EDI grant or Section 108 Loan Guarantee that the CDB assist businesses rejected by commercial lenders or to assist unsophisticated borrowers.

The Los Angeles Community Development Bank was funded as part of HUD's designation of the Los Angeles City and County empowerment zone competition in December 1994. The City of Los Angeles received $100 million in Economic Development Initiative (EDI) grant funding to be matched with an equal amount of Section 108 Loan Guarantee funding and the County of Los Angeles received $25 million in EDI grant funding to be used in conjunction with $25 million in Section 108 Loan Guarantees. Note that of the amounts provided to LA County, $15 million in EDI and $15 million in funds guaranteed by Section 108 were pledged to the CDB. Thus, the LA CDB was to be capitalized with $115 million in EDI grant funds and $115 million in Section 108 Loan guarantees.

Seventy-five percent of these funds were to be used within the City's and County's Empowerment Zone (EZ) target area. The remainder of the funds could be used for activities in an area up to a one mile radius around the EZ target area as long as 51 percent of the jobs created went to Zone residents. Overall, the funds were to create jobs primarily for Empowerment Zone residents.

In addition to this funding, the City and County of Los Angeles had received pledges from private banks in Los Angeles to contribute an additional $200 million to the CDB for its lending operations. Finally, at the time that the City applied for the EDI grant funds, it also advised HUD that it intended to request an additional $200 million in Section 108 Loan Guarantee commitments. The CDB would administer this amount in areas which are outside of the EZ target area and are not part of HUD's original EZ supplemental designation.

With respect to the CDB's performance, the CDB, as of March 1999, has accomplished the following:

—approved 132 loans totaling $73.1 million, consistent with the CDB's 10-year business plan;

—funded businesses that are projected to create or retain 2,148 jobs;

—created 744 jobs of which 19 percent have gone to residents who live within the boundaries of the federally designated Empowerment Zone (and though 51 percent of the jobs created to date have not gone to EZ target area residents, the CDB believes that this percentage can be met).

Note that HUD's expectations are that over the 10-year projected life of the funds provided to the CDB, the jobs created or retained will go predominantly to target area residents. The CDB has introduced new measures to work with businesses to achieve this target.

Through January 31, 1999, the CDB has charged off 8 loans out of more than 100 loans. Those 8 loans total $2.5 million. Of the 8, 50 percent were for loan amounts of less than $100,000 each. To the best of the CBD's knowledge, two of the remaining 4 have gone out of business.

With regard to the subject of lawsuits and intrusive requirements by the bank, it is our understanding that these requirements relate to the HUD federal program requirements emanating from the EDI grant program and the Section 108 Loan Guarantee program generally and this specific EDI grant developed for the CDB in particular, especially those requirements regarding location in or within the one-mile radius of the EZ target area and job requirements.

In May of 1999, HUD carried out an intensive review of the CDB for compliance with the program regulations, EDI grant and Section 108 Loan Guarantee regulations and related contracts. Based upon preliminary information from those reviews, HUD believes that the CDB and Los Angeles City and County are generally in compliance with such requirements. It is expected that some recommendations will be made to improve the quality of record-keeping.

With regard to the particular steps HUD has taken to prevent continued losses and possible misuse of funds, HUD has not found that any funds have been misused. HUD believes that the CDB has established generally acceptable underwriting and due diligence criteria. However, we expect to make some observations on the issue.

Finally, the initial CDB proposal had $200 million, a dollar-for-dollar match, in commitments from private financial institutions to co-lend and otherwise participate with the CDB in assisting businesses. To date, the co-lending commitments have provided a tiny fraction of that amount. In fact, $28 million in such commitments have been realized from other commercial banking institutions that had not originally made such pledges.

This lack of private market participation has placed additional burdens on the CDB in terms of loan origination and shared security and risk. As a result, the CDB appears to be taking on a greater level of responsibility for the economic revitalization of the target area than originally contemplated. At the moment, HUD believes that the CDB's performance is consistent with its original business plan projections. We believe that operations to date are generally within the original parameters of the EDI grant agreements and the Section 108 Loan Guarantee contracts.

SECTION 108

Question. Please provide a status of all section 108 loan guarantees by amount and project use. Also, identify the failure rate and the reasons for any failures.

Answer. A list of all commitments approved under Section 108 (to May 31, 1999) is attached. A breakdown of projects by activity classification is available for commitments approved during fiscal year 1996 and fiscal year 1997. The results are as follows:

[Percent]

	Fiscal year	
	1996 [1]	1997 [1]
Economic development	61	56
Housing activities	16	23
Public facilities/improvements	15	13
Acquisition (and related activities)	7	9

[1] Does not equal 100 percent due to rounding.

With respect to the "failure" rate, it is assumed that information is requested regarding default and loss rates. A few technical defaults have occurred on Section 108 loans, but no loss has ever been incurred by the Federal Government.

This does not mean that communities who use Section 108 funds to make loans to third parties (e.g., economic development loans) have not experienced defaults on those loans or incurred losses due to inadequate collateral. However, to the extent these losses created a shortfall in the amount necessary to service the Section 108 loans, that shortfall has always been covered by pledged CDBG funds.

In a survey conducted in 1998, the Department received more detailed information regarding the use of CDBG funds for 332 Section 108 projects funded between 1992 and 1997. Of the 332 projects surveyed, 202 were characterized as being for economic development assistance. Of these 202 projects, 39 involved the unplanned use of CDBG funds to make a required Section 108 Loan repayment and of these 39 projects, 30 were project-specific and 9 were revolving loan funds.

The 30 project-specific projects had 15 defaults or a calculated default rate from this survey for all economic development loans of approximately 7.4 percent. The 9 revolving loan funds funded 106 loans and had 16 defaults or an approximately 15.1 percent default rate.

For all of the 332 projects surveyed, loan advances totaled approximately $1.116 billion. Advances for economic development assistance totaled approximately $736.3 million.

The defaults for the economic development project-specific grants represented approximately 6.5 percent of the advances for economic development assistance and approximately 4.3 percent of all advances made by HUD between 1992 and 1998. These defaults can be attributed to factors that influence defaults on loans made by all private and public lenders. These factors are both endogenous (e.g., the business competence of the borrower) and exogenous (e.g., international trade policies that might adversely affect some lines of business). However, given that Section 108 assistance can only be used where communities have been unable to obtain financing without the Federal guarantee and are frequently carried out in distressed areas, the default and loss rates disclosed by the survey are not out of line.

SECTION 108 COMMITMENTS

Approved to May 31, 1999

RECIPIENT	AMOUNT	FISCAL YEAR APPROVED
ABILENE, TX	$250,000	89
ABILENE, TX	190,000	90
ABILENE, TX	1,865,000	92
ABILENE, TX	7,000,000	95
AGUADILLA, PR	4,850,000	86
AGUADILLA, PR	3,200,000	90
AGUAS BUENAS, PR	2,300,000	96
AKRON, OH	1,000,000	81
AKRON, OH	1,210,000	84
AKRON, OH	1,700,000	95
ALBANY, NY	3,000,000	81
ALBANY, NY	3,000,000	81
ALBANY, NY	640,000	83
ALBANY, NY	3,358,838	85

SECTION 108 COMMITMENTS—Continued

Approved to May 31, 1999

RECIPIENT	AMOUNT	FISCAL YEAR APPROVED
ALBANY, NY	3,500,000	85
ALBANY, NY	91,000	85
ALBANY, GA	2,200,000	88
ALBANY, NY	500,000	89
ALBANY COUNTY, NY	660,000	97
ALBANY COUNTY, NY	650,000	98
ALBANY COUNTY, NY	100,000	98
ALBION, NY	480,000	97
ALBION, NY	265,000	98
ALBION, NY	255,000	99
ALHAMBRA, CA	1,370,285	85
ALHAMBRA, CA	3,000,000	95
ALHAMBRA, CA	2,025,000	97
ALLENTOWN, PA	954,107	80
ALLENTOWN, PA	600,000	85
ALLENTOWN, PA	1,900,000	91
ALLENTOWN, PA	4,000,000	95
ALTOONA, PA	1,500,000	81
AMSTERDAM, NY	150,000	97
ANAHEIM, CA	3,000,000	97
ANDERSON, SC	200,000	86
ANDERSON, SC	200,000	89
ANDERSON, SC	1,500,000	96
ANDERSON, SC	2,000,000	97
ANDERSON, IN	1,000,000	97
ANNAPOLIS, MD	210,000	94
ARCADIA, NY	20,000	97
ARCADIA, NY	500,000	98
ARECIBO, PR	4,500,000	88
ARECIBO, PR	2,000,000	89
ARECIBO, PR	9,575,000	94
ASHEVILLE, NC	1,500,000	98
ASHLAND, KY	600,000	82
ATHENS–CLARKE COUNTY, GA	5,000,000	95
ATLANTA. GA	3,500,000	82
ATLANTA, GA	2,600,000	84
ATLANTA, GA	1,600,000	85
ATLANTA, GA	1,715,000	89
ATLANTA, GA	4,980,000	93
ATLANTA, GA	500,000	96
ATLANTA, GA	6,170,000	95
ATLANTA, GA	6,825,000	95
ATLANTA, GA	4,400,000	98
ATLANTA, GA	500,000	99
ATLANTIC CITY, NJ	2,000,000	95
ATTLEBORO, MA	180,000	85
AUGUSTA, GA	1,600,000	89
AUSTIN, TX	8,785,000	95
AUSTIN, TX	9,035,000	95
AUSTIN, TX	2,000,000	96
BABYLON, NY	1,600,000	94
BABYLON, NY	600,000	95
BABYLON, NY	1,500,000	95
BAKERSFIELD, CA	2,500,000	94

SECTION 108 COMMITMENTS—Continued

Approved to May 31, 1999

RECIPIENT	AMOUNT	FISCAL YEAR APPROVED
BALDWIN PARK, CA	800,000	82
BALDWIN PARK, CA	1,700,000	83
BALDWIN PARK, CA	150,000	84
BALTIMORE, MD	2,000,000	81
BALTIMORE, MD	1,333,000	85
BALTIMORE, MD	3,000,000	85
BALTIMORE, MD	1,575,187	86
BALTIMORE, MD	750,000	86
BALTIMORE, MD	20,500,000	88
BALTIMORE, MD	5,000,000	88
BALTIMORE, MD	6,750,000	91
BALTIMORE, MD	4,700,000	93
BALTIMORE, MD	14,000,000	95
BALTIMORE, MD	34,100,000	96
BALTIMORE, MD	2,100,000	96
BALTIMORE, MD	13,000,000	97
BALTIMORE, MD	6,700,000	98
BARBERTON, OH	2,225,000	93
BARCELONETA, PR	2,800,000	95
BARNSTABLE, MA	500,000	95
BATTLE CREEK, MI	2,000,000	86
BAXTER SPRINGS, KS	7,000,000	94
BAY CITY, MI	350,000	90
BAY CITY, MI	375,000	95
BAY CITY, MI	590,000	97
BAY CITY, MI	3,500,000	99
BAYAMON, PR	6,600,000	86
BAYAMON, PR	3,400,000	88
BEAUMONT, TX	1,800,000	83
BEAUMONT, TX	1,050,000	82
BEAUMONT, TX	2,175,000	87
BEAUMONT, TX	820,000	88
BEAUMONT, TX	700,000	88
BEAUMONT, TX	11,000,000	98
BEAVER COUNTY, PA	400,000	80
BEAVER COUNTY, PA	1,200,000	98
BELLFLOWER, CA	415,000	85
BELLFLOWER, CA	1,725,000	85
BELLINGHAM, WA	1,542,540	86
BELLINGHAM, WA	1,755,000	90
BELLINGHAM, WA	700,000	95
BENTON HARBOR, MI	260,000	98
BERKELEY COUNTY, SC	12,000,000	95
BERKS COUNTY, PA	2,000,000	94
BESSEMER, AL	840,000	88
BESSEMER, AL	1,000,000	92
BESSEMER, AL	4,000,000	96
BETHLEHEM, PA	633,000	85
BETHLEHEM, PA	800,000	89
BETHLEHEM, PA	1,364,000	91
BILLINGS, MT	400,000	90
BILOXI, MS	2,100,000	85
BINGHAMTON, NY	7,780,000	82
BINGHAMTON, NY	4,205,000	92

SECTION 108 COMMITMENTS—Continued

Approved to May 31, 1999

RECIPIENT	AMOUNT	FISCAL YEAR APPROVED
BINGHAMTON, NY	800,000	94
BIRMINGHAM, AL	2,500,000	81
BIRMINGHAM, AL	3,300,000	95
BIRMINGHAM, AL	1,200,000	98
BOCA RATON, FL	230,000	81
BOCA RATON, FL	700,000	94
BOSTON, MA	6,250,400	81
BOSTON, MA	5,000,000	82
BOSTON, MA	5,000,000	82
BOSTON, MA	40,000,000	94
BOSTON, MA	2,000,000	95
BOSTON, MA	22,000,000	95
BOSTON, MA	2,000,000	95
BOULDER, CO	4,200,000	98
BOWLING GREEN, OH	2,000,000	99
BRIDGEPORT, CT	250,000	94
BRIDGEPORT, CT	5,000,000	95
BRIDGEPORT, CT	1,750,000	95
BRIDGEPORT, CT	7,295,000	97
BRIDGETON, NJ	300,000	83
BRISTOL, VA	508,000	84
BRISTOL, RI	2,000,000	97
BROWNSVILLE, TX	1,200,000	85
BROWNSVILLE, TX	450,000	89
BROWNSVILLE, TX	2,560,000	96
BRYAN, TX	500,000	94
BRYAN, TX	200,000	95
BRYAN, TX	3,200,000	97
BRYAN, TX	1,200,000	99
BUCKS COUNTY, PA	4,500,000	98
BUENA VISTA TOWNSHIP, NJ	1,400,000	93
BUFFALO, NY	2,500,000	81
BUFFALO, NY	1,500,000	82
BUFFALO, NY	5,000,000	86
BUFFALO, NY	5,000,000	89
BUFFALO, NY	5,000,000	89
BUFFALO, NY	8,000,000	90
BUFFALO, NY	5,000,000	92
BUFFALO, NY	1,000,000	93
BUFFALO, NY	3,000,000	94
BUFFALO, NY	2,200,000	94
BUFFALO, NY	5,000,000	95
BUFFALO, NY	1,290,000	95
BUFFALO, NY	8,500,000	95
BUFFALO, NY	2,235,000	95
BUFFALO, NY	2,465,000	97
BUFFALO, NY	7,675,000	97
BUFFALO, NY	1,325,000	98
BURLINGTON, VT	5,400,000	96
BURLINGTON, NC	300,000	96
CAGUAS, PR	452,000	85
CAGUAS, PR	8,070,000	89
CAGUAS, PR	2,800,000	91
CAGUAS, PR	8,000,000	99

SECTION 108 COMMITMENTS—Continued

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RECIPIENT	AMOUNT	FISCAL YEAR APPROVED
CALDWELL COUNTY, NC	2,000,000	97
CAMBRIA COUNTY, PA	3,000,000	94
CAMBRIDGE, MA	5,000,000	93
CAMBRIDGE, MA	1,000,000	94
CAMDEN, NJ	4,000,000	82
CAMDEN, NJ	1,000,000	89
CAMDEN, NJ	2,750,000	89
CAMDEN, NJ	3,000,000	90
CAMDEN, NJ	180,000	92
CAMDEN, NJ	475,000	92
CANAJOHARIE, NY	800,000	97
CANAJOHARIE, NY	130,000	99
CANANDAIGUA, NY	1,480,000	97
CANANDAIGUA, NY	2,100,000	98
CANOVANAS, PR	4,770,000	97
CANTON, OH	5,000,000	94
CARLISLE, PA	800,000	98
CARLSBAD, CA	1,200,000	94
CAROLINA, PR	5,221,000	80
CAROLINA, PR	4,240,000	87
CAROLINA, PR	9,340,000	89
CAROLINA, PR	8,000,000	93
CAYEY, PR	5,000,000	95
CAYEY, PR	4,800,000	95
CAYUGA COUNTY, NY	380,000	97
CAYUGA COUNTY, NY	2,000,000	98
CHARLESTON, SC	4,250,000	94
CHARLOTTE, NC	1,645,000	95
CHARLOTTE, NC	3,000,000	99
CHEBOYGAN, MI	3,000,000	93
CHEEKTOWAGA, NY	2,000,000	85
CHESAPEAKE, VA	6,830,000	95
CHEYENNE, WY	800,000	95
CHICAGO, IL	1,500,000	82
CHICAGO, IL	12,500,000	85
CHICAGO, IL	50,000,000	95
CHICAGO, IL	20,000,000	96
CHICAGO, IL	30,000,000	96
CHINO, CA	860,000	95
CHULA VISTA, CA	1,000,000	79
CHULA VISTA, CA	750,000	91
CHULA VISTA, CA	1,000,000	99
CHULA VISTA, CA	215,000	99
CINCINNATI, OH	2,000,000	81
CINCINNATI, OH	9,400,000	90
CINCINNATI, OH	1,300,000	96
CLEVELAND, OH	7,320,500	81
CLEVELAND, OH	2,000,000	82
CLEVELAND, OH	260,000	95
CLEVELAND, OH	2,100,000	95
CLEVELAND, OH	590,000	95
CLEVELAND, OH	87,000,000	95
CLEVELAND, OH	2,100,000	95
CLEVELAND, OH	3,000,000	97

SECTION 108 COMMITMENTS—Continued

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RECIPIENT	AMOUNT	FISCAL YEAR APPROVED
CLEVELAND, OH	1,200,000	97
CLEVELAND, OH	2,500,000	97
CLEVELAND, OH	12,000,000	98
CLEVELAND HEIGHTS, OH	700,000	92
CLYDE, NY	270,000	97
CLYDE, NY	1,500,000	98
CLYDE, NY	205,000	99
COLLEGE STATION, TX	400,000	83
COLUMBIA, SC	500,000	81
COLUMBIA, SC	1,515,000	94
COLUMBIA, SC	1,515,000	95
COLUMBIA, SC	200,000	95
COLUMBIANA COUNTY, OH	600,000	95
COLUMBUS, OH	2,700,000	82
COLUMBUS, OH	1,500,000	89
COLUMBUS, OH	8,360,000	95
COLUMBUS, OH	9,000,000	96
COLUMBUS, GA	14,465,000	96
COMPTON, CA	5,000,000	95
COSTA MESA, CA	2,451,000	86
COUNCIL BLUFFS, IA	2,000,000	84
COVINGTON, KY	900,000	81
CRANSTON, RI	285,000	93
CUMBERLAND, MD	550,000	94
CUMBERLAND COUNTY, NC	1,500,000	99
CUYAHOGA COUNTY, OH	10,000,000	95
DADE COUNTY, FL	5,300,000	82
DADE COUNTY, FL	3,120,000	86
DADE COUNTY, FL	5,750,000	97
DADE COUNTY, FL	13,000,000	98
DADE COUNTY, FL	25,000,000	99
DALLAS, TX	25,000,000	94
DALLAS, TX	25,000,000	95
DANVILLE, VA	2,000,000	86
DANVILLE, VA	2,000,000	97
DAYTON, OH	860,000	95
DEARBORN HEIGHTS, MI	500,000	84
DECATUR, IL	2,500,000	95
DECATUR, IL	6,000,000	95
DELAWARE COUNTY, NY	375,000	99
DELRAY BEACH, FL	200,000	95
DENVER, CO	1,300,000	93
DENVER, CO	15,000,000	93
DENVER, CO	7,000,000	94
DENVER, CO	10,000,000	95
DENVER, CO	1,200,000	97
DENVER, CO	7,000,000	97
DES MOINES, IA	750,000	82
DES MOINES, IA	407,000	90
DES MOINES, IA	1,000,000	94
DES MOINES, IA	1,000,000	95
DETROIT, MI	38,000,000	80
DETROIT, MI	3,626,487	81
DETROIT, MI	16,000,000	82

SECTION 108 COMMITMENTS—Continued

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RECIPIENT	AMOUNT	FISCAL YEAR APPROVED
DETROIT, MI	60,500,000	80
DETROIT, MI	39,500,000	81
DETROIT, MI	35,000,000	86
DETROIT, MI	16,000,000	88
DETROIT, MI	7,000,000	89
DETROIT, MI	2,000,000	90
DETROIT, MI	2,000,000	92
DETROIT, MI	2,570,000	95
DETROIT, MI	3,060,000	95
DETROIT, MI	1,150,000	95
DETROIT, MI	450,000	96
DETROIT, MI	400,000	97
DETROIT, MI	1,500,000	97
DETROIT, MI	2,900,000	98
DETROIT, MI	60,000,000	99
DORADO, PR	4,105,000	95
DOWNEY, CA	1,700,000	91
DOWNEY, CA	1,400,000	96
DUBUQUE, IA	400,000	80
DUBUQUE, IA	1,200,000	90
DUBUQUE, IA	1,000,000	91
DUBUQUE, IA	4,040,000	97
DURHAM, NC	3,940,000	85
DUTCHESS COUNTY, NY	250,000	96
EAST CHICAGO, IN	3,500,000	95
EAST CHICAGO, IN	3,565,000	98
EAST HARTFORD, CT	3,000,000	97
EAST LIVERPOOL, OH	125,000	95
EAST ORANGE, NJ	8,500,000	95
EASTON, PA	1,000,000	94
EDINBURG, TX	3,000,000	95
EGG HARBOR CITY, NJ	3,550,000	93
EGG HARBOR TOWNSHIP, NJ	5,000,000	98
EL MONTE, CA	5,685,000	86
EL MONTE, CA	1,550,000	96
EL MONTE, CA	2,200,000	98
ELIZABETH, NJ	635,000	84
ELIZABETH, NJ	5,000,000	91
ELIZABETH, NJ	350,000	98
ELMIRA, NY	8,775,000	96
ELYRIA, OH	500,000	99
ERIE, PA	1,000,000	81
ERIE, PA	1,000,000	82
ERIE, PA	1,000,000	82
ERIE, PA	6,000,000	92
ERIE, PA	2,000,000	93
ERIE COUNTY, PA	3,000,000	89
ESOPUS, NY	140,000	97
ESOPUS, NY	2,000,000	98
ESSEX COUNTY, NJ	535,000	98
EUCLID, OH	1,250,000	93
FAIRFAX, VA	1,000,000	98
FAIRFAX COUNTY, VA	3,480,000	79
FAIRFAX COUNTY, VA	3,325,000	88

SECTION 108 COMMITMENTS—Continued

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RECIPIENT	AMOUNT	FISCAL YEAR APPROVED
FAIRFAX COUNTY, VA	1,700,000	89
FAIRFAX COUNTY, VA	5,690,000	90
FAIRFAX COUNTY, VA	2,120,000	91
FAIRFAX COUNTY, VA	4,755,000	92
FAIRFAX COUNTY, VA	500,000	94
FAIRFAX COUNTY, VA	80,000	95
FAIRFAX COUNTY, VA	500,000	95
FAIRFAX COUNTY, VA	1,000,000	95
FAIRFAX COUNTY, VA	9,300,000	96
FAJARDO, PR	3,700,000	91
FAJARDO, PR	2,500,000	95
FALL RIVER, MA	1,800,000	88
FALL RIVER, MA	1,210,000	95
FALL RIVER, MA	5,000,000	96
FAYETTEVILLE, NC	500,000	84
FAYETTEVILLE, NC	900,000	96
FILLMORE CITY, UT	650,000	95
FLINT, MI	4,500,000	82
FLORENCE, SC	1,100,000	85
FLORENCE, AL	800,000	95
FORT BEND COUNTY, TX	1,030,000	95
FORT EDWARD, NY	595,000	97
FORT EDWARD, NY	250,000	98
FORT MYERS, FL	800,000	90
FORT MYERS, FL	750,000	93
FORT MYERS, FL	500,000	95
FORT WAYNE, IN	6,500,000	82
FORT WAYNE, IN	1,200,000	96
FORT WORTH, TX	6,600,000	95
FORT WORTH, TX	5,000,000	98
FRANKFORT, NY	850,000	97
FRANKFORT, NY	1,700,000	98
FRANKFORT, NY	300,000	98
FRESNO, CA	3,150,000	95
FRESNO, CA	4,900,000	95
FRESNO COUNTY, CA	500,000	97
FRESNO COUNTY, CA	1,800,000	98
FRESNO COUNTY, CA	500,000	98
FULTON, NY	1,600,000	97
FULTON, NY	2,200,000	98
FULTON COUNTY, GA	600,000	85
FULTON COUNTY, GA	1,000,000	96
GADSDEN, AL	1,000,000	90
GARDEN GROVE, CA	4,200,000	84
GARDEN GROVE, CA	13,580,000	97
GARY, IN	2,342,000	80
GARY, IN	7,440,000	94
GARY, IN	2,550,000	95
GARY, IN	3,470,000	95
GASTONIA, NC	3,305,000	94
GENEVA, NY	4,500,000	96
GLENVILLE, NY	940,000	99
GLOUCESTER, MA	175,000	93
GLOUCESTER, MA	1,750,000	94

SECTION 108 COMMITMENTS—Continued

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RECIPIENT	AMOUNT	FISCAL YEAR APPROVED
GLOUCESTER COUNTY, NJ	525,000	97
GLOUCESTER COUNTY, NJ	2,500,000	98
GRAND RAPIDS, MI	400,000	82
GRAND RAPIDS, MI	400,000	88
GREELEY, CO	700,000	85
GREELEY, CO	500,000	95
GREENCASTLE, IN	25,000,000	95
GREENE COUNTY, AL	9,000,000	95
GREENE COUNTY, NY	425,000	97
GREENE COUNTY, NY	400,000	98
GREENE COUNTY, NY	400,000	99
GREENSBORO, NC	1,640,000	94
GREENVILLE, MS	2,445,000	93
GREENVILLE, SC	750,000	95
GREENVILLE COUNTY, SC	880,000	95
GUAYNABO, PR	2,800,000	85
GUAYNABO, PR	9,870,000	95
GULFPORT, MS	235,000	82
GULFPORT, MS	1,000,000	88
HAMMOND, IN	4,193,970	81
HAMMOND, IN	500,000	82
HAMMOND, IN	1,050,000	93
HAMMOND, IN	1,495,000	96
HARLINGEN, TX	2,700,000	87
HARRIS COUNTY, TX	1,290,000	95
HARRISBURG, PA	1,474,951	85
HARRISBURG, PA	830,100	85
HARRISBURG, PA	150,000	86
HARRISBURG, PA	650,000	86
HARRISBURG, PA	1,680,000	90
HARRISBURG, PA	2,795,000	95
HARRISBURG, PA	930,000	98
HARRISBURG, PA	4,205,000	99
HARTFORD, CT	2,400,000	95
HAVERHILL, MA	4,000,000	97
HAZLETON, PA	476,000	78
HESPERIA, CA	3,000,000	96
HIALEAH, FL	4,655,000	81
HIALEAH, FL	850,000	84
HIDALGO COUNTY, TX	335,000	90
HIDALGO COUNTY, TX	1,000,000	95
HIDALGO COUNTY, TX	1,000,000	97
HIDALGO COUNTY, TX	1,500,000	98
HIDALGO COUNTY, TX	3,000,000	99
HOLLEY, NY	340,000	97
HOLLEY, NY	685,000	98
HOLLYWOOD, FL	8,285,000	98
HOQUIAM, WA	3,300,000	94
HOUSTON, TX	175,000,000	95
HUDSON, NY	217,000	97
HUDSON, NY	1,200,000	97
HUDSON, NY	310,000	98
HUDSON, NY	200,000	98
HUDSON COUNTY, NJ	2,000,000	89

SECTION 108 COMMITMENTS—Continued

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RECIPIENT	AMOUNT	FISCAL YEAR APPROVED
HUDSON COUNTY, NJ	5,000,000	92
HUDSON COUNTY, NJ	8,300,000	96
HUDSON COUNTY, NJ	6,690,000	98
HUNTINGTON, WV	3,500,000	96
HUNTINGTON BEACH, CA	2,570,000	99
HUNTINGTON BEACH, CA	6,000,000	99
HUNTINGTON PARK, CA	550,000	88
HUNTINGTON PARK, CA	2,970,000	95
HUNTINGTON PARK, CA	1,800,000	96
HUNTSVILLE, AL	3,540,000	92
ILION, NY	270,000	97
ILION, NY	500,000	99
INDIANAPOLIS, IN	2,000,000	79
INDIANAPOLIS, IN	4,500,000	83
INDIANAPOLIS, IN	14,424,571	84
INDIANAPOLIS, IN	5,841,429	86
INDIANAPOLIS, IN	3,200,000	95
INDIANAPOLIS, IN	7,600,000	95
INDIANAPOLIS, IN	6,000,000	99
INGLEWOOD, CA	5,808,000	84
INGLEWOOD, CA	10,000,000	95
ISLIP, NY	2,000,000	97
ITHACA, NY	700,000	97
JACKSON, MI	2,110,000	95
JACKSON, MS	1,845,000	96
JACKSON, MS	1,870,000	97
JACKSONVILLE, FL	500,000	80
JACKSONVILLE, FL	4,400,000	89
JACKSONVILLE, FL	2,850,000	90
JACKSONVILLE, FL	10,000,000	94
JACKSONVILLE, FL	3,845,000	95
JACKSONVILLE, FL	1,065,000	96
JACKSONVILLE, FL	1,700,000	96
JACKSONVILLE, FL	3,400,000	96
JACKSONVILLE, FL	700,000	96
JACKSONVILLE, FL	2,850,000	96
JACKSONVILLE, FL	550,000	97
JACKSONVILLE, FL	775,000	97
JACKSONVILLE, FL	1,220,000	98
JACKSONVILLE, FL	10,750,000	98
JANESVILLE, WI	400,000	85
JAYUYA, PR	4,690,000	96
JEFFERSON COUNTY, KY	9,500,000	81
JEFFERSON PARISH, LA	6,800,000	90
JEFFERSON PARISH, LA	2,625,000	94
JERSEY CITY, NJ	26,400,000	82
JERSEY CITY, NJ	8,000,000	95
JERSEY CITY, NJ	7,000,000	96
JOHNSTOWN, PA	2,000,000	88
JOHNSTOWN, PA	5,500,000	94
JUNCOS, PR	4,220,000	96
KANKAKEE, IL	600,000	85
KANKAKEE, IL	1,600,000	98
KANSAS CITY, MO	4,000,000	79

SECTION 108 COMMITMENTS—Continued

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RECIPIENT	AMOUNT	FISCAL YEAR APPROVED
KANSAS CITY, MO	1,000,000	80
KANSAS CITY, MO	3,000,000	83
KANSAS CITY, MO	7,000,000	83
KANSAS CITY, MO	1,000,000	85
KANSAS CITY, MO	1,500,000	85
KANSAS CITY, MO	1,755,000	88
KANSAS CITY, MO	3,000,000	90
KANSAS CITY, MO	3,250,000	92
KANSAS CITY, MO	2,000,000	92
KANSAS CITY, MO	4,500,000	92
KANSAS CITY, MO	5,000,000	94
KANSAS CITY, MO	500,000	94
KANSAS CITY, MO	250,000	94
KANSAS CITY, MO	1,500,000	94
KANSAS CITY, MO	1,500,000	95
KANSAS CITY, MO	3,500,000	95
KANSAS CITY, MO	1,600,000	95
KANSAS CITY, KS	7,800,000	95
KANSAS CITY, MO	14,200,000	95
KANSAS CITY, MO	10,000,000	99
KENNER, LA	750,000	89
KENNER, LA	300,000	90
KENNER, LA	250,000	90
KENNER, LA	700,000	92
KENOSHA, WI	1,100,000	81
KENOSHA, WI	500,000	82
KETTERING, OH	515,000	88
KETTERING, OH	2,255,000	96
KING COUNTY, WA	8,000,000	96
KINGSTON, NY	3,700,000	95
KINGSTON, NY	436,000	97
KIRYAS JOEL, NY	2,280,000	96
KIRYAS JOEL, NY	220,000	97
KITSAP COUNTY, WA	1,500,000	96
KITSAP COUNTY, WA	2,700,000	96
KNOXVILLE, TN	4,280,000	89
LAFAYETTE, LA	100,000	90
LAFAYETTE, IN	3,300,000	95
LAKE COUNTY, OH	3,000,000	93
LAKELAND, FL	310,000	94
LAKEWOOD, CO	2,805,000	94
LAKEWOOD, CO	2,050,000	95
LANCASTER, OH	300,000	89
LANCASTER, PA	1,500,000	94
LANCASTER, CA	4,000,000	95
LANCASTER, OH	1,750,000	97
LANCASTER, CA	3,100,000	99
LANSING, MI	500,000	82
LANSING, MI	3,500,000	83
LARAMIE, WY	1,500,000	95
LAREDO, TX	1,700,000	99
LAS MARIAS, PR	1,300,000	96
LAWRENCE, MA	3,800,000	80
LAWRENCE, MA	3,316,000	83

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RECIPIENT	AMOUNT	FISCAL YEAR APPROVED
LAWRENCE, MA	700,000	93
LAWRENCE, MA	12,000,000	95
LAWTON, OK	445,000	99
LEAVENWORTH, WA	2,220,000	95
LEWIS COUNTY, NY	3,000,000	99
LEWISTON, ME	500,000	95
LEXINGTON COUNTY, SC	12,000,000	94
LINCOLN, NE	270,000	82
LINCOLN, NE	446,000	85
LINCOLN, NE	1,000,000	85
LINCOLN, NE	1,000,000	86
LINCOLN, NE	675,000	91
LINCOLN, NE	315,000	94
LITTLE FALLS, NY	850,000	97
LITTLE FALLS, NY	900,000	98
LITTLE ROCK, AR	1,800,000	91
LITTLE ROCK, AR	1,800,000	96
LITTLE ROCK, AR	830,000	97
LITTLE ROCK, AR	3,000,000	98
LIVERMORE, CA	185,000	94
LOCKPORT, NY	1,000,000	97
LOCKPORT, NY	750,000	98
LONG BEACH, CA	5,000,000	80
LONG BEACH, CA	8,000,000	82
LONG BEACH, CA	5,000,000	85
LONG BEACH, CA	5,000,000	95
LONG BEACH, CA	40,000,000	95
LORAIN, OH	1,000,000	84
LORAIN, OH	700,000	85
LORAIN, OH	500,000	88
LORAIN, OH	350,000	91
LORAIN, OH	170,000	92
LORAIN, OH	2,200,000	92
LOS ANGELES, CA	795,000	80
LOS ANGELES, CA	9,532,684	87
LOS ANGELES, CA	60,000,000	93
LOS ANGELES, CA	300,000,000	95
LOS ANGELES, CA	5,915,000	95
LOS ANGELES, CA	40,000,000	96
LOS ANGELES COUNTY, CA	600,000	83
LOS ANGELES COUNTY, CA	400,000	84
LOS ANGELES COUNTY, CA	218,400	85
LOS ANGELES COUNTY, CA	2,300,000	86
LOS ANGELES COUNTY, CA	1,414,000	87
LOS ANGELES COUNTY, CA	500,000	89
LOS ANGELES COUNTY, CA	1,060,000	90
LOS ANGELES COUNTY, CA	305,000	94
LOS ANGELES COUNTY, CA	4,000,000	95
LOS ANGELES COUNTY, CA	2,180,000	94
LOS ANGELES COUNTY, CA	25,000,000	95
LOS ANGELES COUNTY, CA	30,000,000	95
LOS ANGELES COUNTY, CA	2,000,000	96
LOUISVILLE, KY	4,064,000	81
LOUISVILLE, KY	7,280,000	83

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RECIPIENT	AMOUNT	FISCAL YEAR APPROVED
LOUISVILLE, KY	2,150,000	85
LOUISVILLE, KY	7,000,000	95
LOUISVILLE, KY	4,000,000	97
LOUISVILLE, KY	5,000,000	97
LOWELL, MA	10,000,000	94
LYNN, MA	10,500,000	82
LYNN, MA	7,890,000	92
LYNN, MA	3,400,000	95
LYNN, MA	3,000,000	95
LYNN, MA	1,200,000	95
LYNN, MA	1,750,000	98
LYNWOOD, CA	1,500,000	89
LYONS, NY	500,000	98
LYONS, NY	200,000	99
MACEDON, NY	130,000	97
MACON, GA	1,130,000	87
MACON, GA	750,000	89
MACON, GA	280,000	89
MACON, GA	2,500,000	93
MACON, GA	500,000	95
MADISON, WI	2,900,000	98
MADISON COUNTY, NY	725,000	97
MAHONING COUNTY, OH	1,000,000	95
MALDEN, MA	500,000	85
MALDEN, MA	475,000	90
MALDEN, MA	1,800,000	92
MALDEN, MA	500,000	95
MALDEN, MA	3,000,000	95
MANATI, PR	8,915,000	95
MANSFIELD, OH	1,100,000	83
MANSFIELD, OH	4,000,000	98
MASSILLON, OH	800,000	85
MASSILLON, OH	2,250,000	99
MAURICE RIVER TOWNSHIP, NJ	660,000	98
MAYAGUEZ, PR	2,942,080	80
MAYAGUEZ, PR	2,785,000	85
MAYAGUEZ, PR	5,000,000	89
MCKEESPORT, PA	3,000,000	96
MEDFORD, MA	4,425,000	82
MEDFORD, MA	1,665,000	88
MEDFORD, MA	3,500,000	94
MEDFORD, MA	1,100,000	95
MEDINA, NY	790,000	97
MEDINA, NY	1,880,000	98
MEMPHIS, TN	3,350,000	94
MEMPHIS, TN	3,000,000	96
MEMPHIS, TN	12,000,000	98
MERCED, CA	2,600,000	97
MERCER COUNTY, PA	4,200,000	92
MIAMI, FL	5,958,400	85
MIAMI, FL	8,000,000	90
MIAMI, FL	2,500,000	93
MIAMI, FL	2,000,000	95
MIAMI, FL	2,700,000	95

SECTION 108 COMMITMENTS—Continued

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RECIPIENT	AMOUNT	FISCAL YEAR APPROVED
MIAMI, FL	5,500,000	95
MIAMI, FL	4,500,000	96
MIAMI, FL	5,600,000	96
MIAMI BEACH, FL	3,120,000	85
MIAMI BEACH, FL	14,870,000	95
MIDDLETOWN, NY	70,000	95
MIDDLETOWN, NY	325,000	96
MIDDLETOWN, NY	355,000	96
MIDDLETOWN, NY	305,000	96
MIDDLETOWN, NY	285,000	98
MIDDLETOWN, NY	225,000	99
MILLVILLE, NJ	725,000	86
MILLVILLE, NJ	1,500,000	99
MILWAUKEE, WI	21,500,000	95
MINNEAPOLIS, MN	800,000	80
MISSION, TX	2,010,000	95
MOBILE, AL	2,000,000	91
MOBILE, AL	1,000,000	94
MOBILE, AL	1,380,000	94
MOBILE, AL	1,200,000	96
MOBILE, AL	1,325,000	95
MOBILE, AL	1,470,000	97
MOBILE, AL	1,450,000	97
MOLINE, IL	3,000,000	92
MONROE COUNTY, NY	4,000,000	89
MONROE COUNTY, NY	6,345,000	94
MONTEBELLO, CA	6,840,000	98
MONTEREY PARK, CA	2,225,000	88
MONTGOMERY COUNTY, PA	5,000,000	85
MONTGOMERY COUNTY, PA	4,000,000	85
MONTGOMERY COUNTY, PA	500,000	90
MONTGOMERY COUNTY, PA	3,850,000	97
MOSS POINT, MS	1,900,000	95
MOUNT MORRIS, NY	875,000	98
MUSKEGON, MI	700,000	84
MUSKEGON, MI	650,000	92
MUSKEGON, MI	1,500,000	97
MUSKEGON HEIGHTS, MI	305,000	88
MYRTLE BEACH, SC	1,475,000	95
NASHUA, NH	250,000	91
NASHVILLE, TN	2,500,000	82
NASHVILLE, TN	2,500,000	90
NASHVILLE, TN	2,000,000	95
NASHVILLE, TN	6,000,000	98
NASSAU COUNTY, NY	6,025,000	92
NASSAU COUNTY, NY	20,000,000	96
NASSAU COUNTY, NY	10,000,000	96
NASSAU COUNTY, NY	6,000,000	99
NATIONAL CITY, CA	700,000	87
NEW BRUNSWICK, NJ	2,781,000	83
NEW HAVEN, CT	2,000,000	81
NEW HAVEN, CT	5,000,000	91
NEW HAVEN, CT	5,000,000	95
NEW ORLEANS, LA	12,000,000	86

SECTION 108 COMMITMENTS—Continued

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RECIPIENT	AMOUNT	FISCAL YEAR APPROVED
NEW ORLEANS, LA	5,200,000	89
NEW ORLEANS, LA	23,520,000	90
NEW ORLEANS, LA	5,600,000	91
NEW ORLEANS, LA	5,000,000	95
NEW ORLEANS, LA	15,000,000	95
NEW ORLEANS, LA	10,300,000	98
NEW ROCHELLE, NY	10,690,000	95
NEW YORK, NY	15,000,000	95
NEW YORK, NY	8,000,000	96
NEWARK, OH	500,000	84
NEWARK, NJ	1,290,000	95
NEWARK, NJ	4,000,000	96
NEWARK, NY	875,000	97
NEWARK, NY	1,000,000	98
NEWARK, NY	760,000	99
NEWBURGH, NY	660,000	82
NEWBURGH, NY	1,500,000	92
NEWBURGH, NY	365,000	97
NEWBURGH, NY	2,125,000	99
NEWPORT, RI	1,350,000	94
NEWPORT, RI	3,650,000	95
NEWPORT BEACH, CA	1,200,000	88
NEWPORT NEWS, VA	6,000,000	82
NEWPORT NEWS, VA	1,725,000	97
NIAGARA FALLS, NY	3,500,000	80
NIAGARA FALLS, NY	4,500,000	82
NIAGARA FALLS, NY	1,000,000	82
NORFOLK, VA	32,815,000	95
NORRISTOWN, PA	550,000	90
NORTH TONAWANDA, NY	60,000	97
NORTHAMPTON, MA	750,000	99
NORTON SHORES, MI	250,000	94
NORWALK, CA	2,500,000	95
OAKLAND, CA	2,500,000	81
OAKLAND, CA	2,500,000	82
OAKLAND, CA	2,500,000	94
OAKLAND, CA	10,945,000	95
OAKLAND, CA	27,000,000	95
OCEAN SHORES, WA	3,600,000	94
OCEANSIDE, CA	2,450,000	88
OGDEN, UT	644,772	81
OGDEN, UT	2,600,000	84
OGDEN, UT	525,000	91
OGDEN, UT	1,470,000	95
OGDEN, UT	1,700,000	98
OKLAHOMA CITY, OK	4,000,000	89
OKLAHOMA CITY, OK	3,850,000	89
OKLAHOMA CITY, OK	20,000,000	93
OKLAHOMA CITY, OK	9,000,000	95
OMAHA, NE	650,000	85
OMAHA, NE	350,000	85
ONEIDA COUNTY, NY	150,000	97
ONEIDA COUNTY, NY	2,500,000	97
ONTARIO, CA	1,000,000	97

SECTION 108 COMMITMENTS—Continued

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RECIPIENT	AMOUNT	FISCAL YEAR APPROVED
ONTARIO, NY	150,000	99
ONTARIO COUNTY, NY	90,000	97
OREM, UT	3,230,000	95
OSHKOSH, WI	1,300,000	81
OSWEGO, NY	420,000	97
OSWEGO, NY	600,000	98
OSWEGO COUNTY, NY	675,000	97
OWENSBORO, KY	1,000,000	82
OXNARD, CA	14,000,000	95
PALM BEACH CO., FL	5,000,000	83
PALM SPRING, CA	2,000,000	95
PALM SPRINGS, CA	400,000	94
PALMDALE, CA	5,000,000	98
PALMYRA, NY	600,000	97
PALMYRA, NY	500,000	98
PALMYRA, NY	735,000	99
PASADENA, CA	3,110,000	84
PASADENA, CA	710,000	85
PASADENA, CA	3,725,000	93
PASCAGOULA, MS	1,173,000	85
PATERSON, NJ	1,800,000	81
PATERSON, NJ	350,000	81
PATERSON, NJ	2,000,000	82
PEORIA, IL	5,945,000	81
PHILADELPHIA, PA	5,000,000	79
PHILADELPHIA, PA	10,000,000	80
PHILADELPHIA, PA	4,910,000	82
PHILADELPHIA, PA	3,000,000	88
PHILADELPHIA, PA	5,000,000	88
PHILADELPHIA, PA	5,400,000	92
PHILADELPHIA, PA	800,000	92
PHILADELPHIA, PA	8,915,000	94
PHILADELPHIA, PA	3,000,000	94
PHILADELPHIA, PA	20,000,000	95
PHILADELPHIA, PA	16,000,000	95
PHILADELPHIA, PA	30,000,000	95
PHILADELPHIA, PA	24,000,000	96
PHILADELPHIA, PA	4,500,000	97
PHILADELPHIA, PA	15,000,000	97
PHILADELPHIA, PA	14,000,000	97
PHILADELPHIA, PA	19,500,000	98
PHILADELPHIA, PA	20,750,000	98
PHILADELPHIA, PA	40,875,000	98
PHILADELPHIA, PA	40,000,000	99
PHILADELPHIA, PA	20,000,000	99
PHOENIX, AZ	10,840,000	81
PHOENIX, NY	40,000	97
PICO RIVERA, CA	1,850,000	96
PIERCE COUNTY, WA	1,100,000	88
PIERCE COUNTY, WA	1,440,000	89
PIMA COUNTY, AZ	1,200,000	90
PITTSBURGH, PA	2,000,000	81
PITTSBURGH, PA	1,500,000	82
PITTSBURGH, PA	13,450,000	97

SECTION 108 COMMITMENTS—Continued

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RECIPIENT	AMOUNT	FISCAL YEAR APPROVED
PITTSFIELD, MA	2,000,000	98
PITTSFIELD, MA	1,050,000	99
PLATTSBURGH, NY	450,000	97
POHATCONG TOWNSHIP, NJ	4,495,000	93
POMONA, CA	1,500,000	82
POMONA, CA	5,238,000	85
POMONA, CA	2,445,000	96
POMONA, CA	500,000	96
POMPANO BEACH, FL	2,000,000	91
PONCE, PR	3,500,000	83
PONCE, PR	6,820,000	85
PONCE, PR	10,450,000	88
PONCE, PR	20,600,000	95
PORT ARTHUR, TX	565,000	94
PORT HENRY, NY	250,000	97
PORTERVILLE, CA	3,885,000	96
PORTLAND, OR	13,750,000	91
PORTLAND, OR	8,000,000	98
PORTSMOUTH, NH	820,000	94
PORTSMOUTH, VA	2,400,000	96
PRICHARD, AL	1,300,000	96
PRINCE GEORGE'S CO., MD	450,000	81
PRINCE GEORGE'S CO., MD	1,800,000	82
PRINCE GEORGE'S CO., MD	1,600,000	93
PRINCE GEORGE'S COUNTY, MD	6,000,000	95
PRINCE WILLIAM COUNTY, VA	150,000	94
PRINCE WILLIAM COUNTY, VA	300,000	94
PRINCE WILLIAM COUNTY, VA	2,230,000	95
PRINCE WILLIAM COUNTY, VA	500,000	95
PROVIDENCE, RI	1,000,000	88
PROVIDENCE, RI	600,000	89
PROVIDENCE, RI	2,000,000	88
PROVIDENCE, RI	9,000,000	92
PROVIDENCE, RI	2,000,000	93
PROVIDENCE, RI	2,000,000	94
PROVIDENCE, RI	1,500,000	94
PROVIDENCE, RI	5,000,000	95
PROVO, UT	4,500,000	84
PUEBLO, CO	1,165,000	87
QUINCY, MA	7,800,000	97
RAMSEY COUNTY, MN	3,000,000	96
RAYMOND, WA	1,960,000	97
READING, PA	2,500,000	88
READING, PA	5,000,000	88
READING, PA	580,000	92
READING, PA	920,000	96
RENO, NV	1,500,000	97
RICHMOND, VA	3,500,000	83
RICHMOND, VA	15,000,000	92
RINCON, PR	3,500,000	97
RIVERSIDE, CA	3,400,000	88
RIVERSIDE, CA	4,130,000	95
RIVERSIDE, CA	4,800,000	98
RIVERSIDE COUNTY, CA	25,000,000	94

SECTION 108 COMMITMENTS—Continued

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RECIPIENT	AMOUNT	FISCAL YEAR APPROVED
ROANOKE, VA	3,015,000	83
ROANOKE, VA	922,300	85
ROANOKE, VA	3,470,000	91
ROANOKE, VA	2,530,000	92
ROCHESTER, NY	2,500,000	82
ROCHESTER, NY	2,500,000	81
ROCHESTER, NY	5,000,000	82
ROCHESTER, NY	15,000,000	85
ROCHESTER, NY	4,000,000	91
ROCHESTER, NY	5,000,000	92
ROCHESTER, NY	500,000	94
ROCHESTER, NY	10,000,000	94
ROCHESTER, NY	2,000,000	94
ROCHESTER, NY	2,000,000	95
ROCHESTER, NY	5,000,000	95
ROCHESTER, NY	1,300,000	97
ROCHESTER, NY	600,000	97
ROCK HILL, SC	1,578,000	85
ROCKFORD, IL	250,000	94
ROCKY MOUNT, NC	650,000	99
ROME, NY	3,000,000	96
ROYAL OAK, MI	3,097,000	90
ROYAL OAK, MI	2,400,000	92
SACRAMENTO, CA	1,000,000	85
SACRAMENTO, CA	750,000	85
SACRAMENTO, CA	500,000	89
SACRAMENTO, CA	1,250,000	90
SACRAMENTO, CA	805,000	93
SACRAMENTO, CA	1,000,000	93
SACRAMENTO, CA	400,000	94
SACRAMENTO, CA	1,000,000	95
SACRAMENTO, CA	8,000,000	95
SACRAMENTO, CA	5,445,000	97
SACRAMENTO COUNTY, CA	500,000	81
SACRAMENTO COUNTY, CA	1,500,000	82
SACRAMENTO COUNTY, CA	500,000	84
SACRAMENTO COUNTY, CA	805,302	85
SACRAMENTO COUNTY, CA	500,000	87
SACRAMENTO COUNTY, CA	1,500,000	89
SACRAMENTO COUNTY, CA	360,000	90
SACRAMENTO COUNTY, CA	1,500,000	90
SACRAMENTO COUNTY, CA	2,020,000	93
SACRAMENTO COUNTY, CA	1,000,000	94
SACRAMENTO COUNTY, CA	1,000,000	95
SAGINAW, MI	1,500,000	84
SAGINAW, MI	2,000,000	85
SAGINAW, MI	2,500,000	87
SAGINAW, MI	1,715,000	93
SAGINAW, MI	1,500,000	96
SAGINAW, MI	375,000	98
SAGINAW, MI	500,000	99
SAINT PAUL, MN	5,000,000	81
SAINT PAUL, MN	4,000,000	95
SALEM, MA	600,000	89

SECTION 108 COMMITMENTS—Continued

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RECIPIENT	AMOUNT	FISCAL YEAR APPROVED
SALEM, MA	600,000	95
SALT LAKE CITY, UT	1,825,000	89
SALT LAKE COUNTY, UT	5,000,000	93
SAN ANGELO, TX	660,000	97
SAN ANTONIO, TX	1,000,000	81
SAN ANTONIO, TX	5,000,000	94
SAN ANTONIO, TX	38,700,000	98
SAN BENITO, TX	525,000	89
SAN BENITO, TX	820,000	90
SAN BERNARDINO, CA	500,000	94
SAN BERNARDINO, CA	7,350,000	95
SAN BERNARDINO, CA	2,295,000	95
SAN BERNARDINO, CA	7,000,000	98
SAN BERNARDINO COUNTY, CA	1,360,000	96
SAN BUENAVENTURA, CA	1,000,000	82
SAN DIEGO, CA	7,134,000	80
SAN DIEGO, CA	6,016,900	84
SAN DIEGO, CA	1,215,000	89
SAN DIEGO, CA	20,000,000	94
SAN DIEGO, CA	4,400,000	94
SAN DIEGO, CA	990,000	94
SAN DIEGO, CA	1,760,000	95
SAN DIEGO, CA	7,200,000	95
SAN DIEGO, CA	5,050,000	96
SAN DIEGO, CA	6,835,000	97
SAN DIEGO, CA	3,600,000	98
SAN FRANCISCO, CA	6,000,000	95
SAN FRANCISCO, CA	50,000,000	95
SAN JOSE, CA	5,200,000	95
SAN JUAN, PR	4,650,000	79
SAN JUAN, PR	10,700,000	86
SAN JUAN, PR	7,040,000	88
SAN LEANDRO, CA	1,800,000	81
SAN LUIS OBISPO, CA	1,650,000	98
SAN MATEO COUNTY, CA	2,000,000	95
SANDY CITY, UT	2,515,000	95
SANTA ANA, CA	13,500,000	84
SANTA ANA, CA	20,000,000	93
SANTA ANA, CA	13,900,000	95
SANTA ANA, CA	10,000,000	95
SANTA CLARITA, CA	1,385,000	93
SANTA CLARITA, CA	2,300,000	99
SANTA CRUZ, CA	150,000	87
SANTA ISABEL, PR	1,700,000	96
SANTEE, CA	2,000,000	97
SARASOTA, FL	1,200,000	91
SAVANNAH, GA	700,000	85
SAVANNAH, GA	1,855,000	92
SAVANNAH, GA	3,500,000	94
SAVANNAH, GA	1,500,000	95
SCHAUMBURG, IL	550,000	93
SCHENECTADY, NY	1,500,000	82
SCHUYLER COUNTY, NY	485,000	97
SCHUYLER COUNTY, NY	185,000	99

SECTION 108 COMMITMENTS—Continued

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RECIPIENT	AMOUNT	FISCAL YEAR APPROVED
SCHUYLERVILLE, NY	290,000	97
SCOTTSBORO, AL	615,000	97
SCOTTSBURG, IN	25,000,000	95
SCOTTSDALE, AZ	2,220,000	81
SCRANTON, PA	800,000	87
SCRANTON, PA	4,000,000	86
SCRANTON, PA	3,000,000	88
SCRANTON, PA	9,957,000	91
SCRANTON, PA	1,000,000	92
SCRIBA, NY	1,805,000	99
SEASIDE, CA	833,700	85
SEASIDE, CA	3,030,000	96
SEATTLE, WA	2,500,000	85
SEATTLE, WA	24,200,000	94
SEATTLE, WA	2,400,000	95
SEATTLE, WA	6,860,000	96
SELMA, AL	2,200,000	95
SELMA, AL	450,000	96
SENECA COUNTY, NY	880,000	97
SENECA COUNTY, NY	1,200,000	98
SHARON, PA	700,000	92
SHAWNEE, OK	450,000	95
SHEBOYGAN, WI	1,000,000	99
SHREVEPORT, LA	1,185,000	97
SHREVEPORT, LA	2,200,000	98
SIMI VALLEY, CA	2,000,000	82
SIMI VALLEY, CA	1,650,000	98
SIOUX CITY, IA	600,000	92
SIOUX FALLS, SD	600,000	80
SIOUX FALLS, SD	700,000	81
SIOUX FALLS, SD	370,000	81
SIOUX FALLS, SD	1,275,000	83
SOMERVILLE, MA	1,000,000	81
SOMERVILLE, MA	2,229,592	83
SOMERVILLE, MA	5,580,000	89
SOMERVILLE, MA	1,500,000	97
SOUTH BEND, IN	1,920,000	80
SOUTH BEND, IN	2,590,000	83
SOUTH BEND, IN	600,000	89
SOUTH BEND, IN	750,000	90
SOUTH BEND, IN	450,000	92
SOUTH BEND, IN	1,050,000	94
SOUTH BEND, IN	2,400,000	98
SOUTH GATE, CA	3,625,000	95
SOUTH GATE, CA	5,000,000	96
SOUTH SAN FRANCISCO, CA	3,785,000	98
SPOKANE, WA	5,555,000	91
SPOKANE, WA	22,650,000	97
SPRINGFIELD, IL	3,000,000	82
SPRINGFIELD, MA	3,000,000	85
SPRINGFIELD, MA	350,000	94
SPRINGFIELD, MA	900,000	94
SPRINGFIELD, MA	2,000,000	95
SPRINGFIELD, MA	2,200,000	95

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RECIPIENT	AMOUNT	FISCAL YEAR APPROVED
SPRINGFIELD, MA	12,000,000	96
ST. CLAIR SHORES, MI	500,000	84
ST. CLAIR SHORES, MI	1,250,000	91
ST. JOSEPH, MO	2,400,000	88
ST. JOSEPH, MO	1,260,000	93
ST. LOUIS, MO	2,175,000	80
ST. LOUIS, MO	2,500,000	81
ST. LOUIS, MO	1,500,000	82
ST. LOUIS, MO	500,000	84
ST. LOUIS, MO	15,000,000	84
ST. LOUIS, MO	2,000,000	88
ST. LOUIS, MO	2,000,000	88
ST. LOUIS, MO	15,000,000	90
ST. LOUIS, MO	1,000,000	95
ST. PETERSBURG, FL	4,350,000	82
ST. PETERSBURG, FL	1,600,000	83
ST. PETERSBURG, FL	2,000,000	89
ST. PETERSBURG, FL	6,250,000	98
STOCKTON, CA	10,000,000	99
STOCKTON, CA	3,000,000	99
SUFFOLK COUNTY, NY	1,500,000	95
SULLIVAN, NY	30,000	97
SUNNYSIDE, WA	2,500,000	92
SUPERIOR, WI	500,000	81
SYRACUSE, NY	1,200,000	81
SYRACUSE, NY	1,000,000	82
SYRACUSE, NY	1,000,000	84
SYRACUSE, NY	3,000,000	85
SYRACUSE, NY	10,185,000	89
SYRACUSE, NY	14,395,000	92
SYRACUSE, NY	1,290,000	95
SYRACUSE, NY	3,250,000	95
SYRACUSE, NY	3,000,000	99
TACOMA, WA	3,000,000	79
TACOMA, WA	2,500,000	81
TACOMA, WA	5,180,000	93
TACOMA, WA	1,135,000	95
TACOMA, WA	7,500,000	95
TAMPA, FL	9,920,000	96
TAMPA, FL	1,500,000	97
TAMPA, FL	4,500,000	98
TAMPA, FL	9,070,000	98
TEMPE, AZ	1,665,500	81
TERRE HAUTE, IN	3,500,000	88
TICONDEROGA, NY	120,000	97
TICONDEROGA, NY	250,000	99
TIPTON, IN	25,000,000	95
TOA BAJA, PR	3,150,000	86
TOA BAJA, PR	3,000,000	89
TOA BAJA, PR	7,600,000	92
TOA BAJA, PR	9,550,000	95
TOLEDO, OH	6,937,390	79
TOLEDO, OH	2,000,000	81
TOLEDO, OH	650,000	95

SECTION 108 COMMITMENTS—Continued

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RECIPIENT	AMOUNT	FISCAL YEAR APPROVED
TOLEDO, OH	550,000	96
TOLEDO, OH	40,000,000	99
TRENTON, NJ	6,000,000	92
TRENTON, NJ	200,000	97
TRENTON, NJ	230,000	98
TROY, NY	3,610,000	88
TROY, NY	500,000	90
TRUJILLO ALTO, PR	1,600,000	90
TRUMBULL COUNTY, OH	2,000,000	95
TUCSON, AZ	8,200,000	80
TULSA, OK	10,053,000	88
TULSA, OK	2,800,000	95
TYLER, TX	400,000	90
ULSTER COUNTY, NY	2,000,000	96
ULSTER COUNTY, NY	2,500,000	97
UNION, NY	2,000,000	95
UNION CITY, CA	3,900,000	97
UPLAND, CA	3,200,000	95
UTICA, NY	504,000	81
UTICA, NY	740,000	84
UTICA, NY	1,750,000	86
UTICA, NY	1,500,000	88
UTICA, NY	9,000,000	92
UTICA, NY	6,000,000	95
VACAVILLE, CA	555,000	92
VACAVILLE, CA	1,200,000	98
VALPARAISO, IN	25,000,000	95
VEGA BAJA, PR	4,500,000	94
VEGA BAJA, PR	6,455,000	95
VEGA BAJA, PR	2,370,000	99
VERNON, AL	1,785,000	98
VIEQUES, PR	5,000,000	94
VILLALBA, PR	2,440,000	95
VIRGINIA BEACH, VA	2,000,000	93
VISTA, CA	5,675,000	99
WALTHAM, MA	2,350,000	95
WANAQUE, NJ	2,310,000	95
WARREN, OH	3,000,000	87
WARREN, OH	650,000	90
WARREN, OH	1,000,000	95
WARREN COUNTY, NY	130,000	97
WASHINGTON, DC	4,000,000	89
WASHINGTON, DC	5,000,000	92
WASHINGTON, DC	11,500,000	95
WASHINGTON, DC	5,000,000	97
WASHINGTON CO., PA	2,500,000	81
WATERBURY, CT	13,000,000	95
WATERFORD, MI	255,000	93
WATERFORD, NY	180,000	97
WATERFORD, NY	500,000	98
WATERVLIET, NY	40,000	97
WAUKEGAN, IL	1,500,000	84
WAUKEGAN, IL	250,000	86
WAUSAU, WI	2,000,000	95

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RECIPIENT	AMOUNT	FISCAL YEAR APPROVED
WAYNE COUNTY, MI	225,000	88
WAYNE COUNTY, NY	720,000	97
WAYNE COUNTY, NY	600,000	98
WAYNE COUNTY, MI	535,000	98
WEST PALM BEACH, FL	710,500	85
WEST PALM BEACH, FL	1,095,000	94
WEST PALM BEACH, FL	900,000	99
WEST VALLEY CITY, UT	1,150,000	88
WEST WINDSOR TOWNSHIP, NJ	870,00	96
WESTFIELD, MA	2,200,000	94
WESTLAND, MI	625,000	85
WESTLAND, MI	530,000	96
WESTLAND, MI	300,000	97
WESTMINSTER, CA	2,900,000	95
WESTMORELAND CO., PA	750,000	80
WESTMORELAND COUNTY, PA	1,810,000	98
WESTPORT, NY	190,000	97
WHEELING, WV	2,000,000	97
WHITEHALL, NY	630,000	97
WHITEHALL, NY	1,295,000	98
WHITTIER, CA	743,000	79
WICHITA, KS	3,645,000	96
WILLIAMSPORT, PA	1,600,000	95
WILMINGTON, DE	1,000,000	81
WILMINGTON, NC	215,000	89
WILMINGTON, NC	1,000,000	95
WINCHENDON, MA	2,900,000	95
WINSTON–SALEM, NC	2,198,000	85
WOODLAND, CA	800,000	95
WOONSOCKET, RI	230,000	85
WORCESTER, MA	23,000,000	93
WORCESTER, MA	5,935,000	95
YATES COUNTY, NY	300,000	97
YONKERS, NY	3,947,000	82
YONKERS, NY	18,000,000	95
YORK COUNTY, PA	300,000	90
YOUNGSTOWN, OH	500,000	89
YOUNGSTOWN, OH	1,250,000	90
YOUNGSTOWN, OH	1,275,000	90
YOUNGSTOWN, OH	810,000	92
YOUNGSTOWN, OH	4,000,000	93
YOUNGSTOWN, OH	2,500,000	93
YOUNGSTOWN, OH	850,000	94
YOUNGSTOWN, OH	650,000	94
YOUNGSTOWN, OH	300,000	95
YOUNGSTOWN, OH	2,000,000	95
YOUNGSTOWN, OH	2,300,000	96
YOUNGSTOWN, OH	675,000	96
YOUNGSTOWN, OH	1,500,000	96
YOUNGSTOWN, OH	200,000	98
YOUNGSTOWN, OH	1,000,000	99
YUMA, AZ	1,500,000	94

COMMUNITY BUILDERS

Question. Please identify the number and function of community builders by office. Please identify all costs associated with the program, including salaries, education expenses, and travel expenses. Please provide the legal opinion and the hiring requirements used.

Answer. As of June 19, 1999, there were 784 Community Builders currently employed, which included 376 internal and 408 external hires. Of the total external hires, 78 are Community Builder Specialists, who are located in select program cylinders.

The grade levels of Community Builders are: GS–7/12 (Associate Community Builders); GS–13/15 (Career Community Builders); and GS–13/15 (Community Builder Fellows).

In fiscal year 1998, the Department spent $576,000 in travel funds in support of its Community Builder Program. In fiscal year 1999, the Department has spent $1,098,785 through June 21, 1999, in travel funds to support the program. In fiscal year 2000, approximately $87 million is expected to be spent by Community Builders as follows:

Salaries & Benefits	$82,620,000
Travel	1,800,000
Training	2,783,500
Total	87,203,500

There are four types of Community Builders: Senior Community Builder (GS–14/15—career); Community Builder (GS–13/14/15—career); Community Builder Fellow (GS–13/14/15—term appointment); and Associate Community Builder (GS 7/9/11/12—career). The Senior Community Builders, Community Builders, and Associate Community Builders are all career employees. The Community Builder Fellows are all term employees with a 2-year term appointment. They are eligible for a second 2-year appointment at the discretion of HUD management. The authority and duties of Community Builders are as follows:

General Description

In the past, HUD employees were asked to be facilitators as well as monitors. These dual responsibilities were inconsistent or contradictory. As many HUD watchers have noted, the demand that HUD employees provide helpful, timely and responsive customer service while at the same time acting as tough, detail-oriented regulators, monitors and referees was unrealistic and led to increase vulnerability to waste, fraud and abuse in HUD programs. A top priority in reforming HUD—as suggested by both the GAO and HUD's Inspector General—was to focus the attention of HUD employees on monitoring HUD programs to ensure that they are well run and on ensuring compliance with HUD regulations. Only by removing the customer service functions and giving them to Community Builders was HUD able to effectively focus the rest of its employees on monitoring and compliance. Thus, the position of the Community Builder was created because HUD realizes that both roles have a place in the Department, but that they are distinct functions which are better performed by different individuals—in different divisions—within the HUD organization. With the creation of the Community Builder cadre of employees, there is now, for the first time at HUD, a separation between customer service and program monitoring/enforcement functions. Community Builders provide direct customer service which addresses real community needs. All other HUD employees, known as Public Trust Officers, are responsible for program monitoring, compliance and enforcement. This division of responsibilities, Booz-Allen & Hamilton concluded, "enables HUD to focus its training and development efforts on enhancing each group's capacity to more effectively perform its assigned role."

The primary responsibilities of all Community Builders are to serve as HUD's links to communities, assisting them in identifying their local needs through HUD programs. Community Builder customers include, but are not limited to, taxpayers, homebuyers, renters, homeless people, state and local government, housing authorities, lenders, mortgage bankers, home builders, realtors, not-for-profit organizations, and the faith-based community.

Senior Community Builder (SCB)

The Senior Community Builder (SCB) is the head of a field office and coordinates the accomplishment of program and management priorities included in the office's Business and Operating Plan. The SCB, who reports to the Secretary's Representative, has direct line authority over the Community Builders), Community Builder Fellows (CBF), Associate Community Builders (ACB), and related support staff in

the area of Labor Relations. In addition, the SCB manages the work of field Environmental Specialists, even though these positions are organizationally part of the Office of Community Planning and Development. The primary duties of the Senior Community Builder are to:

—represent the Department for all programs within the office's geographic jurisdiction;
—serve as the Department's liaison with state and local officials, private sector organizations and public interest groups;
—coordinate the development and implementation of the Business and Operating Plan for their geographic jurisdiction; and
—evaluate the efficiency and effectiveness of HUD programs within their jurisdiction.

Community Builders

Community Builders serve as the initial point of contact for all elected officials and the critical link for HUD customers to access the full range of HUD programs and services. They serve on the staff of the Secretary's Representative or Senior Community Builder (SCB). Community Builders serve as HUD's outreach arm to communities, and work to achieve the goals and objectives contained in the local Business and Operating Plan (BOP). Community Builders provide a wide variety of services to communities and customers in their jurisdiction, but have no role in the preparation, review or approval of applications for HUD assistance. Their work is done in collaboration with Public Trust Officers (PTOs). The work of Community Builders is guided by the Department's new focus on community consulting and collaboration, community-focused planning, fostering neighborhood-based empowering partnerships, building local capabilities for problem solving, and facilitating the development of comprehensive and integrated service strategies within the community and at HUD. Community Builders are responsible for:

—representing HUD at public events; educating customer groups and the general public on HUD issues and priorities;
—educating and explaining HUD programs and special initiatives;
—performing a broad variety of marketing, liaison and related community activities on behalf of the Offices of Housing, Public and Indian Housing, Community Planning and Development, Fair Housing and Equal Opportunity, and the Real Estate Assessment Center (REAC), the Departmental Enforcement Center (DEC) and the Office of Multifamily Housing Assistance Restructuring (OMHAR);
—assisting in the development of field office BOPs;
—monitoring the Plan's implementation and promoting timely and effective cross-program coordination in carrying out BOP implementation at the local level;
—organizing and marketing all Notice of Fund Availability (NOFA) and SuperNOFA training sessions to clients and prospective grantees;
—providing information and consultative services to communities to solve problems;
—identifying community needs and assessing community assets and resources to promote HUD's strategic objectives—fight for fair housing; increase affordable housing and homeownership; reduce homelessness; promoting jobs and economic opportunity and empowering people and communities;
—assisting agencies and community organizations in developing comprehensive community development and housing priorities and strategies;
—collaborating with community organizations and providing technical assistance to foster local public/private partnerships to achieve community goals and to develop local capabilities to achieve those goals;
—providing leadership in responding to natural disasters and implementing special Departmental initiatives;
—consulting and coordinating with other Federal and state agencies on housing and community development initiatives;
—organizing HUD's response to controversial local issues; meeting with special interest and advocacy groups to discuss their issues and concerns; coordinating and facilitating meetings between HUD program specialists and advocacy groups;
—assessing HUD customer service performance and the impact of programs in addressing local needs through regular meetings with housing industry, community and government organizations; and
—identifying and addressing customer service and program delivery deficiencies through communication and coordination with Secretary's Representatives, Senior Community Builders and appropriate program office officials.

Community Builders Fellows

Community Builder Fellows serve on the staff of the Secretary's Representative or Senior Community Builder (SCB). The authority and duties of Community Builder Fellows (CBFs), who serve on a 2-year term appointment, are identical to those described above for career Community Builders. The primary difference is that they bring to the job a non-HUD perspective, expertise and experience in solving local housing and community development problems. Working collaboratively with career Community Builders and Public Trust Officers, the Community Builder Fellows will augment the knowledge of community needs and resources and enhance the capacity of HUD staff to be more effective partners with communities in finding practical solutions to local issues. In addition to the general Community Builder Fellows, the Department has hired Community Builder Fellows who are Specialists in particular program areas or initiatives.

Associate Community Builders

Associate Community Builders (ACBs) serve on the staff of the Secretary's Representative or Senior Community Builder (SCB) in all HUD field offices. They provide a broad-range of administrative and clerical support to the SCB, Community Builders and Community Builder Fellows assigned to the office. Associate Community Builders are responsible for:

—serving as the initial point of contact for telephone inquiries and "walk-in" customers and being a source of general information on HUD programs and services;
—providing support in resolving customer complaints and analyzing customer service trends;
—assisting in the development and updating of community profiles;
—assisting in the preparation of Business and Operating Plan progress reports; and
—supporting the Community Builders and Community Builder Fellows on a broad range of tasks related to outreach for HUD programs and services.

Community Builders were hired to meet Departmental human resource requirements. Hence, a legal opinion was not required to justify the hiring of this staff.

Attached is a listing of Community Builders, by office.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—SALARIES AND EXPENSES

[Staffing Data as of June 19, 1999]

Office location	Internal Community Builders			Ext. Cmty. Bldrs.		Total Cmty. Bldrs.	Public Trust Officers	Total S&E Staff
	Assoc. Cmty. Bldr.	Cmty. Bldr.	Sr. Cmty. Bldr.	Cmty. Bldr. Fellow	Cmty. Bldr. Spec.			
Headquarters:								
Departmental Mgmt	.....	.....	.....	.....	.....	.....	100	100
Admin.(CBs—Special Action)	.....	.....	.....	.....	13	13	334	347
Comm. Plng. & Develop	.....	.....	.....	.....	28	28	226	254
Real Estate Assess. Center	.....	.....	.....	.....	3	3	146	149
Housing	.....	.....	.....	.....	11	11	596	607
Policy Develop. & Research	.....	.....	.....	.....	1	1	102	103
Public & Indian Housing	.....	.....	.....	.....	11	11	478	459
Fair Housing & Eq. Oppor	.....	.....	.....	.....	.....	.....	117	117
Govt. Natl. Mtge. Assn	.....	.....	.....	.....	.....	.....	56	56
Enforcement Center	.....	.....	.....	.....	.....	.....	152	152
Dept. Eq. Employ. Oppor	.....	.....	.....	.....	.....	.....	20	20
Dept. Opers. & Coord	.....	.....	.....	.....	.....	.....	27	27
Lead Hazard Control	.....	.....	.....	.....	.....	.....	23	23
Chief Financial Offcer	.....	.....	.....	.....	.....	.....	222	222
General Counsel	.....	.....	.....	.....	.....	.....	191	191
Chief Procurement Offcer	.....	.....	.....	.....	.....	.....	42	42
Chief Information Offcer	.....	.....	.....	.....	.....	.....	4	4
Ofc. M/F Hsg. Assist. Restruc	.....	.....	.....	.....	.....	.....	19	19
Subtotal, Headquarters	.....	.....	.....	.....	67	67	2,855	2,922

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—SALARIES AND EXPENSES—Continued

[Staffing Data as of June 19, 1999]

Office location	Internal Community Builders			Ext. Cmty. Bldrs.		Total Cmty. Bldrs.	Public Trust Officers	Total S&E Staff
	Assoc. Cmty. Bldr.	Cmty. Bldr.	Sr. Cmty. Bldr.	Cmty. Bldr. Fellow	Cmty. Bldr. Spec.			
Field:								
Albany	1	2	1	4	.....	8	52	60
Albuquerque	2	1	1	2	.....	6	18	24
Anchorage	1	1	1	1	.....	4	27	31
Atlanta	7	8	.....	5	.....	20	441	461
Baltimore	2	3	1	6	.....	12	81	93
Bangor	1	.....	1	1	.....	3	1	4
Boise	1	.....	1	1	.....	3	1	4
Boston	5	3	.....	8	.....	16	168	184
Bimmingham	1	2	1	4	.....	8	69	77
Buffalo	3	5	.....	5	.....	13	104	117
Burlington	.....	1	1	.....	.....	2	.....	2
Camden	2	2	1	3	.....	8	1	9
Casper	1	.....	1	1	.....	3	2	5
Charleston	1	1	1	2	.....	5	14	19
Chicago	5	7	.....	14	.....	26	318	344
Cleveland	2	2	1	8	.....	13	78	91
Cincinnati	4	1	1	3	.....	9	4	13
Columbia	2	1	1	3	.....	7	61	68
Columbus	2	3	1	4	.....	10	94	104
Coral Gables	3	3	1	7	.....	14	51	65
Dallas	1	2	1	6	.....	10	3	13
Denver	5	4	.....	6	10	25	536	561
Des Moines	2	4	1	3	.....	10	19	29
Detroit	2	5	1	6	.....	14	124	138
Fargo	2	.....	.....	1	.....	3	1	4
Flint	1	.....	1	1	.....	3	1	4
Fresno	2	.....	1	4	.....	7	1	8
Ft. Worth	2	7	.....	4	.....	13	285	298
Greenboro	1	.....	2	9	.....	12	118	130
Grand Rapids	1	1	1	3	.....	6	7	13
Hartford	2	1	1	3	.....	7	51	58
Helena	1	1	1	1	.....	4	1	5
Honolulu	1	1	1	1	.....	4	18	22
Houston	3	4	1	5	.....	13	57	70
Indianapolis	1	3	1	7	.....	12	66	78
Jacksonville	1	2	1	3	.....	7	110	117
Jackson	2	2	1	3	.....	8	47	55
Kansas City	2	2	.....	5	1	10	127	137
Knoxville	1	1	1	2	.....	5	38	43
Los Angeles	2	4	1	14	.....	21	136	157
Las Vegas	2	3	1	5	.....	11	9	20
Louisville	2	.....	1	5	.....	8	59	67
Little Rock	1	1	1	2	.....	5	47	52
Lubbock	1	.....	1	2	.....	4	1	5
Manchester	1	1	1	1	.....	4	21	25
Memphis	3	.....	1	3	.....	7	5	12
Minneapolis	2	1	1	8	.....	12	72	84
Milwaukee	1	1	1	4	.....	7	64	71
Nashville	2	4	1	3	.....	10	43	53
New Orleans	2	3	1	4	.....	10	80	90

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—SALARIES AND EXPENSES—Continued

[Staffing Data as of June 19, 1999]

Office location	Internal Community Builders			Ext. Cmty. Bldrs.		Total Cmty. Bldrs.	Public Trust Officers	Total S&E Staff
	Assoc. Cmty. Bldr.	Cmty. Bldr.	Sr. Cmty. Bldr.	Cmty. Bldr. Fellow	Cmty. Bldr. Spec.			
New York	6	9	.....	11	.....	26	230	256
Newark	1	4	1	5	.....	11	100	111
Oklahoma City	1	3	1	2	.....	7	77	84
Omaha	1	1	1	2	.....	5	34	39
Orlando	2	.....	1	3	.....	6	3	9
Philadelphia	4	3	.....	9	.....	16	335	351
Phoenix	2	3	1	5	.....	11	59	70
Pittsburgh	1	2	1	5	.....	9	68	77
Portland	1	2	1	2	.....	6	46	52
Providence	2	1	1	1	.....	5	12	17
Puerto Rico	1	1	1	8	.....	11	56	67
Reno	1	.....	1	2	.....	4	.....	4
Richmond	2	2	1	8	.....	13	50	63
Sacramento	1	1	1	4	.....	7	3	10
San Diego	.....	1	1	2	.....	4	3	7
San Francisco	5	6	.....	9	.....	20	195	215
Seattle	4	5	.....	5	.....	14	139	153
Shreveport	1	.....	1	2	.....	4	2	6
Sioux Falls	1	.....	1	2	.....	4	.....	4
Salt Lake City	1	2	1	3	.....	7	1	8
San Antonio	1	2	1	7	.....	11	82	93
Santa Ana	.....	.....	1	5	.....	6	186	192
Spokane	1	.....	1	1	.....	3	2	5
Springfield	.....	.....	1	3	.....	4	.....	4
St. Louis	1	2	1	3	.....	7	43	50
Tampa	1	3	1	3	.....	8	1	9
Tucson	1	.....	1	1	.....	3	.....	3
Tulsa	1	.....	1	2	.....	4	1	5
Washington, D.C.	3	5	.....	8	.....	16	58	74
Wilmington	1	.....	1	1	.....	3	.....	3
Subtotal, Field	146	162	68	330	11	717	5,518	6,235
Total, S&E Staff	146	162	68	330	78	784	8,373	9,157

STAFFING

Question. There are major staffing issues in how HUD has allocated resources. Please describe how staff resources have been allocated by function and office over the last 3 years as well as a cost-benefit analysis for all staff decisions.

Answer. Recent allocations of staff are done pursuant to the HUD 2020 plans and other reorganizations within each component organization. All staffing actions are reviewed by each Assistant Secretary and by the Deputy Secretary's office. These staffing actions are reviewed to ensure that the Department maintains and improves its current capabilities and is positioned to effectively leverage the current workforce to meet changing needs.

In 1997, HUD announced its plan to implement a Resource Estimation and Allocation Process (REAP) that would link resources to results as required by the Government Performance and Results Act (GPRA). Congress asked the National Academy of Public Administration (NAPA) to conduct a study of HUD's procurement activities and practices for estimating human resource needs. The scope of the study was later increased to include review of HUD's compliance with GPRA. In 1998, the Academy developed plans to demonstrate a method which would estimate, allocate and validate resources. In 1999, NAPA reviewed the results of pilot demonstrations conducted in Housing and Community Planning and Development and developed

formal recommendations for HUD. The Department will begin utilizing the results of the pilot in fiscal year 2000.

EMERGENCY CDBG FUNDING

Question. The fiscal year 1999 supplemental appropriations transferred authority for allocating emergency disaster funds for unmet disaster needs from HUD to FEMA. Nevertheless, the subcommittee remains concerned over HUD's oversight on the use of the emergency funds that have already been allocated. Please provide a description of all oversight actions taken by the Department. For example, Grand Forks, North Dakota received over $200 million in fiscal year 1997 funds. There is anecdotal evidence that a large number of houses have been built through a buyout program but remain unoccupied. Please provide a status report of all funds allocated in fiscal years 1996 and 1997 under the emergency CDBG program.

Answer. HUD carries out oversight of CDBG supplemental disaster appropriations principally through review of the grantees' performance reporting via HUD's web-based Disaster Recovery Grant Reporting (DRGR) system and monitoring visits. In the case of Grand Forks, North Dakota, HUD recently completed a monthlong monitoring visit and the HUD field office staff is in the process of writing a report on that visit. There are a number of issues that came up as a result of the monitoring visit that are being addressed with the city.

With respect to the anecdote about a large number of houses being built in Grand Forks and remaining unoccupied, this is what HUD's oversight found. What is called the Congressional Subdivision includes 189 newly constructed houses. The houses sell between $90,000 to $124,000. New houses in the area sell for a median sales price of $130,000.

Sixty-five of the houses had been sold as of June 17, 1999. Offers have been made for an additional 53 of the houses, pending applicant approval. The remaining 71 houses are in various stages of construction. The city has mounted a vigorous marketing effort to sell the remaining houses as quickly as possible, including a radio campaign. The location of the development outside of the traditional city boundaries (i.e. on the west side of the Interstate, versus the traditional location of Grand Forks on the east side) has been somewhat of an issue in convincing residents to relocate to the new development. This location, however, is further from the Red River and much less likely to be affected by flooding.

Attached is a status report of CDBG disaster grants funded by appropriations under the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Public Law 104–134) and by the 1997 Emergency Supplemental Appropriations Act for Recovery from Natural Disasters, and for Overseas Peacekeeping Efforts, Including Those in Bosnia (Public Law 105–18).

CDBG DISASTER GRANTS

[Data as of the End of May, 1999—Ordered by Disaster Type]

	Appropriated amount	Awarded amount	Obligated amount	Under contract	Disbursed amount	Undisbursed amount	Percent disbused
1997 Disaster Grants	$500,000,000	$488,648,776	$488,648,776	$488,648,776	$238,468,842	$250,179,934	48.8
1996 Floods	50,000,000	50,000,000	50,000,000	50,000,000	28,346,098	21,653,902	56.7
Grand Totals	550,000,000	538,648,77	538,648,776	538,648,776	266,814,940	271,833,836	49.5

CDBG DISASTER GRANTS—DATA AS OF THE LAST WORKING DAY OF MAY, 1999

[Ordered by Disaster Type, Region, State, and Jurisdiction]

Grantee	Appropriation code	Obligation date	Grant number	Awarded amount	Obligated amount	Under contract	Disbursed amount	Obligated undisbursed amount	Percent disbursed
Disaster Type: 1997 Disaster Grants									
Region: 01									
Massachusetts:									
STATE OF MASSACHUSETTS	868/00162	10/01/1998	B–98–DU–25–0001	4,297,444	4,297,444	4,297,444	.....	4,297,444	.....
LAWRENCE	868/00162	03/09/1999	B–98–MU–25–0012	333,300	333,300	333,300	.....	333,300	.....
SALEM	868/00162	04/06/1998	B–98–MU–25–0029	505,421	505,421	505,421	20,344	485,077	4.0
Maine: STATE OF MAINE	868/00162	07/16/1998	B–98–DU–23–0001	782,332	782,332	782,332	25,239	757,093	3.2
New Hamshire: STATE OF NEW HAMPSHIRE	868/00162	12/23/1998	B–98–DU–33–0001	557,750	557,750	557,750	.....	557,750	18.1
Vermont: STATE OF VERMONT	868/00162	06/21/1998	B–98–DU–50–0001	1,219,587	1,219,587	1,219,587	220,251	999,336	
Region: 03									
Maryland: STATE OF MARYLAND	868/00162	12/01/1998	B–98–DU–24–0001	469,601	469,601	469,601	.....	469,601	.....
Pennsylvania:									
STATE OF PENNSYLVANIA	868/00162	12/16/1998	B–98–DU–42–0001	287,832	287,832	287,832	.....	287,832	.....
MONTGOMERY COUNTY	867/00162	03/18/1997	B–97–UU–42–0005	650,797	650,797	650,797	525.362	125,435	80.7
West Virginia:									
STATE OF WEST VIRGINIA	868/00162	04/21/1998	B–98–DU–54–0001	2,333,420	2,333,420	2,333,420	9,242	2,324,178	0.4
KANAWHA COUNTY	868/00162	05/08/1998	B–98–NU–54–0001	581,547	581,547	581,547	18,954	562,593	3.3

CDBG DISASTER GRANTS—DATA AS OF THE LAST WORKING DAY OF MAY, 1999—Continued

[Ordered by Disaster Type, Region, State, and Jurisdiction]

Grantee	Appropriation code	Obligation date	Grant number	Awarded amount	Obligated amount	Under contract	Disbursed amount	Obligated undisbursed amount	Percent disbursed
Region: 04									
Alabama:									
MOBILE	868/00162	03/04/1999	B–98–MU–01–0006	679,777	679,777	679,777	.....	679,777	.....
BALDWIN COUNTY	868/00162	12/07/1998	B–98–NU–01–0002	981,301	981,301	981,301	.....	981,301	.....
MOBILE COUNTY	868/00162	12/02/1998	B–98–NU–01–0001	935,102	935,102	935,102	208,951	726,151	22.3
Florida: STATE OF FLORIDA	868/00162	04/24/1998	B–98–DU–12–0001	512,116	512,116	512,116	.....	512,116	.....
Kentucky:									
STATE OF KENTUCKY	867/00162	01/29/1998	B–97–DU–21–001	4,484,904	4,484,904	4,484,904	3,694,813	790,091	82.4
CYNTHIANA/HARRISON COUNTY	867/00162	02/20/1998	B–97–NU–21–0003	867,560	867,560	867,560	648,501	219,059	74.7
FALMOUTH	867/00162	03/02/1998	B–97–NU–21–0001	2,186,005	2,186,005	2,186,005	566,366	1,619,639	25.9
FRANKFORT/FRANKLIN COUNTY	867/00162	03/02/1998	B–97–NU–21–0004	717,760	717,760	717,760	286,203	431,557	39.9
HOPKINSVILLE	867/00162	01/27/1998	B–97–MU–21–0002	447,174	447,174	447,174	157,632	289,542	35.3
LOUISVILLE	867/00162	05/21/1998	B–97–MU–21–0005	2,000,197	2,000,197	2,000,197	472,467	1,527,730	23.6
OWENSBORO	867/00162	01/27/1998	B–97–MU–21–0006	336,116	336,116	336,116	119,473	216,643	35.5
SHEPHERDSVILLE/BULLITT COUNTY	867/00162	02/26/1998	B–97–NU–21–0006	1,488,753	1,488,753	1,488,753	1,325,482	163,271	89.0
BOURBON COUNTY	867/00162	05/27/1998	B–97–NU–21–0002	587,852	587,852	587,852	461,000	126,852	78.4
JEFFERSON COUNTY	867/00162	01/29/1998	B–97–W–21–0001	2,068,840	2,068,840	2,068,840	1,772,884	295,956	85.7
PENDLETON COUNTY	867/00162	05/07/1998	B–97–NJ–21–0005	567,439	567,439	567,439	197,439	370,000	34.8
North Carolina:									
STATE OF NORTH CAROLINA	867/00162	12/19/1997	B–97–DU–37–0001	6,569,270	6,569,270	6,569,270	1,660,213	4,909,057	25.3
FAYETTEVILLE	868/00162	03/24/1999	B–98–MU–37–0005	320,093	320,093	320,093	.....	320,093	.....
GOLDSBORO	868/00162	05/19/1998	B–98–MU–37–0019	648,674	648,674	648,674	456,919	191,755	70.4
JACKSONVILLE	868/00162	06/23/1998	B–98–MU–37–0014	308,188	308,188	308,188	1,293	306,895	0.4
RALEIGH	867/00162	12/23/1997	B–97–MU–37–0009	3,002,052	3,002,052	3,002,052	230,672	2,771,380	7.7
WILMINGTON	868/00162	06/23/1998	B–98–MU–37–0010	740,794	740,794	740,794	.....	740,794	.....
BEAUFORT COUNTY	868/00162	04/20/1998	B–98–NU–37–0003	1,421,128	1,421,128	1,421,128	558,742	862,386	39.3
CRAVEN COUNTY	868/00162	04/30/1998	B–98–NU–37–0004	1,338,999	1,338,999	1,338,999	127,446	1,211,553	9.5
JOHNSTON COUNTY	868/00162	02/17/1999	B–98–NU–37–0006	1,519,812	1,519,812	1,519,812	.....	1,519,812	.....
LENOIR COUNTY	868/00162	02/04/1998	B–98–NU–37–0001	10,922,932	10,922,932	10,922,932	4,139,149	6,783,783	37.9
ONSLOW COUNTY	868/00162	03/03/1998	B–98–NU–37–0002	1,347,205	1,347,205	1,347,205	113,848	1,233,357	8.5
PENDER COUNTY/SURF CITY	868/00162	09/28/1998	B–98–NU–37–0005	3,670,386	3,670,386	3,670,386	.....	3,670,386	.....
WAKE COUNTY	868/00162	02/04/1998	B–98–W–37–0001	1,332,066	1,332,066	1,332,066	302,483	1,029,583	22.7

Puerto Rico:									
COMMONWEALTH OF PUERTO RICO	868/00162	09/15/1998	B–98–DU–72–0001	15,172,960	15,172,960	15,172,960	373,552	14,799,408	2.5
BAYAMON MUNICIPIO	867/00162	01/20/1998	B–97–MU–72–0004	5,404,219	5,404,219	5,404,219	2,991,999	2,412,220	55.4
CAGUAS MUNICIPIO	868/00162	07/21/1998	B–98–MU–72–0001	273,646	273,646	273,646	.....	273,646	.....
CAYEY MUNICIPIO	868/00162	05/21/1998	B–98–MU–72–0015	1,552,491	1,552,491	1,552,491	139,003	1,413,488	9.0
PONCE MUNICIPIO	868/00162	12/02/1998	B–98–MU–72–0003	4,590,285	4,590,285	4,590,285	1,990	4,588,295	.....
SAN JUAN MUNICIPIO	868/00162	12/07/1998	B–98–MU–72–0007	315,218	315,218	315,218	.....	315,218	.....
Region: 05									
Illinois:									
STATE OF ILLINOIS	867/00162	12/03/1997	B–97–DU–17–0001	607,052	607,052	607,052	83,637	523,415	13.8
CHICAGO	868/00162	10/19/1998	B–98–MU–17–0006	900,000	900,000	900,000	900,000	.....	100.0
Indiana: STATE OF INDIANA	868/00162	03/18/1998	B–98–DU–18–0001	6,511,863	6,511,863	6,511,863	1,046,403	5,465,461	16.1
Michigan:									
STATE OF MICHIGAN	868/00162	.....	B–98–DU–26–0001	.....	.....	.....	.....	.....	.....
DETROIT	868/00162	04/30/1998	B–98–MU–26–0006	3,336,146	3,336,146	3,336,146	133,536	3,202,610	4.0
WAYNE COUNTY	868/00162	04/17/1998	B–98–UU–26–0003	975,582	975,582	975,582	491,330	484,252	50.4
Minnesota:									
STATE OF MINNESOTA	867/00162	10/27/1997	B–97–DU–27–0001	71,567,909	71,567,909	71,567,909	46,662,662	24,905,247	65.2
EAST GRAND FORKS	868/00162	01/29/1998	B–98–NU–27–0001	20,469,522	20,469,522	20,469,522	3,334,890	17,134,632	16.3
Ohio:									
STATE OF OHIO	868/00162	06/18/1998	B–98–DU–39–0001	1,263,631	1,263,631	1,263,631	206,000	1,057,631	16.3
CINCINNATI	868/00162	07/02/1998	B–98–MU–39–0003	423,621	423,621	423,621	.....	423,621	.....
SCIOTO COUNTY	868/00162	07/03/1998	B–98–NU–39–0002	588,670	588,670	588,670	29,338	559,332	5.0
Wisconsin:									
STATE OF WISCONSIN	867/00162	03/05/1999	B–97–DU–55–0001	171,261	171,261	171,261	.....	171,261	.....
MILWAUKEE	868/00162	09/30/1998	B–98–MU–55–0006	1,455,474	1,455,474	1,455,474	458,949	996,525	31.5
WAUWATOSA	868/00162	08/10/1998	B–98–MU–55–0010	831,325	831,325	831,325	430,568	400,757	51.8
MILWAUKEE COUNTY	868/00162	02/12/1999	B–98–W–55–0001	936,469	936,469	936,469	.....	936,469	.....
WAUKESHA COUNTY	868/00162	12/18/1998	B–98–W–55–0002	677,135	677,135	677,135	.....	677,135	.....
Region: 06									
Arkansas:									
STATE OF ARKANSAS	867/00162	04/01/1998	B–97–DU–05–0001	686,446	686,446	686,446	.....	686,446	.....
PULASKI COUNTY/COLLEGE STATION	867/00162	11/19/1997	B–97–NU–05–0001	687,989	687,989	687,989	461,868	226,121	67.1
Texas: STATE OF TEXAS	868/00162	07/02/1998	B–98–DU–48–0001	2,223,138	2,223,138	2,223,138	298,299	1,924,839	13.4
Region: 08									
Colorado:									
STATE OF COLORADO	868/00162	05/18/1998	B–98–DU–08–0001	156,829	156,829	156,829	.....	156,829	.....
FORT COLLINS	868/00162	10/18/1998	B–98–MU–08–0008	511,740	511,740	511,740	46,740	465,000	9.1

CDBG DISASTER GRANTS—DATA AS OF THE LAST WORKING DAY OF MAY, 1999—Continued

[Ordered by Disaster Type, Region, State, and Jurisdiction]

Grantee	Appropriation code	Obligation date	Grant number	Awarded amount	Obligated amount	Under contract	Disbursed amount	Obligated undisbursed amount	Percent disbursed
Montana: STATE OF MONTANA	868/00162	07/23/1998	B–98–DU–30–0001	863,522	863,522	863,522	2,446	861,076	0.3
North Dakota:									
STATE OF NORTH DAKOTA	867/00162	01/13/1998	B–97–DU–38–0001	10,200,140	10,200,140	10,200,140	8,084,803	2,115,337	79.3
DEVIL'S LAKE/RAMSEY COUNTY	867/00162	12/30/1997	B–97–NU–38–0005	3,500,000	3,500,000	3,500,000	3,500,000	.....	100.0
FARGO	867/00162	09/26/1997	B–97–MU–38–0001	5,943,963	5,943,963	5,943,963	4,452,482	1,491,481	74.9
GRAND FORKS	867/00162	07/08/1997	B–97–MU–38–0002	50,000,000	50,000,000	50,000,000	50,000,000	.....	100.0
	868/00162	02/25/1998	B–98–MU–38–0002	121,567,707	121,567,707	121,567,707	60,000,000	61,567,707	49.4
Grantee totals	.....	.....	.....	171,567,707	171,567,707	171,567,707	110,000,000	61,567,707	64.1
CASS COUNTY	867/00162	01/06/1998	B–97–NU–38–0001	1,400,000	1,400,000	1,400,000	780,840	619,160	55.8
GRAND FORKS COUNTY	867/00162	03/19/1998	B–97–NU–38–0009	2,176,049	2,176,049	2,176,049	2,176,049	.....	100.0
MERCER COUNTY	868/00162	09/15/1998	B–98–NU–38–0003	500,000	500,000	500,000	131,227	368,773	26.2
PEMBINA COUNTY	867/00162	04/13/1998	B–97–NU–38–0004	1,000,000	1,000,000	1,000,000	601,793	398,207	60.2
RICHLAND COUNTY/WAHPETON	867/00162	03/03/1998	B–97–NU–38–0006	3,470,759	3,470,759	3,470,759	1,920,298	1,550,461	55.3
TRAILL COUNTY	868/00162	03/03/1998	B–98–NU–38–0007	1,000,000	1,000,000	1,000,000	253,417	746,583	25.3
WALSH COUNTY	867/00162	12/23/1997	B–97–NU–38–0008	504,504	504,504	504,504	369,903	134,601	73.3
South Dakota:									
STATE OF SOUTH DAKOTA	867/00162	02/11/1998	B–97–DU–46–0001	57,794,124	57,794,124	57,794,124	25,713,747	32,080,377	44.5
RAPID CITY	867/00162	03/03/1998	B–97–MU–46–0002	642,102	642,102	642,102	473,822	168,280	73.8
Region: 09									
California:									
STATE OF CALIFORNIA	867/00162	01/23/1998	B–97–DU–06–0001	5,338,112	5,338,112	5,338,112	592,529	4,745,583	11.1
MODESTO	868/00162	02/13/1998	B–98–MU–06–0002	650,426	650,426	650,426	608,337	42,089	93.5
SACRAMENTO COUNTY	868/00162	07/20/1998	B–98–UU–06–0005	400,704	400,704	400,704	317,481	83,223	79.2
SAN JOAQUIN COUNTY	867/00162	02/03/1998	B–97–UU–06–0009	1,174,098	1,174,098	1,174,098	13,183	1,160,915	1.1
SONOMA COUNTY	867/00162	01/07/1998	B–97–UU–06–0008	547,804	547,804	547,804	62,535	485,269	11.4
STANISLAUS COUNTY	868/00162	02/19/1998	B–98–UU–06–0109	575,921	575,921	575,921	324,435	251,486	56.3
YUBA COUNTY	868/00162	05/21/1998	B–98–NU–06–0030	2,563,780	2,563,780	2,563,780	.....	2,563,780	.....
Nevada:									
STATE OF NEVADA	868/00162	05/01/1998	B–98–DU–32–0001	386,714	386,714	386,714	28,198	358,516	7.3
RENO	868/00162	05/13/1998	B–98–MU–32–0002	651,733	651,733	651,733	.....	651,733	.....

SPARKS	867/00162	01/10/1998	B–97–MU–32–0004	988,442	988,442	988,442	48,333	940,109	4.9
Region: 10									
Oregon:									
STATE OF OREGON	868/00162	01/25/1999	B–98–DU–41–0001	3,721,775	3,721,775	3,721,775	.....	3,721,775	.....
ASHLAND	868/00162	08/25/1998	B–98–MU–41–0008	573,391	573,391	573,391	573,391	.....	100.0
Washington:									
STATE OF WASHINGTON	868/00162	06/25/1998	B–98–DU–53–0001	2,420,113	2,420,113	2,420,113	407,104	2,013,009	16.8
YAKIMA	867/00162	06/26/1998	B–97–MU–53–0008	204,646	204,646	204,646	.....	204,646	.....
KING COUNTY	868/00162	08/27/1998	B–98–UU–53–0001	613,353	613,353	613,353	.....	613,353	.....
KITSAP COUNTY	868/00162	05/08/1998	B–98–UU–53–0005	387,225	387,225	387,225	44,835	342,390	11.6
SNOHOMISH COUNTY	868/00162	10/05/1998	B–98–UU–53–0003	575,522	575,522	575,522	575,522	.....	100.0
1997 Disaster Grants	.....	.....	.....	488,648,776	488,648,776	488,648,776	238,468,842	250,179,934	48.8
Disaster Type: 1996 Floods									
Region: 03									
Maryland: STATE OF MARYLAND	866/80162	01/30/1997	B–96–DR–24–0001	988,638	988,638	988,638	607,414	381,224	61.4
Pennsylvania:									
STATE OF PENNSYLVANIA	866/80162	01/30/1997	B–96–DR–42–0001	1,849,234	1,849,234	1,849,234	1,302,766	546,468	70.4
WESTMORELAND COUNTY	866/80162	01/30/1997	B–96–UR–42–0100	314,436	314,436	314,436	299,911	14,525	95.4
Virginia: STATE OF VIRGINIA	866/80162	01/30/1997	B–96–DR–51–0001	760,747	760,747	760,747	395,452	365,295	52.0
West Virginia: STATE OF WEST VIRGINIA	866/80162	01/30/1997	B–96–DR–54–0001	1,388,201	1,388,201	1,388,201	407,204	980,997	29.3
Region: 04									
Florida:									
STATE OF FLORIDA	866/80162	10/07/1996	B–96–DR–12–0001	6,337,634	6,337,634	6,337,634	3,161,225	3,176,409	49.9
FORT WALTON BEACH	866/80162	10/07/1996	B–96–MR–12–0030	388,174	388,174	388,174	27,748	360,426	7.1
LEE COUNTY	866/80162	10/07/1996	B–96–UR–12–0013	1,986,965	1,986,965	1,986,965	1,045,965	941,000	52.6
Georgia: STATE OF GEORGIA	866/80162	10/07/1996	B–96–DR–13–0001	1,776,156	1,776,156	1,776,156	.....	1,776,156	.....
North Carolina: STATE OF NORTH CAROLINA	866/80162	10/22/1996	B–96–DR–37–0001	636,674	636,674	636,674	611,455	25,219	96.0
Region: 05									
Illinois: STATE OF ILLINOIS	866/80162	09/27/1996	B–96–DR–17–0001	2,522,685	2,522,685	2,522,685	938,267	1,584,418	37.2
Ohio: STATE OF OHIO	866/80162	10/18/1996	B–96–DR–39–0001	924,029	924,029	924,029	.....	924,029	.....
Region: 08									
North Dakota: STATE OF NORTH DAKOTA	866/80162	09/30/1996	B–96–DR–38–0001	267,421	267,421	267,421	267,421	.....	100.0

CDBG DISASTER GRANTS—DATA AS OF THE LAST WORKING DAY OF MAY, 1999—Continued

[Ordered by Disaster Type, Region, State, and Jurisdiction]

Grantee	Appropriation code	Obligation date	Grant number	Awarded amount	Obligated amount	Under contract	Disbursed amount	Obligated undisbursed amount	Percent disbursed
Region: 10									
Idaho: STATE OF IDAHO	866/80162	10/04/1996	B–96–DR–16–0001	2,553,110	2,553,110	2,553,110	1,998,201	554,909	78.3
Oregon:									
STATE OF OREGON	866/80162	09/30/1996	B–96–DR–41–0001	4,526,401	4,526,401	4,526,401	3,919,565	606,836	86.6
SALEM	866/80162	09/30/1996	B–96–MR–41–0004	1,674,705	1,674,705	1,674,705	1,093,410	581,295	65.3
CLACKAMAS COUNTY	866/80162	09/27/1996	B–96–UR–41–0001	1,038,065	1,038,065	1,038,065	1,038,065	.....	100.0
MULTNOMAH COUNTY	866/80162	09/30/1996	B–96–UR–41–0003	2,616,787	2,616,787	2,616,787	1,729,296	887,491	66.1
WASHINGTON COUNTY	866/80162	09/30/1996	B–96–UR–41–0002	877,198	877,198	877,198	552,517	324,681	63.0
Washington:									
STATE OF WASHINGTON	866/80162	10/29/1996	B–96–DR–53–0001	10,793,566	10,793,566	10,793,566	5,187,741	5,605,825	48.1
CLARK COUNTY	866/80162	10/04/1996	B–96–UR–53–0100	308,346	308,346	308,346	294,478	13,868	95.5
KING COUNTY	866/80162	10/28/1996	B–96–UR–53–0001	3,001,852	3,001,852	3,001,852	1,253,626	1,748,226	41.8
PIERCE COUNTY	866/80162	11/07/1996	B–96–UR–53–0002	1,889,333	1,889,333	1,889,333	1,634,728	254,605	86.5
SNOHOMISH COUNTY	866/80162	10/16/1996	B–96–UR–53–0003	579,643	579,643	579,643	579,643	.....	100.0
Total for 1996 Floods	.....	.....	.....	50,000,000	50,000,000	50,000,000	28,346,098	21,653,902	56.7

NEW INITIATIVES

Question. HUD's budget request for fiscal year 2000 includes over 19 new programs and initiatives with funding of $731 million. Many of these initiatives and activities, such as the redevelopment of abandoned programs and Metro Job Links, can be handled under such broad programs as the CDBG program. Why not let states and localities decide their own funding priorities?

Also, there are significant concerns about HUD's capacity to administer its core programs. Has HUD conducted a staffing evaluation on staffing and capacity to ensure that these new initiatives will not reduce HUD's ability to meet its own program responsibilities? Please provide a review of the staffing needs created by these proposals and how HUD plans to address these concern?

Answer. Although HUD's budget requests increases in virtually every existing program, the only funds being requested for new programs are for HUD's participation in new administration initiatives—APIC, Regional Connections and Abandoned Buildings. Other increases are for expansions of initiatives within existing programs or programs we have requested previously. In many cases, our initiatives only represent refocusing of resources to meet evolving needs within existing programs.

Local development needs are so great that even without set-asides the demands for housing and community development funding would exceed that which is available under the CDBG and HOME programs. If the set-asides proposed in fiscal year 2000 were divided among all CDBG and HOME recipients, the additional funding per community would be relatively small. Providing set-asides within these broad programs enables localities with demonstrated capacity to acquire a sufficient amount of extra funding to finance critical targeted activities that would otherwise be "crowded out" by local demands for more general housing and community development activities. This facilitates the creation of "best practices" and national models. Once the success of these activities is proven communities across the country are more likely to adopt them as a part of their regularly-funded CDBG and HOME activities. Since funding under these programs is awarded competitively, it is the communities, not HUD, that determine the activities to be a priority.

By and large, all funding increases are designed to go directly to local communities and their partners, thus, they require minimal additional staff resources for HUD. The staff resources necessary to manage the three new programs, as well as the initiatives embedded or connected to existing programs are extremely modest. These staffing resources are estimated at less than a quarter of 1 percent of HUD's total S&E resources.

Finally, we want to restate as per our letter of March 11, 1999 that the Department proposes to redirect funding requested for Metro Job Links to remain within the CDBG account but to be used instead to fund the successful SHOP program. The Department is also proposing that the $25 million earmarked for the Regional Affordable Housing Initiative within the HOME program be used for other purposes, with $17.5 million of the funding to be provided as regular HOME formula funding and $7.5 million of the setaside to provide funding for Capacity Building for Habitat for Humanity. The sole intent and impact of this change in policy is to provide funding for already proven effective housing programs supported in the past by both the Department and the Congress.

The requested funding as set-asides within such programs as Community Development Block Grants reflects the priority of these efforts, the desire to establish "best practices" and national models. In addition, programs such as the Community Development Block Grant and HOME Program provide funding for housing, economic development and other flexible local needs but the available funding is far outshipped by the demand. The requested set-asides allow localities to address priority efforts that would otherwise be "crowded out" by the shortfall in funding for more general housing and economic development efforts.

HUD SECTION 8 PROJECT-BASED INVENTORY

Question. What is the physical status of HUD's Section 8 Project-based inventory? How many projects have been reviewed and what is the status of these projects? How many projects have failed to meet HUD's Housing Quality Standards (HQS)? What are the procedures for projects that fail HQS and how many projects have been terminated from section 8 for failing HQS?

Answer. HUD Section 8 Project-based inventory includes 22,000 properties receiving project-based Section 8 rental assistance. Last year, utilizing state-of-the art technology and a carefully designed system of performance indicators, REAC began the process of conducting the first-ever complete inspection and assessment of Federally subsidized housing. To date, REAC has inspected over 6,022 multifamily properties and is on track to complete the baseline inspection of all 22,000 project-

based section 8 properties by 1999 year-end. The vast majority of properties are in good physical condition. Overall, the inspection results show that 80 percent of the project-based Section 8 properties are in acceptable physical condition, 17 percent are in poor condition, and 3 percent are in unacceptable condition. The physical condition of these projects is summarized below.

Condition	*Number of Projects*
Unacceptable Condition—Potential Referral to Enforcement Center	188
Poor Condition—Need HUD Monitoring	1,027
Acceptable Condition	4,807

HUD believes that all its housing, regardless of the subsidy or assistance source, should be assessed using uniform physical condition standards. The REAC Physical Inspection protocol covers virtually all facets of HQS inspection and is both more objective and considerably more defined in identifying and classifying deficiencies. It includes 60 types of items to be inspected and about 400 potential deficiencies. With consistent criteria defined for each possible defect, HUD can be sure that its grades for housing quality really mean what they say.

All the section 8 properties with REAC score of 30 or below are referred to the Enforcement Center for evaluation. So far, no section 8 contract has been terminated due to low REAC score. However, they are under advisory notice. Projects scoring above 30 but less than 60 are required to make needed repairs within 90 days—when feasible—or provide the local HUD Multifamily office with a plan for remedial action. Field offices then monitor the completion of repair over time. Life threatening health and safety violations discovered as part of the REAC inspection must be repaired or mitigated within 72 hours. Lastly, projects with scores above 60 are considered to be in acceptable condition, and no further action is required. There are some exceptions such as reports from Community builders, local press articles, results of routine , management visits, tenant complaints, or similar subsequent events trigger the need to request a reinspection.

FANNIE MAE/FREDDIE MAC

Question. How many people currently are employed in HUD's Office of Government Sponsored Enterprises? What are their responsibilities? How is the $10 million request justified?

Answer. HUD's Office of Government Sponsored Enterprises Oversight, working under the direction of the Assistant Secretary, Office of Housing, employs five full-time staff to administer the Secretary's programmatic authorities under the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (FHEFSSA) and to coordinate the work of an interdisciplinary team of HUD Offices charged with carrying out the Secretary's mission oversight responsibilities with regard to Fannie Mae and Freddie Mac (the GSEs). In addition to Office of Housing staff, this interdisciplinary team is comprised of staff from the Office of Policy Development and Research, the Office of General Counsel, and the Office of Fair Housing and Equal Opportunity. In fiscal year 1998, HUD spent approximately $3.4 million for 16.9 full-time equivalent inter-Office HUD staff which, collectively, carry out mission regulation under FHEFSSA.

With regard to responsibilities, HUD's inter-Office staff develop and implement regulations which establish the GSEs' affordable housing goals under FHEFSSA. In addition, to achieve statutorily mandated objectives, staff carry out broad oversight functions that include: monitoring performance of the GSEs in meeting the housing goals; enforcing compliance with the goals; reviewing new GSE programs; monitoring the GSEs for consistency with fair lending statutes; developing and managing mortgage finance and housing market research and analysis to ensure effective targeting of the GSE housing goals; monitoring non-mortgage investments for consistency with public purposes; and monitoring affordable housing performance trends to determine impact of the housing goals on the GSEs' operations and on the public. The attached letter to Valerie Baldwin, who is on the staff of the House Appropriations Subcommittee on VA, HUD and Independent Agencies, contains additional discussion regarding key areas of HUD's regulatory responsibilities. Also attached is a budget justification, dated January 6, 1999, which sets forth the Department's regulatory initiatives relevant to mission oversight and the estimated costs of this regulation for fiscal year 2000.

HUD is proposing this assessment on the GSEs in order to recover the cost of regulating these entities. This approach is consistent with a long-established and standard practice for the Federal government to charge the financial institutions it regulates for the costs of that regulation, rather than have the taxpayers bear the cost. For example, the Office of the Comptroller of the Currency, the Office of Thrift

Supervision, and the National Credit Union Administration all assess the financial institutions within their purview for the costs of regulation. Similar arrangements exist with respect to the GSE regulatory work of the Federal Housing Finance Board and the Farm Credit Administration. Even within HUD, the Office of Federal Housing Enterprises Oversight was granted the authority in 1992 to assess Fannie Mae and Freddie Mac for costs of ensuring safety and soundness, but the law did not apply the same principle to HUD's mission regulation of the GSEs. It is time to eliminate that anomaly.

PREPARED STATEMENT FROM HAL C. DECELL, III

I want to take this opportunity to amplify the Department's thinking with respect to the proposal contained in the fiscal year 2000 budget to allow HUD to assess Fannie Mae and Freddie Mac for the costs of mission regulation. As you know, the budget proposes that the Secretary be granted authority to charge the Government-Sponsored Enterprises for these costs, up to an aggregate of $10 million per fiscal year. Legislative language to effect this change to the 1992 Act has been submitted. Congress has charged HUD with important oversight responsibilities which include setting and enforcing GSE housing goals, reviewing new GSE programs, monitoring the GSEs for consistency with fair lending statutes, and other tasks noted below. HUD's mission regulation is needed to ensure that the GSEs offer their benefits fairly to all citizens and all areas of the nation.

First, let me review the philosophy underlying this proposed change. It has been a long-established and standard practice for the Federal government to charge the financial institutions it regulates for the costs of that regulation, rather than have the taxpayers bear the cost. For example, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the National Credit Union Administration all assess the financial institutions within their purview for the costs of regulation. Similar arrangements exist with respect to the GSE regulatory work of the Federal Housing Finance Board and the Farm Credit Administration. Even within HUD, the Office of Federal Housing Enterprise Oversight was granted the authority in the 1992 Act to assess Fannie Mae and Freddie Mac for costs of ensuring safety and soundness, but the law did not apply the same principle to HUD's mission regulation of the GSEs. It is time to eliminate that anomaly.

Secondly, HUD's proposal would allow for a much-needed expansion of HUD's capability to meet its mission-related regulatory responsibilities. For fiscal year 1999 the Department projects expenses of about $3.5 million for mission regulation, a tiny percentage of the GSEs' combined annual net income of $5.1 billion in 1998. The expanded effort would concentrate on the following key areas:

Monitoring performance of the GSEs in meeting their affordable housing goals

With new GSE affordable housing goals expected to be in place shortly, the Department needs to expand its capability to provide accurate and timely review of GSE performance. A key component of this effort will be greatly increased monitoring to ensure that the transactions properly qualify for goal counting purposes, as well as verification of the loan level data provided to HUD by the GSEs.

Fair lending

HUD has begun to step up our oversight activities to ensure that the GSEs are not discriminating in their mortgage purchases, as prohibited under both the 1992 Act and the Fair Housing statutes. We aim to ensure that GSE business practices including automated underwriting do not discriminate on any unlawful basis. This will be a major focus of our attention in fiscal year 2000.

Mortgage Finance and Housing Market Research and Analysis

In the rapidly changing environment of mortgage finance, it is vital for the Department to keep abreast of new developments, and to understand their short and long term implications. Expanded research will help the Department exercise its mission regulation authority wisely with a view to effectively targeting the GSE housing goals and thereby expanding credit availability and housing affordability throughout the nation.

Non-mortgage investments

We plan to enhance our monitoring of the GSEs' non-mortgage investments and activities to ensure that they are consistent with the public purposes stated in the GSEs' Congressional charters. The Department needs strengthened financial expertise to support its mission oversight efforts in this area.

New Business Activity and Program Reviews

The Department is responsible for reviewing GSE new program requests to ensure that they are in the public interest and consistent with the GSEs' Congressional charters. Additional funds will allow the Department to strengthen its monitoring of GSE business activities and, as appropriate, to review them as new programs in accordance with the 1992 Act.

This expansion would apply across the various categories of mission regulation expense-staff salaries and benefits, research, and contractor support for data analysis. The Office of Housing, the Office of Policy Development and Research, the Office of General Counsel, and the Office of Fair Housing and Equal Opportunity would all incur additional expenses. HUD will establish a separate account which will keep track of all amounts spent on GSE oversight.

In summary, the Department-strongly believes that the GSEs, not the taxpayers, should bear the costs for HUD's mission regulation. The proposal is consistent with the way in which OFHEO and other Federal financial regulators are funded, it is fiscally prudent, and it would, for relatively small costs assessed against the GSEs, permit a needed strengthening of HUD's capacity to assure that they fulfill their charter objectives.

We would be happy to meet with you at your convenience to provide more detail and to answer your questions.

MEMORANDUM

MEMORANDUM TO: Michael Deich, PAD, OMB
FROM: Richard F. Keevey, CFO HUD
RE: Justification for Increase in HUD's Budget for Oversight of Fannie Mae and Freddie Mac
DATE: January 6, 1999

Per your request we have reviewed our current and expected expenditures relating to HUD's oversight of the GSEs. What follows fully explains and supports the estimated $10 million in fees that will be required to carry out our mission in fiscal year 2000.

In fiscal year 1998, HUD spent approximately $3.4 million, involving 16.9 full-time equivalent HUD positions, $1,065 thousand for research contracts and, $262 thousand for computer support contracts on oversight of Fannie Mae and Freddie Mac. These estimates were included in a recent GAO Report "Federal Housing Enterprises: HUD's Mission Oversight Needs to be Strengthened "As the title suggests, the GAO report concluded that HUD implementing its oversight responsibility. The Department has indicated in Congressional testimony that it is committed to allocating additional resources to enhance its regulation of these government-sponsored enterprises (GSEs). In order to fulfill that commitment, it is essential that HUD's outlays for GSE—oversight be funded by assessments on the GSEs.

Specific initiatives that the Department will undertake or areas where it will expand upon its current oversight activities are listed in the following table. Due to the short deadline, we have made accurate estimates of the cost to accomplish the individual initiatives listed but have not broken out the costs as to whether they would involve contract dollars and additional staff resources. Further, the estimated additional costs have not been allocated among Housing, PD&R, OGC, and FHEO, all of whom are involved in GSE oversight activities and participated in developing these activities.

Initiative	Estimated additional cost
Fair Lending. Increased analysis and oversight of the GSEs underwriting practices from a fair lending perspective. This analysis would include assessing the impact of underwriting standards (automated and traditional), business practices, repurchase requirements, pricing, fees and procedures that affect the purchase of mortgages to ensure that they do not have a disparate impact on protected groups. Also, to pursue fair lending investigations with the assistance of the GSEs and carry out other fair lending requirements of the 1992 GSE Act	$1,500,000
Data Verification. Review and verification of the accuracy of the loan level data on mortgages purchased by the GSEs that are provided to the Department for purposes of monitoring compliance with the housing goals	1,000,000

Initiative	Estimated additional cost
New Program Threshold Reviews. Increased monitoring and more proactive evaluation of the GSEs' operations to identify and assess new activities as possible new programs requiring review; i.e., identifying and analyzing individual business activities to determine whether they meet the new program criteria	600,000
Additional Support for New Program Reviews. Obtain necessary specialized expertise to assist in analyzing new programs identified and submitted by the GSEs. Additional staff support to conduct new program reviews	750,000
Non-Mortgage Investments. Enhanced monitoring of the GSEs' non-mortgage investments and activities to ensure that they are consistent with their public purpose missions and charters. This monitoring includes regular and on-going analysis of their non-mortgage investment policies and portfolios	500,000
Affordable Housing Performance Trends. Analyze and monitor performance trends of the GSEs' mortgage loan portfolios to determine impact of housing goals on GSEs operations	500,000
Enhanced Goal Performance Monitoring. Increased goal performance monitoring and analysis of trends in GSE mortgage purchases Research	500,000
Research. Expanded research on the impact of the housing goals on housing affordability	500,000
Special Studies. On-going research on the GSE's trends as they relate to industry trends and issues such as subprime lending, multifamily securitizations and trends, manufactured housing, rural housing, automation in mortgage banking, lending to minorities and impact of housing counseling on homeownership	500,000
Training and Additional Resources. Training for staff and resources for monitoring GSE and mortgage market trends and activities	250,000
Total additional expenditures	6,600,000
Total current expenditures	3,400,000
Total proposed budget for GSE oversight	10,000,000

STAFFING

Question. The Secretary has proposed reducing the staffing at HUD to 7,500. However, recently staffing has been increasing towards the 10,000 FTE level without justification or a cost-benefit analysis. Please provide a staff needs analysis by office and function.

Answer. The goal of reducing HUD's S&E staffing level to 7,500 FTE by 2000 was announced in 1994 by then Secretary Henry Cisneros. This staff level was deemed achievable only if Congress passed proposed legislation to consolidate 60 major programs into three performance-based accounts—a Community Opportunity Fund, an Affordable Housing Fund and the Housing Certificate Fund. It would also require transforming the Federal Housing Administration (FHA) into a government corporation, streamlining HUD program operations throughout the Department and reducing the number of field offices from 81 to 60. Congress has not enacted most of these proposals and most of the other initiatives are in various stages of development and/or implementation. Subsequently, Secretary Cuomo made the decision not to close any of HUD's field offices. Also, in May 1998, Secretary Cuomo publicly announced to Congress that without Congressional action on HUD's legislative proposals for program consolidation, a more appropriate staffing level for the Department would be approximately 9,300 FTE.

The 7,500 FTE level established in 1994 was for Salaries and Expenses (S&E) employees only. The referenced 10,000 current staffing level appears to include staff from the Office of Inspector General, the Office of Federal Housing Enterprise Oversight, and the Working Capital Fund. As of July 3, 1999, the S&E staffing level was 9,200.

It is anticipated that a staff needs analysis by office and function will be a product of the new Resource Estimation Allocation Process (REAP) which is discussed in further detail in the previous staffing response. This type of information will be available upon completion of 1 full-year utilizing REAP, i.e., from initial resource estimation through allocation and validation.

The Department's fiscal year 2000 budget justification, submitted to the Congress in February 1999, includes the following staffing assumptions.

FULL-TIME EQUIVALENT (FTE) EMPLOYMENT

[Excludes Overtime and Terminal Leave]

	Estimate fiscal year		Increase or decrease [1]
	1999	2000	
Salaries and Expenses, HUD	$9,386	$9,383	−$3
Other Funds	1,182	1,195	+13
Total, HUD FTE	10,568	10,578	+10

[1] Fiscal year 2000 vs. fiscal year 1999.

Note: Other funds include Working Capital Fund, Office of Inspector General, and Federal Housing Enterprise Oversight.

These staffing estimates are consistent with the overall program proposed for HUD, and with the detailed budget justifications for individual program activities, which were submitted to the Congress as part of the fiscal year 2000 budget.

Moreover, these estimates should be viewed in the context of the longer term trend where total HUD staffing has declined significantly. The total HUD staffing level of 10,578 FTE for fiscal year 2000 is a reduction of 25 percent from the level of 14,073 FTE in fiscal year 1992. Similarly, the Salaries and Expenses, HUD account staffing level of 9,383 FTE for fiscal year 2000 is a reduction of 29 percent from the level of 13,167 FTE in fiscal year 1992. For comparison, these staffing reductions are taking place while HUD's outlays are projected to increase by 33 percent from fiscal year 1992 to fiscal year 2000.

Also, HUD's staffing can be viewed in the context of broader, governmentwide employment trends. HUD's 25 percent staffing reduction from fiscal year 1992 to fiscal year 2000 is taking place while, over the same time period, Executive Branch civilian employment is decreasing by 16 percent and, excluding the Department of Defense, total civilian agency employment is decreasing by less than 4 percent. (The historical comparisons of HUD outlays, Executive Branch civilian employment, and civilian agency employment are found in Historical Tables that accompany the Budget of the United States Government, fiscal year 2000.)

HUD's current staffing levels must reflect programmatic needs and reflect current policies and programs, as legislated by the Congress. Future reductions in HUD's staffing levels will depend on improvements in the housing portfolio, with commensurate reductions in the number of troubled properties, and will depend on future Congressional legislation to modify HUD mandates. HUD will continue to work cooperatively with the Congress to consider ways to attain these critical prerequisites for making future staffing reductions.

PUBLIC HOUSING COSTS

Question. What are the actual costs needed to administer public housing as opposed to the current funds provided through formula?

Answer. The current Performance Funding System (PFS) for public housing is based on the operating expenses of a well-managed Public Housing Authority (PHA) in 1974, updated to reflect changes in inflation, and with additional funding provided for costs of employee benefits and insurance. Utility costs are now handled separately with actual utility costs forming the basis for HUD subsidy in this area. Under this system, HUD provides subsidy to PHAs to make up the difference between PHA income, principally tenant rent, and the amount of funds needed to bring the PHAs up to their Allowable Expense Levels under the PFS and pay for utilities.

Under this system, most PHAs are operating at a satisfactory or higher level of performance and have operating reserves of 40 percent or more. Obviously, the system provides a reasonable level of funding for most PHAs, and pays for the actual costs PHAs are incurring in running their public housing.

There is interest in the PHA community in exploring a system that is based on the actual cost to a PHA of undertaking the range of activities associated with operating public housing, including administration, maintenance, security and tenant services. This approach would call for setting standards for conducting each of the activities, input measures, and determining the cost of the activities. Standards and costs using this approach have not been established by HUD. A long-term study would be needed to develop this information.

Question. Because of the new flexibility provided to PHAs in the fiscal year 1999 Appropriations Bill, how much less funding will PHAs need to operate?

Answer. The fiscal year 1999 Appropriations Bill provides new flexibility to PHAs in many areas, including admissions, and rent-setting. It encourages admission of families with a wide-range of incomes and provides for PHAs to establish incentives to help move resident households from welfare to work. Over time this could result in higher tenant rents, and thus in lower subsidy needs. At the same time, the fiscal year 1999 Appropriations Bill mandates new responsibilities on PHAs, so that overall PHA operating costs are not expected to decline.

Question. Please provide a salary analysis of staffing by each PHA?

Answer. HUD does not collect this information, since HUD does not review and approve PHA salaries, believing that would be micromanagement of this program.

Question. How do costs of operating public housing compare with privately owned rental housing?

Answer. It is not possible to directly compare public housing costs with the costs of privately owned rental housing for several reasons.

First, public housing costs include elements not found in the private sector, such as the extensive administrative costs associated with required functions such as verification of tenant income, rent-setting based on income, lease and grievance requirements, planning and reporting requirements, and the need to arrange for the provision of services to residents. Private housing costs do not usually include these requirements, but do include elements not found in public housing, such as property taxes and principal and interest on debt financing for the housing. Thus, the costs are not comparable, and a number of assumptions and adjustments must be made to attempt to compare them.

Second, data for public housing is generally available by PHA, that is for the entire aggregate of projects. The private sector data is reported on a project-by project basis. To compare the two would require the development of a "synthetic PHA," aggregating data for a number of projects.

Third, available private sector data is limited and reported voluntarily, and therefore may or may not reflect actual costs in the market place.

Given these constraints, we do not think it is possible to compare public housing and private rental housing costs in any meaningful way.

A fuller discussion of these issues is contained in Chapter 3, "Alternative Funding Systems: A System based on Private Market Operating Costs," of the HUD report Revised Methods of Providing Federal Funds for Public Housing Agencies: Final Report, June 1994. (copy attached)

[CLERK'S NOTE.—The HUD report "Revised Methods of Providing Federal Funds for Public Housing Agencies: Final Report," can be found in the subcommittee files.]

MARK-TO-MARKET

Question. I remain concerned about the progress the Office of Multifamily Housing and Assistance Restructuring (OMHAR) has made in developing and implementing the Mark-to-Market Program. I cannot stress enough how important this program is to residents and communities and that the implementation of Mark-to-Market will be one standard that many in Congress will be measuring the Department's credibility in its management reform efforts. What is your expected timeline in completing negotiations with the state HFA's?

Answer. We have made tremendous progress in implementing the Mark-to-Market program. As of today, we have agreements with 19 public housing finance authorities, including Missouri, and expect to have agreements with another 13 within the next month. We have been consulting with state and local housing finance authorities for over 6 months. This consultative process resulted in the development of important documents such as the operating guide and a generic contract (called a Portfolio Restructuring Agreement, or PRA) for use by public entities participating in our program as a PAE (or Participating Administrative Entity). A high priority for the past several months has been the negotiation and signing of PRAs with individual state and local housing authorities and, thereafter, the actual assignment of properties for restructuring. We are continuing to make every effort to successfully negotiate contracts with interested state and local HFAs. No deadline on such discussions exists and none will be established to curtail our efforts to sign public PAEs. At the same time, we remain cognizant of our responsibility to manage this important program to restructure low-income residential properties for the benefit of tenants, owners and taxpayers and we will take appropriate and necessary actions to assure that properties in our program are restructured without inordinate delay.

As of today, approximately 500 properties are in our portfolio available for restructuring. With these actions and with the actions detailed below, approximately 400 of these properties will be assigned for restructuring.

Question. Has OMHAR begun discussions with the private sector entities that have qualified for the program?

Answer. With OMHAR's emphasis on signing contracts (PRAs) with public entities, it has had only limited discussions with private sector entities (including nonprofit organizations). However, we had only recently engaged in a formal solicitation to award assets. Contracts to three firms were awarded through a competitive bidding process.

There were several reasons for this. Among them, there are states in which a housing finance authority decided not to become a PAE. These include: Alaska, Arkansas, Hawaii, Kansas, Mississippi, Montana, Nebraska, Nevada, and Wyoming.

OMHAR has also awarded properties for restructuring to private PAEs under special circumstances. In two cases, we were told by the state that, although they were still interested in being a PAE, their organization needed more time to process the contract and receive approval from their respective Boards. Here, with the informal assent of these states, we awarded a limited number of assets in order to give them the time they needed.

In one other case, OMHAR has awarded a contract to a PAE during lengthy but, to date, inconclusive discussions with a potential public PAE due to the rapid accumulation of properties eligible for immediate restructuring that became a matter of mutual concern to both OMHAR and the potential PAE. To address this urgent situation, and faced with the prospect of an anticipated deluge of additional properties, OMHAR took the measured step of assigning a portion of the backlog of properties to a nonprofit organization for immediate restructuring. However, we reserved the number of assets which the PAE stated was its quarterly capacity in the event an agreement could be reached. The firm that was selected was a not-for-profit organization with significant experience in restructurings and with a history of valuing tenant and community relationships.

Queston. What is the disposition of these discussions?

Answer. OMHAR is not involved in general or ongoing contract discussions with private sector entities. Our focus remains on signing PRAs, wherever possible, with public entities. The use of private sector organizations (including nonprofits) to date has been limited to the following instances:

—there is no public PAE in the jurisdiction and eligible properties await restructuring;

—a public entity has declined, or is unable, to participate as a PAE (i.e., some state laws operate to prevent potential public PAEs from complying with the terms of the contract, or for other reasons); or

—urgent and immediate attention is required, for problems such as the high volume of properties already in the pipeline and either no contract is in place to allow a public entity to provide restructuring services or the restructuring workload would strain and perhaps even exceed the resources and capabilities of the public entity.

SINGLE FAMILY PROPERTY DISPOSITION

Question. One of the areas of concern that the recent financial statement audit identified in FHA's single family property disposition program, Over a year ago, GAO revealed numerous case examples where HUD contractors were not securing or repairing foreclosed properties and HUD was failing to perform its basic oversight functions over the contractors. A recent NBC Nightly News "Fleecing of America" feature displayed the same problems that GAO had identified.

Here is a clear example of where HUD is not performing its basic functions and is acting as a bad landlord. I believe recent HUD OIG testimony illustrated clearly this problem. Instead of meeting HUD's REO mission to reduce its foreclosed inventory in a manner that (1) expands homeownership, (2) strengthens neighborhoods and communities, and (3) ensures maximum return to the mortgage insurance fund, HUD is doing the opposite. For example, HUD's foreclosed inventory has increased 70 percent from about 24,700 properties in 1996 to over 43,000 in 1999.

Because we realized HUD's current system was broken, we passed legislation in last year's appropriation to address this problem. What is HUD doing currently to address its foreclosed inventory both in property disposition and loss mitigation? Does HUD have any evidence that problems identified in the NBC feature are being resolved? Has FHA's foreclosure inventory and turnover rate gone down? Why or why not?

Answer. HUD's contracts for private sector Marketing and Management (M&M) contracts, which became effective in March of 1999, are expected to reduce the current problems with property inventories, and to mitigate losses by providing greater recoveries. The contractors, who receive their remuneration from a percentage of the

sales price, have a strong economic incentive to secure and maintain the properties, market them vigorously, and turn them around as fast as possible for as high a price as possible. These contracts are expected to reduce inventories by faster sales, and reduce losses to HUD by lower holding costs and by higher sales prices. While the number of single family properties in inventory increased by about 4,000 properties from the end of fiscal year 1998 through March 1999, the inventory is expected to start to decline by the end of 1999.

FHA is strengthening and expanding monitoring of the performance of property disposition activities under the M&M contractor. First, the M&M contractors have a strong financial incentive to maintain and turnover properties, since their fee is based on a bid percentage of the sales cost of the properties. Second, other contractors are monitoring the M&M contractors performance. Third, the Homeownership Centers (HOCs) are required to issue monthly reports on the activity in the areas for which they are responsible, including field checks of the contractors records, and on-site examination of a portion of the properties involved.

YEAR 2000

Question. In a recent Associated Press news article, issues were raised with a number of Federal government agency "Year 2000" or Y2K efforts. One of the agencies cited was HUD. According to this article, in August 1997, the government listed 231 computer systems at HUD as "mission-critical." However, since then HUD had dropped from 231 systems to 62. As a result, Y2K compliance jumped from 22 percent to 73 percent. Some of the systems reclassified by HUD was the Multifamily Data Warehouse, which was phased out last November without a replacement, and the Funding and Contracting System, replaced in March by the Grants Evaluation Management System. How does the Department define "mission-critical" in context of the Y2K problem?

Answer. A HUD application system is assigned Year 2000 "mission-critical" status if it supports HUD's mission to provide a decent, safe, and sanitary home and suitable living environment for every American. Specifically it includes the critical application systems that support the following strategic objectives:

—fighting for fair housing;
—increasing affordable housing and home ownership;
—reducing homelessness;
—promoting jobs and economic opportunity;
—empowering people and communities; and
—restoring public trust.

Question. Please explain why HUD dropped 169 formally classified "mission-critical" systems and what functions these dropped systems play in the Department's operations and management. Also, please explain if any of the dropped systems are still being used by the Department and if there are any plans to address their compliance needs.

Answer. Senator, the Associated Press was in error when making this statement. The 231 systems referenced earlier included both "mission-critical" and "non mission-critical" application systems. Since HUD established its application inventory in 1997, only 75 HUD systems were identified as "mission-critical." The Office of Management and Budget (OMB) defines "mission-critical" differently than HUD (OMB excludes systems that are "Being Built Compliant") and that is how the 62 systems (75–13 "Being Built Compliant") mentioned in your question were identified. HUD has completed the Renovation, Validation, and Implementation of its entire application inventory (mission-critical and non mission-critical) on or ahead of all OMB Year 2000 mandated goals. In addition, HUD has deactivated all "mission-critical" systems whose disposition was Phase Out-No Replacement or Phase Out-With Replacement.

FHA SINGLE FAMILY PROPERTY DISPOSITION

Question. New legislation was included in last year's appropriations to improve FHA's single family property disposition program. A significant component of the legislation is to enable communities to designate areas where a nonprofit or local government can negotiate an agreement with HUD for the bulk purchase and sale of all FHA foreclosed single family properties. What steps has HUD taken to engage nonprofit and government organizations in the process of implementing this new legislation?

Answer. FHA has been dealing with localities and non-profits on revitalization areas, and developing asset control areas. Currently, these organizations can buy HUD-held properties at a discount, and, by bulk purchases with simultaneous closings, qualify for greater savings than on individual properties.

Question. Given the important role of nonprofit organizations in the new program, has HUD given any thought to providing technical assistance to such entities?

Answer. HUD has several program areas involved with technical assistance, including the new Community Builder positions. FHA, as an insurance operation, would not appear to be the organization best suited to offer technical assistance.

Question. Has the Department examined ways that it might cooperate to share risk and thereby promote the goal of neighborhood stabilization?

Answer. FHA has tried over several years, without success, to achieve feasible risk sharing agreements. The Secondary Market Demonstration project, for which FHA is currently evaluating proposals, is a risk-sharing program with grants for $10 million. Awards are expected to be made in about 60 days.

Question. The conference report also requested the Department to provide any statutory changes necessary to implement a comprehensive loss mitigation program. What is the Department's current thinking on this matter?

Answer. Current increases in loss mitigation activity indicate that the program is a success and that major legislative changes are not necessary. The loss mitigation activity, excluding preforeclosure sales, has gone from about 700 cases in 1997, to 4,400 cases in 1998, to an estimated 20,000 cases in fiscal year 1999. Fiscal year 1999 loss mitigation cases through May total over 13,000—over 20 percent of total single family claims to date.

Question. Will the Department be sending any statutory recommendations?

Answer. The Department is currently examining possible substantive legislative proposals, as part of the budget process, and will propose changes as needed. A proposal to raise the fiscal year 2000 MMI commitment limitation to $140 billion, the same as contained in the fiscal year 1999 Emergency Supplemental, is currently under review.

FAIR HOUSING ACTIVITIES RE: PROPERTY INSURANCE

Question. In our past four Committee Reports on HUD appropriations, we have addressed the use of funds for enforcement of the Fair Housing Act against property insurers. We have repeatedly pointed out that the Fair Housing Act, while expressly applicable to landlords, real estate brokers, and mortgage lenders, makes no mention of property insurers or their business practices. In light of that, and because the statute's legislative history indicates that the law does not apply to insurance, we have urged that HUD not spend fair housing funds on activities relating to insurers. In particular, with respect to Fair Housing Initiatives Program—the "FHIP"—our Reports have stated that, in light of the limited resources available, FHIP funds should "be used only to address such forms of discrimination in the sale, rental, and financing of housing as they are explicitly identified and specifically described" in the Fair Housing Act. This statement clearly indicates that we intend that FHIP funds not be used for activities relating to enforcement of the Fair Housing Act against insurers. What steps has HUD taken to ensure compliance with our intent in this regard?

Answer. We understand the concerns of the Committee and are sensitive to them. As you know, however, HUD and the Department of Justice believe the Fair Housing Act (FHAct) covers discrimination by property insurers. In implementing the Fair Housing Amendments Act of 1988, HUD issued regulations in 1989 making explicit that such insurance discrimination constitutes prohibited conduct. Since issuing these regulations, all circuit court decisions have supported the application of the FHAct to property insurance discrimination and have not found the Department's interpretation inconsistent with the McCarran-Ferguson Act. Nationwide Mut. Ins. Co. v. Cisneros, 52 F.3d 1351 (6th Cir. 1995) (Kennedy, J., dissenting), cert. denied, 516 U.S. 1140 (1996). As HUD is required to enforce all provisions of the FHAct, it must enforce the law with respect to insurance discrimination.

Moreover, individuals who believe they have suffered insurance discrimination continue to seek the assistance of organizations HUD funds through its competitive grant program. Requirements for the program are highlighted annually in the Notice of Funds Availability (NOFA). In light of the Committee's concerns, since 1997, FHIP NOFAs have made clear that HUD will not fund activities aimed solely at insurance discrimination. Instead, it funds organizations which propose enforcement-related activities which are broad-based and full-service. Broad-based means projects are not limited to a single fair housing issue, i.e., they must cover multiple issues related to housing discrimination covered under the FHAct (e.g., insurance, mortgage lending, advertising, sales, and rentals). Full-service means they cannot be restricted to testing activities, but also must include complaint intake, investigation, etc.

We believe this approach is sensitive to the Committee's congressional concerns and is consistent with HUD's statutory obligation to enforce the FHAct.

USE OF FHIP FUNDS FOR HOMEOWNERS' INSURANCE-RELATED PURPOSES

Question. Despite our directive against the use of FHIP funds for insurance-related purposes, HUD apparently has failed to inform FHIP grant applicants and grantees that they are not to use the grants for activities aimed at homeowners' insurers. Moreover, in HUD's most recent announcements of FHIP awards, the agency has not provided any indication of how the funds will be used whereas such uses previously were specifically identified. Why are you not informing the public regarding the uses to which FHIP funds will be put, and how are we to know whether you are adhering to our intent that they not be used in the insurance area?

Answer. In the past, the Department published in the Federal Register an announcement identifying the organizations selected for FHIP awards each year. Although the Department did not publish the announcement of the 1998 awardees in the Federal Register, the HUD Web site did inform the public of the recipients of the 1998 grants, and provided a brief description of each project. We believe the utilizing the HUD web site is a very effective means of communicating with the general public and simultaneously informing our stakeholders. Although, the HUD web site have been publicly recognized as singularly effective, we will certainly revisit the policy of publishing the awards in the Federal Register as well. We also want to state again that we have responded to Congressional concerns regarding property insurance issues and that since 1997, FHIP NOFA, have made clear that HUD will not fund activities aimed solely at insurance discrimination. Instead, we fund organizations where enforcement-related activities are broad-based and full service. We believe this approach is sensitive to the Committee's concerns and is consistent with HUD's statutory obligation to enforce the Fair Housing Act.

[Press Release, November 24, 1998]

PRESIDENT CLINTON ANNOUNCES $11.5 MILLION IN GRANTS TO HELP GROUPS IN 42 CITIES CRACK DOWN ON HOUSING DISCRIMINATION

(HUD News, HUD No. 98–628)

WASHINGTON—President Clinton today announced $11.5 million in grants to groups in 42 cities to help them carry out his crackdown on all types of housing discrimination, including a new focus on reducing discrimination against recent immigrants, who are predominantly minorities.

"Members of every family in America want to be able to live in any neighborhood and in any home they can afford, free from discrimination," President Clinton said. "The Fair Housing Act gives families this legal right, and we are determined to enforce it as part of our initiative to create One America of equal opportunity."

Housing and Urban Development Secretary Andrew Cuomo said that in addition to continuing efforts to wipe out housing discrimination against minorities and others born in the United States, many of the HUD grants are targeted to groups that have not traditionally sought assistance in fighting housing discrimination, particularly new immigrants.

"The Statue of Liberty doesn't have an inscription saying 'Give me your tired, your poor, but keep them out of nice white neighborhoods,' Cuomo said. "People who flee persecution elsewhere in search of the American Dream shouldn't have to suffer discrimination in our country."

Cuomo said private, non-profit fair housing groups in the following states will get the $11.5 million in grants from HUD to investigate allegations of housing discrimination, educate the public and housing industry about housing discrimination laws, and work to promote fair housing.

Alabama	$294,005
Arizona	200,000
California	1,700,000
Colorado	305,158
Dist. of Columbia	93,259
Georgia	277,000
Illinois	899,966
Indiana	218,366
Kentucky	349,995
Louisiana	350,000
Massachusetts	243,430
Michigan	350,000

Minnesota	337,750
Missouri	421,282
Montana	448,626
Nevada	204,679
New Jersey	350,000
New York	616,112
North Carolina	448,557
Ohio	300,000
Oregon	182,847
Pennsylvania	810,000
Tennessee	474,493
Texas	932,883
Virginia	350,000
Washington	350,000

"Housing discrimination is illegal, intolerable and un-American" Cuomo said. "The grants we're awarding today will strengthen our partnership with local groups around the country working to put a stop to this outrageous conduct."

The Fair Housing Act bars housing discrimination on the basis of race, color, religion, sex, disability, family status and national origin. The Act covers the sale, rental, financing and advertising of almost all housing in the nation. Fair housing investigations are conducted by HUD investigators, state and city agencies working with HUD, and private fair housing groups that receive HUD funds.

Unlike past years, today most immigrants to the United States are minorities. While 85 percent of immigrants were white Europeans in 1900, only 16 percent of immigrants were Europeans in 1996.

Studies show that minority immigrants experience worse housing conditions than European immigrants. In addition, recent immigrants are less likely to be homeowners than earlier immigrants, and non-English speaking immigrants face special difficulties in understanding their fair housing rights.

Cuomo said all types of housing discrimination are much harder to detect today than they were years ago, making it more important than ever for HUD to work in partnership with local groups to root out illegal acts of discrimination.

"Today housing discrimination is subtle, not blatant," Cuomo said. "For example, landlords usually don't say openly that they don't rent to blacks or Hispanics—they just say there are no vacancies when a minority shows up. Then, miraculously, several vacancies suddenly appear when a white person walks in five minutes later."

The grants, which are funded under HUD's Fair Housing Initiatives Program, will address sophisticated and subtle forms of discrimination through paired testing as well as other investigative tools.

During testing, people of different backgrounds—based on their race, ethnicity, family status, sex, religion or disability—pose as prospective renters or homebuyers. Testers—who state they have similar incomes, assets and credit ratings—check to see if they are treated differently from one another by landlords, people selling homes, lenders making mortgage loans, or companies selling homeowners insurance.

Just last month, a Richmond, VA, fair housing group using HUD funds for testing won a record $100 million racial discrimination judgment against Nationwide Insurance Co.

The grants announced today will also be used to investigate housing discrimination complaints, to educate members of the public about their rights, and to train housing industry groups and local governments on their responsibilities under the Fair Housing Act.

A total of $800,000 of the grant money, which went to five groups, was set aside to expand fair housing services to people with disabilities.

Cuomo last week announced the most comprehensive and sophisticated nationwide audit ever conducted to test for and evaluate housing discrimination in urban, suburban and rural communities around the nation. The audit will include 3,000 to 5,000 tests for housing discrimination. Testers will examine and evaluate patterns and trends in housing sales, rentals, and mortgage lending to minorities.

Since 1993, HUD has received nearly 44,000 fair housing complaints and has helped obtain over $150 million in settlements and court judgments in housing discrimination cases. This year HUD has also obtained commitments from lenders to make over $3 billion in home mortgage loans to minorities and low-income families to settle accusations of housing discrimination.

As part of his One America Initiative, President Clinton directed Cuomo to double enforcement efforts brought against perpetrators of housing discrimination by the year 2001. HUD has already doubled its enforcement actions to a rate of 60 to 70

a month, compared with less than 30 enforcement actions per month during the Clinton Administration's first term.

Cuomo said HUD will be able to continue moving aggressively against housing discrimination as the result of an increase in the budget of its Office of Fair Housing and Equal Opportunity from $30 million in the 1998 fiscal year to $40 million in the current fiscal year.

People who believe they've been harmed by housing discrimination can file complaints with HUD by calling 1–800–669–9777 or on the Internet at http://www.hud.gov/hdiscrim.html

Fighting Housing Discrimination fiscal year 1998 Fair Housing Initiatives Program (FHIP) Awards

FIGHTING HOUSING DISCRIMINATION—FISCAL YEAR 1998 FAIR HOUSING INITIATIVES PROGRAM (FHIP) AWARDS

(ALPHABETICAL BY STATE, AND CITY WITHIN THE STATE)

ALABAMA

The Fair Housing Agency of Alabama, based in Mobile, received $94,718 to continue maintenance and enforcement of fair housing laws in Southern Alabama and assist residents to exercise their fair housing rights.

The Mobile Fair Housing Center received $199,287 to provide fair housing activities in Southern Alabama. Enforcement action will be conducted in both the State's metropolitan and rural areas. The grant will enable the organization to expand its capacity to provide fair housing enforcement services that address the needs of people with disabilities.

ARIZONA

The Arizona Center for Disability Law, with offices in both Phoenix and Tucson, received $200,000 to enforce fair housing rights for persons with disabilities in Arizona.

CALIFORNIA

California Rural Legal Assistance, based in San Francisco, received $100,000 to develop, implement and coordinate a fair housing public education campaign in agricultural regions of the state.

The Fair Housing Council of Riverside County received $202,357 to expand and enhance private enforcement and education outreach components of its present fair housing program and to expand services.

The Fair Housing Council of Fresno received $100,000 for outreach and education to consumers, housing providers and government officials in the Central Valley of California. The Council will also provide individual assistance to consumers.

The Fair Housing Council of San Gabriel Valley in Pasadena received $291,850 to help remove barriers to fair housing.

Sentinel Fair Housing of Oakland received $349,900 to provide technical assistance, recruit and train new rental housing testers, provide for complaint intake, and undertake tests for accessibility.

Community Legal Services, based in San Jose, received $350,000 to provide fair housing advocacy for people of various protected classes. The organization will also investigate complaints, undertake testing and do referrals.

The Fair Housing Council of Marin, in San Rafael, received $297,485 to work with traditional civil rights groups located in Sonoma City, an area underserved by fair housing organizations.

COLORADO

Newsed Community Development Corporation of Denver received $305,158 for testing, complaint referral, pre-application tests of non-regulated lenders and regulated lenders, and referrals of fair housing/fair lending complaints to HUD.

DISTRICT OF COLUMBIA

The Judge David L. Bazelon Center for Mental Health Law of Washington, DC received $93,259 to conduct an 18-month campaign of testing, administrative enforcement and litigation in northern Virginia. The Mental Health Center will work with Independent Living Centers to assist people with disabilities to exercise their fair housing rights.

GEORGIA

Metropolitan Fair Housing Services received $277,000 to address all discriminatory housing practices against Georgia's Hispanic communities.

ILLINOIS

Access Living of Metropolitan Chicago received $350,000 for disability projects that address the fair housing enforcement needs of persons with disabilities.

The John Marshall Law School received $349,972 to contribute to the goal of substantially increasing enforcement actions with vigorous testing and enforcement.

Latinos United of Chicago received $100,000 to develop a comprehensive Latino suburban fair housing program.

St. Clair County received $99,994 to target predominantly African-American inner city, low- and moderate-income people for rental, sales, and lending education and to provide outreach to the homeless for rental education.

INDIANA

Northwest Indiana Open Housing received $218,366 to employ rental and sales tests in an effort to stamp out housing discrimination.

KENTUCKY

The Lexington Fair Housing Council received $349,995 to continue enforcement of fair housing laws through testing, filing of complaints, complaint processing, enforcement, and analysis of impediments and related activities.

LOUISIANA

The Greater New Orleans Fair Housing Action Center received $350,000 to counteract housing discrimination on behalf of all protected classes in all housing markets, through a variety of methods.

MASSACHUSETTS

The Housing Demonstration Project in Holyoke received $243,430 to work with traditional civil rights groups and the Legal Assistance Corporation of Massachusetts, to work on fair housing issues and concerns.

MICHIGAN

The Fair Housing Center of Metropolitan Detroit received $350,000 to conduct housing discrimination activities in 11 counties served by regional fair housing organizations.

MINNESOTA

Southern Minnesota Regional Legal Services received $337,750 for a fair housing enforcement project that will extend enforcement services to reach all protected classes.

MISSOURI

Metropolitan St. Louis Equal Housing Opportunity Council received $71,282 to increase work on discrimination complaints from immigrants and homebuyers through seminars, focus groups and public forums.

The Kansas City Fair Housing Center received $350,000 to continue its outreach and collaboration with local consortiums and to extend partnerships with community education programs.

MONTANA

Montana Fair Housing, based in Missoula, received $350,000 to conduct education and outreach and perform testing and other investigative activities that can lead to the filing of fair housing complaints, particularly from Native Americans.

Billings Community Housing Resource Board received $98,626 to provide people with disabilities, Native Americans, women and the housing industry with information on fair housing laws and rights.

NEVADA

The Nevada Fair Housing Center in Las Vegas received $204,679 to conduct private enforcement activities including complaint intake, referral, testing, and conciliation of fair housing claims.

NEW JERSEY

The Fair Housing Council of Northern New Jersey received $350,000 to conduct fair housing testing in Northern New Jersey.

NEW YORK

Asian Americans for Equality, based in New York City, received $213,626 for fair housing efforts targeted to the growing Asian American community in New York City.

The Open Housing Center in New York City received $350,000 for testing, to investigate complaints of discrimination, and for education efforts.

Greater Upstate Law Project of Rochester received $52,486 to develop a statewide Electronic Center for fair housing; service areas in semi-rural New York with its web site and to train social workers in fair housing complaint intake and processing.

NORTH CAROLINA

The Winston-Salem Human Relations Commission received $100,000 to provide education and outreach to African Americans, Hispanics, elderly and disabled, and households with children that have unmet fair housing needs.

The North Carolina Fair Housing Center received $348,557 to investigate all areas of housing discrimination, refer complaints to appropriate enforcement agencies including HUD and to investigate and test the nature and level of predatory lending and racial steering.

OHIO

The Fair Housing Center of Toledo received $300,000 to enhance its fair housing programs, combat illegal housing practices and to affirmatively further fair housing. The grant to the Fair Housing Center of Toledo will also enable it to enter into partnership with private enforcement organizations, local government agencies or traditional civil rights organizations and focus on systemic investigations of housing discrimination.

OREGON

The Oregon Advocacy Center received $182,847 to build on existing services of community training, information, referral of fair housing complaints and legal representation for victims of housing discrimination. The Center will work with the Fair Housing Council of Oregon to build upon its existing enforcement services.

PENNSYLVANIA

The Tenant's Action Group (TAG) in Philadelphia received $350,000 to expand regional fair housing activities performed by TAG under four previous FHIP grants, which also included a Delaware Valley Fair Housing Partnership. This regional partnership consists of five agencies that collectively enforced federal, state and local fair housing laws in the city of Philadelphia and its suburban counties in Delaware and southern New Jersey.

The Public Interest Law Center of Philadelphia received $300,000 for fair housing enforcement actions and to conduct investigations of systemic housing discrimination.

The Reading-Berks Human Relations Council of Reading received $160,000 to provide community-based fair housing intake, investigations, mediation, conciliation, testing and education services.

TENNESSEE

The Tennessee Fair Housing Council, based in Nashville, received $349,875 to continue its efforts of enforcement through testing, filing of fair housing complaints, complaint processing and the gathering and dissemination of fair housing information and data.

Memphis Area Legal Services received $124,618 to implement a program to identify and take action to remove architectural barriers to fair housing for individuals with disabilities.

TEXAS

A Fair Housing Center in Houston will be started by the National Fair Housing Alliance, which received $399,989 for the project. Houston is regarded as an underserved area—one that currently is not served by a private or public fair housing enforcement organization. Activities being funded under the grant will address the fair housing needs of new immigrant groups and those of other underserved populations.

Hidalgo County received $88,895 to promote equal opportunities and to eliminate fair housing barriers through a newly created fair housing center for Hildalgo County.

The San Antonio Fair Housing Council received $350,000 to sustain its relatively new organization. Funds will also be used to recruit and train testers, conduct 282 tests, investigate fair housing complaints and to undertake litigation.

The Austin Tenant's Council received $93,999 to address a high denial rate for minority home mortgage applicants and to address the lack of accessible housing in Austin, Texas.

VIRGINIA

Housing Opportunities Made Equal of Richmond received $350,000 to undertake an enforcement project which covers two thirds of the Commonwealth of Virginia. Fair Housing protections will be provided for African-Americans, Hispanics and other protected classes under the Fair Housing Act.

WASHINGTON

The Northwest Fair Housing Alliance (NWFHA) received $350,000 to continue its enforcement activities in Spokane and to extend its services to immigrants and American Indian citizens.

USE OF FHIP FUNDING

Question. For the hearing record, could you please provide a detailed accounting for the agency's expenditures in the past three years on any and all activities relating to alleged discrimination by homeowners' insurers?

Answer. HUD does not fund projects which focus solely on property insurance discrimination or any other single practice prohibited by the Fair Housing Act. The broad-based projects which have been funded over the past three years may include property insurance matters among the issues they review. Although we are unable to identify the specific dollars each project has spent on such activities (and sometimes such activity may be as minimal as responding to a telephone call from the public seeking information about their rights), we can provide you with FHIP dollars assigned to the enforcement-related initiatives for the past 3 years. We estimate that less than 1 percent of the funds below have supported insurance-related activity in fiscal years 1997 and 1998.

[In millions of dollars]

Private Enforcement Initiative Funds, by fiscal year:	
1999	9.3
1998	9.3
1997	10.5
Fair Housing Organizations Initiative, by fiscal year:	
1999	1.2
1998	1.6
1997	4.05

USE OF FHIP FUNDING

Question. For the hearing record, could you please identify the uses to which FHIP grants funded with fiscal year 1998 appropriations were put?

Answer. For fiscal year 1998, HUD awarded a total of $15 million to grantees under the FHIP. Of this total, $3.5 million went for the National Education and Outreach Program. The objectives of this program are to: (1) provide fair housing information to the public and (2) develop and implement methods for preventing and responding to the community tensions arising from persons exercising their fair housing rights.

The other $11.5 million of the $15 million total went for the regional, local, and community based programs. HUD allocated this $11.5 million as follows:

(1) $9.3 million for the Private Enforcement Initiative:

—$7.8 million is the "General Component," used for 24-month projects. Each project has a $350,000 cap.

—$1.5 million went for the "Joint Enforcement Project Component," used to promote partnerships between private fair housing enforcement organizations, FHAP agencies and/or traditional civil rights organizations to focus on systemic investigations of discrimination. The projects are for 18 month projects, with caps of $300,000 per project.

(2) $1.2 million to the Fair Housing Organizations Initiative:

—$800,000 went for the "Continued Development Component," which enhances the ability of organizations to help persons with disabilities pursue their rights under the FHAct.

—$400,000 went for the "Establishing New Organizations Initiative," which funds the creation of a new fair housing enforcement organization in an underserved area. This is a 24–36 month project.

(3) $1 million for the "Education and Outreach Initiative" which supports regional, local and community-based education and outreach efforts. The projects run for 18 months. The award cap is $100,000.

QUESTIONS SUBMITTED BY SENATOR BURNS

INDIAN HOUSING BLOCK GRANT PROGRAM

Question. The population on Indian reservations has been growing lately and will continue to grow in the future, especially now with the implementation of the "Welfare to Work" program. This increase in population will, in turn, exacerbate the housing problems on our reservations and the demand for housing will grow. The funding for Indian housing programs has been flatlined for fiscal year 2000. Why isn't there an increase in funding for Indian Housing in fiscal year 2000? What are your plans to combat the impact of this population influx?

Answer. The President's fiscal year 2000 Budget request continues to support budget increases that were provided in fiscal year 1999 for the Indian Housing Block Grant (IHBG) program, the Section 184 Indian Housing Loan Guarantee Fund and the Indian Community Development Block Grant program. Other programs proposed for fiscal year 2000 from which Indian Tribes and their Tribally Designated Housing Entities are expected to benefit include the Welfare-to-Work (WTW) Section 8 Voucher Program (25,000 units), and Service Coordinators for the Elderly, proposed to be funded at $50 million.

As the implementation of IHBG progresses, the Department must ensure that tribal management and operational capability exists. Some larger tribes now receive significantly more funding post-NAHASDA than they received under pre-NAHASDA programs. The Department is confident that the funding proposed in the President's fiscal year 2000 budget request is the optimum amount that can be prudently managed in Indian Country while maintaining the integrity of both the (1) programs and (2) Federal funds.

To date, there is no evidence of any large influx of Indians returning to their home reservations due to Welfare-to-Work initiatives. Should such a trend develop, however, it is expected that Indian tribes and TDHEs would compete favorably with PHAs for the WTW housing assistance funds.

RURAL HOUSING

Question. How much of HUD's annual budget is dedicated to rural housing? What is HUD's record in serving isolated rural communities? Of HUD's overall $2.5B increase proposed in the President's budget, what percentage of this increase will be going to rural America? I would like to see statistics and dollar amounts regarding urban versus rural housing.

Answer. Introduction. Historically, as the Department of Housing and Urban Development, urban affairs have been our primary focus for most of the agency's existence. While the U.S. Department of Agriculture (USDA) continues to have the lead through the Rural Development Agency, HUD's involvement in rural affairs has increased in recent years. For purposes of this response, the term "rural" has been interpreted to mean an area outside of a Metropolitan area OR an area outside urbanized areas within a Metropolitan area. This response does not include Native American Housing programs with the exception of Rural Housing. Research showed that our rural customers consist of:

—26.1 million households occupy units in rural areas; [1]
—37.3 million households occupy units outside areas that are not a part of central cities (AHS);
—non-entitlement recipients of CDBG, HOME and Emergency Shelter Grants;
—owners and managers of approximately 1,460 FHA-insured multifamily projects in non-metro areas; [2]
—over 100 State local and regional PHAs that operate public housing (17 percent of the approximately 1.3 million units) and administer (with State Housing Finance Agencies) certificates and vouchers (19 percent of the approximately 1.35 million units).[3]

I. COMMUNITY AND PLANNING DEVELOPMENT

The most specific instrument for distribution of funding to rural areas within CPD programs is through the Rural Housing and Economic Development program. In addition, assistance is provided to rural areas through many other of CPD's programs, as discussed below.

The fiscal year 2000 budget proposes $20 million for the Rural Housing Economic Development program to encourage new and innovative approaches to addressing

[1] American Housing Survey, 1995, hereafter referred to AHS.
[2] Assessment of the HUD-Insured Multifamily Housing Stock Final Report, 1993.
[3] Characteristics of HUD-Assisted Renters and Their Units in 1989, March 1992.

the housing and economic development needs of the Nation's rural populations. There is a great need to expand the supply of affordable housing in our rural communities. In addition, because of out-migration and disinvestment, many rural areas suffer from severe economic distress, with few employers and limited commercial activity. Rural areas must be able to attract and retain firms in economic growth sectors—innovative manufacturers, for example—to revitalize commercial streets where demand clearly exists but infrastructure has aged and capacity building is needed, and to carry out flexible micro-lending that supports promising enterprises. HUD has significant experience in the funding and development of housing and community economic development programs in rural areas-through the CDBG and HOME programs and others. The Department has special expertise in delivering technical assistance and building institutional capacity. The new Office of Rural Housing and Economic Development at HUD will effectively integrate the impact of HUD's formula grant programs with highly targeted new funding for innovative projects. HUD will continue to work closely with USDA, the Department of Interior, the Appalachian Regional Commission, other Federal agencies, and leading rural development groups to design more effective responses to the housing and economic development needs of our Nation's rural communities.

This will include examining our own programs to see if legislative and/or regulatory changes may be necessary to make them more responsive to rural needs. In addition, HUD plans to devote a number of our new Community Builder "specialists" to providing coordination and cross-state solutions to the problems facing rural areas including people living in Colonias, Native Americans, migrant farm workers and others.

While the population is growing in some rural areas, especially those focused on retirement or recreation, and particularly due to the foreign immigration and movement of urban/suburban residents away from central cities, the population continues to decline in most rural areas. This is in part due to the lack of industry relocations to these areas and the resulting lack of jobs. While some rural areas are benefiting from the strong economy nationwide, many are experiencing extremely high unemployment rates. Rural areas need to be able to increase the community and economic development funds that flow their way, to learn how to attract manufacturing, and to improve the capacity of nonprofit and other partners in determining the overall well-being of the area.

HUD has significant and historic experience in managing housing, community and economic development programs in rural areas, and continues to demonstrate this experience with and commitment to rural communities through several of its housing, community and economic development programs such as the Community Development Block Grant and HOME Investment Partnerships programs. This experience and the established partnerships that HUD has with organizations such as the Housing Assistance Council provide the basis for creating innovative approaches to the particular problems of people and families in the Nation's rural areas. Moreover, this new program will allow for the effective integration of HUD's formula and other existing community and economic development programs with the highly specific and targeted new funding. This integration of existing and new efforts will provide a strong synergy which will leverage the results of both the existing programs as well as the new program.

Homeless Programs/Continuum of Care

Between 10 and 15 percent of Homeless Assistance program funding goes to rural areas annually. In the 1998 competition, 383 of 2,644 projects (14 percent) were by applicants from rural areas. Of the $724 million awarded in the 1998 competition, $83 million (11 percent) were awarded to projects serving rural areas. Projects in rural areas fared well in the competition. Nationally, 56 percent of all projects were awarded funding; 56 percent of all projects serving rural areas were awarded funding. Nationally, 57 percent of total dollars requested were awarded; 51 percent of dollars requested for rural projects were awarded.

HOPWA

HOPWA funds are awarded to States and local governments for projects in jurisdictions which do not qualify for a formula allocation.

Approximately 10 to 15 percent of funds go to non-metropolitan areas. Data from the Center for Disease Control shows that 5.6 percent of cumulative AIDS cases are in rural counties. Of the 97 formula grants, 34 are for areas outside of qualifying metropolitan areas and states in aggregate received $30.862 million out of $200.475 million allocated in fiscal year 1999 by formula (15.4 percent). Thus, the $15 million increase is expected to provide about $2.3 million to $3 million for expanding HOPWA efforts in non-metropolitan areas.

For example, in 1998, a HOPWA Special Project of National Significance Award for $1,118,150 was given to the AIDS Task Force of Alabama, Inc., to operate the Alabama Rural AIDS Project. For very detailed information, we recommend going to our web page, www.hud.gov/cpd/hopwahon.html, where all HOPWA program descriptions (over 300 pages) can be found, including all of the State-wide programs that will involve activities in rural areas.

Community Development Block Grants

CDBG formula funds are split 70–30, with approximately 30 percent going to State and small city funding. Therefore, $38.79 million of the increase requested under CDBG will go to State and small city funding.

Based on historical data, about 52 percent of State CDBG money is awarded to municipalities with populations of 10,000 or less; about 14 percent to municipalities of over 10,000 and about 33 percent to counties. The 10,000 population cutoff used for CDBG reporting approximates the population ceiling for several USDA programs.

States spend about 50 to 55 percent of their money on public facilities with half of this going for water and sewer projects; about 22 to 26 percent for housing (over ⅔ of that for housing rehabilitation); about 16 to 22 percent is used for economic development and about 4 percent goes for planning and administration. In addition, the State CDBG program includes a requirement that the border States of Texas, New Mexico, Arizona and California use up to 10 percent of the State CDBG funds for Colonias. The Colonias and Migrant Task Force was created in 1995 to better coordinate HUD's efforts to serve the Colonias and farmworkers. Key accomplishments of this inter-agency working group include: a $1.3 million contract to provide technical assistance toward development of 500 units of housing in South Texas area and another 500 units in various farm worker locations in California; a 1996 internship program for young colonias residents interested in learning about the workings of government (10 positions). From 1991 to 1994, HUD provided nearly $40 million in CDBG funds specifically for colonias matters. These funds went to Texas, New Mexico, Arizona and California. The four States budgeted a total of $12,683,380 (fiscal year 1995), $13,516,850 (fiscal year 1996), $13,471,000 (fiscal year 1997) and $11,815,300 (fiscal year 1998).

Regional Connections

The fiscal year 2000 budget proposed $50 million for a Regional Connections program to expand capacity and provide incentives for "smart growth." Concern about growth, disinvestment, and decline has moved far beyond the central cities' borders. Even rural areas, the home of small town America, are exhibiting new concern about development patterns. Farmland across the country is being sold and subdivided into high-cost residential communities. In fact, since 1960, outward growth has led to an average loss of 1.5 million acres of farmland a year. As this outward expansion reaches rural areas, taxes are often driven up from rising real estate values and increased costs of services.

The good news is that across the country, regional leaders are joining together to forge strategies to address the concerns discussed above. They are attempting to design and implement regional approaches to regional problems and opportunities.

Community Empowerment Fund

HUD's fiscal year 2000 proposal would fund the Community Empowerment Fund (CEF)at $125 million, to substantially increase capital for business investment and job creation in underserved inner city and rural areas. By combining $125 million in Economic Development Initiative (EDI) grants with an estimated $625 million in Section 108 guaranteed private loans, the CEF will provide a total of $750 million in grants and low-cost loans in these communities. The program is thus expected to leverage up to five times the guaranteed loan amount in additional private sector financing, and this will create an estimated 100,000 jobs through direct business development and other spill-over effects.

Job creation projects funded through the CEF will include: loans for business expansion and modernization; start-up costs for new and small medium-sized businesses; preservation and expansion of existing industrial facilities; and retail and commercial revitalization initiatives, such as grocery stores and neighborhood shopping centers.

America's Private Investment Companies (APIC)

The CEF will be complemented by a second major vehicle for expanding investment capital for distressed areas, both urban and rural. The Administration is proposing a major equity incentive program to fill that gap. For fiscal year 2000, HUD has requested $37 million in credit subsidy budget authority for $1 billion in pri-

vately issued investment capital loans that the Federal Government will guarantee to go with $500 million in private equity commitments for new investment partnerships-for-profit venture capital funds known as America's Private Investment Companies (APICs). APICs will, in turn, make equity investments in larger businesses that are expanding or relocating in inner cities and rural areas. The $37 million in Federal credit subsidy would thus leverage an estimated $1.5 billion in private funds, creating an estimated 200,000 jobs in distressed areas. Private investors' funds would be at risk ahead of Government funds, but the individual investment decisions would be approved by Government for consistency with the public policy purpose of the program. The APIC program will be jointly administered by HUD and the Small Business Administration (SBA). Its financing structure will be modeled after the current Small Business Investment Company (SBIC) program. Five potential organizations will be selected, each with a minimum of $100 million in private equity capital and each eligible for twice that much in additional Federal loan guarantees. The Government leverage will be provided by using debenture securities similar to the SBIC debentures and funded through the same process. Key targets will be leveraged buyouts, corporate divestitures, roll-ups, and focused market expansion that could be relocated to serve low- and moderate-income communities with the appropriate financial tools.

HOME Investment Partnerships Program

The HOME Investment Partnerships Program (HOME) provides assistance to State and local governments to address housing needs of low-income and very low-income persons. Forty percent of HOME funds are allocated by formula to States. Although States may spend these funds anywhere in the state, much of their money goes to rural areas.

HOME, HUD's successful housing rehabilitation and production program, is a key tool for increasing the availability of decent, safe and affordable housing in both urban and rural America. HUD has found that HOME exceeds the program's own affordability targets as well as the targets for funding local nonprofit housing organizations and creating mixed-income housing opportunities. The program works through local governments to finance the construction and rehabilitation of multifamily rental housing, improve substandard housing for current owners, and assist new home buyers through acquisition, construction and rehabilitation. HOME also provides rental-based assistance to families. Beyond its impact in bricks and mortar terms, HOME has been an important tool for enhancing the capacity and experience of the nation's affordable housing producers. In fiscal year 2000, the HOME program is requested at $1.610 billion, an increase of $10 million over the 1999 enacted level. This program level will provide 85,400 additional units of decent, safe and affordable housing for both owners and renters through the combination of new construction (34 percent), rehabilitation (48 percent) and acquisition (15 percent). About 3 percent will be used for tenant based-assistance.

II. FAIR HOUSING AND EQUAL OPPORTUNITY

Fair Housing activities are available in both urban and rural areas. Increased funding is in part targeted as expending services to both unserved and underserved localities. The Fair Housing Initiatives Program (FHIP) will increase by $3.5 million in 2000 to a level of $27 million. Funds are for three major components. First, "private enforcement" efforts include testing and other investigative activities such as audits of new construction to determine compliance with accessibility requirements, and testing in real estate market transactions. Second is "education and outreach" focusing on national campaigns to educate protected classes and to educate the housing industry about the Fair Housing Act. The 2000 FHIP budget also includes $7.5 million for the second year funding of a national audit of discrimination in housing rental and sales. This audit will create the first ever report card at both the national and local levels of the extent of discrimination against the Nation's major racial and ethnic groups. The national audit will include urban, suburban and rural areas.

The budget proposed a joint partnership between FHIP and Fair Housing Assistance Program (FHAP). This FHIP/FHAP partnership initiative is proposed to focus on new and underserved populations by ensuring the full protection of the Fair Housing Act and other civil rights laws for persons who face language, cultural, and other barriers that currently limit the utility of these laws to address persistent housing discrimination. This request includes a $3.5 million set-aside that will be added to the FHIP to support a fair housing partnership between the private and public fair housing sectors. This fair housing partnership effort will be funded equally by the Fair Housing Assistance Program (FHAP) through an equal $3.5 million

contributions, for a combined $7 million set-aside. The Budget will also support other fair housing enforcement and education activities.

An additional $2 million will be used to fund the establishment of new fair housing organizations. It is envisioned that the focus of the funding for fiscal year 2000 will be on underserved groups. One group that has been in dire need of more fair housing activity is the residents of non-metropolitan areas, especially rural areas. Another group that has been underserved by existing fair housing organizations is non-English speaking minorities. It is envisioned that the outreach initiative funding could enable the creation of fair housing organizations to assist such populations.

The Private Enforcement Initiative, as a major component of FHIP, has a total proposed level of funding of $7.75 million in fiscal year 2000. Under this component, $6 million is for the following multiyear projects: (a) carry out testing and other investigative activities, such as regional audits of new construction to determine compliance with accessibility requirements; (b) discover and remedy discrimination in public and private real estate markets and real estate-related transactions through assisting victims to identify practices that denied them equal housing opportunity, and; (c) respond to individual complaints of discrimination from home seekers.

FHAP agencies and private groups will jointly engage in strategic planning to focus their fair housing enforcement activities. They will be required to coordinate their activities with HUD to ensure no duplication exists and that the results of their partnerships make a maximum contribution to the doubling of enforcement effort.

The fiscal year 2000 Budget request for FHAP is $20 million. This is an increase of $3.5 million over the fiscal year 1999 appropriation which will be used to fund an innovative Fair Housing Partnership between State and local government fair housing enforcement agencies and private fair housing groups. The Department is proposing this Partnership focus on underserved populations to ensure that persons who face language, cultural, and other barriers have the full protection of the Fair Housing Act. The focus is expected to include racial and ethnic minorities, rural populations, persons with disabilities, and homeless persons. The Department will carry out this initiative through the existing FHAP and FHIP programs.

This Partnership initiative will be funded equally by the FHAP and FHIP through a combined $7 million set-aside. Through its support of joint efforts by governmental and private entities, the partnership initiative will foster substantial and new fair housing results that individual organizations could not achieve alone.

The balance of the $20 million requested for fiscal year 2000 will support the activities of approximately 90 substantially equivalent fair housing enforcement agencies, an increase of 5 over the 1999 level. These agencies will process housing discrimination complaints based on race, color, religion, sex, familial status, disability, and national origin.

The total funding requested for both FHAP and FHIP programs in fiscal year 2000 is $47 million. Together, these two programs form a national comprehensive fair housing strategy against housing discrimination based upon greater cooperation between the public and the private sectors.

III. HOUSING

The Section 203(b) program, enacted in the National Housing Act of 1934, provides mortgage insurance for one- to four-family residences. This program has contributed to expanding the opportunities for both urban and rural homeownership in the United States and will continue to meet the needs of first-time homebuyers, working families, and minority families, as well as underserved communities, especially central city and rural areas. Under the 203(b) program, any person able to meet the cash investment, mortgage payments and credit requirements may obtain an FHA-insured loan from a private lending institution to purchase a home. Since its inception through September 30, 1998, the MMI Fund has insured approximately $988 billion in mortgages for about 22.5 million families. There are no statistics on the break-out between urban and rural areas.

IV. PUBLIC AND INDIAN HOUSING

Small (sometimes rural) PHAs receive approximately 12 percent, which translates into $23.5 million of the Public Housing Operating Fund annual appropriation.

Participation in the Section 8 certificate and voucher program by rural residents or persons living in non-metro areas has not been examined in recent years. It is not known how much of the overall outlay of Section 8 housing funds have gone to rural or non-metro areas. What is known though, is that a sizeable proportion of the rural/non-metro Section 7 certificate and voucher area administered by a small

proportion of PHAs. A study undertaken by the Housing Assistance Council in 1989 estimated that approximately 283,000 rural households have been in some way involved in the Section 8 program, and that the state and regional PHAs that serve rural areas administer at least 40 percent of certificate and vouchers in rural/nonmetro areas.

V. POLICY DEVELOPMENT & RESEARCH

The 2000 research plan will build on the 1999 agenda. It will focus PD&R's efforts on current policy topics of significance to the Nation while continuing the housing market surveys and other core activities. One proposed activity 2000 will be studies of effective and ineffective approaches to regional problem-solving that partner cities, suburbs, and rural areas.

In addition to the above information, the Housing Assistance Council has produced the following studies with HUD assistance which might be of interest:

— Welfare Reform and Rural Housing Case Studies
—Elderly Housing in Rural Areas
—State of Rural Housing (annual report 97 and 98)
—Rural Housing and Economic Development in Boomtowns
—Migrant Farmworker Housing
—HOME Program Use in Rural Areas
—State Plan's Coverage of Rural Housing
—HOME, CDBG, and Farmworker Housing Development
—Analysis of Fair Housing Discrimination Cases in Rural Areas
—A Report on Lending Data for Rural Parts of Metro Areas
—Mobility and Economic Self Sufficiency of Section 8 Participants in Rural Areas
—Non Profit/For Profit Joint Ventures in Rural Affordable Housing: Case Studies
—Updated Guide to Housing Organizations for Rural Areas
—A Study of Fair Market Rates in Rural Areas stop

LEAD-BASED PAINT GRANTS

Question. In fiscal year 1999, the Missoula Housing Authority applied for a lead-based paint grant for low-income housing and was told that HUD would be awarding grants in November. HUD did not award grants until March. The indecision and lack of communication is frustrating to local organizations. HUD needs to honor its commitments so that local organizations can honor their commitments to local communities. What can be done about this situation? How does HUD intend to honor their commitments?

Answer. We regret any misunderstandings between HUD and the Missoula Housing Authority and that they experienced frustration as a result. HUD attempts to estimate when grant announcements will be made based upon workload and historical experience, but projected grant announcement dates are only estimates and are described as such. In the future, we will make certain that recipients fully understand that announcement dates provided in advance are tentative dates.

RURAL HOUSING

Question. HUD now has a new office and $25 million for rural housing and economic development. What is the status of this office and when does HUD expect to make grant funds available to rural development?

Answer. The Office of Rural Housing and Economic Development is located in the Office of Community Planning and Development under the Deputy Assistant Secretary for Economic Development. A Rural Housing and Economic Development Coordinator will be selected shortly. A listing of the awards made pursuant to the March 8, 1999, Notice of Funding Availability is attached.

FISCAL YEAR 1999 RURAL HOUSING AND ECONOMIC DEVELOPMEMT GRANT WINNERS

Name of organization	Applicant City-State	Grant amount
Capacity Building:		
Upper Sand Mountain Un. Meth. Larger Parish Inc	Sylvania, AL	$47,300
Housing America Corporation	Somerton, AZ	75,000
Bishop Indian Tribal Council	Bishop, CA	88,201
Coachella Valley Housing Coalition	Indio, Ca	200,000
Yurok Tribe	Eureka, CA	200,000
Kentucky Mountain Hsg Dev Corp, Inc	Manchester, KY	200,000

FISCAL YEAR 1999 RURAL HOUSING AND ECONOMIC DEVELOPMEMT GRANT WINNERS—Continued

Name of organization	Applicant City-State	Grant amount
Three Rivers Community Action, Inc	Zumbrota, MN	150,000
Fort Belknap College	Harlem, MT	200,000
Fort Peck Assiniboine & Sioux Tribes	Poplar, MT	148,633
Rocky Mountain Development Council	Helena, MT	109,369
Native Council on Economic and CDC	Walthill, ME	150,000
WREN–Women's Rural Enterpreneurial Network	Bethlehem, NH	150,000
Citizens For Affordable Homes, Inc	Carson City, NV	69,075
Adirondack Economic Development Corporation	Saranac Lake, NY	150,000
Bishop Sheen Ecumenical Housing Foundation, Inc	Rochester, NY	150,000
Sullivan County Partnership for Economic Development	Monticello, NY	150,000
Portage Area Development Corporation	Ravenna, OH	137,860
Kiowa Tribe of Oklahoma	Anadarko, OK	143,660
Otoe-Missouria Tribe	Red Rock, OK	97,805
CASA of Oregon	Newberg, OR	200,000
Technical College of the Low Country Foundation, Inc	Beaufort, SC	193,000
Oti Kaga, Inc	Eagle Butte, SD	188,796
Virginia Eastern Shore Economic Empowerment & Hsgn Corp.	Nassawadox, VA	115,000
Swinomish Indian Tribal Community	La Conner, WA	150,000
Catholic Charities Bureau, Inc	Superior, WI	200,000
Mountain Partners in Community Development	Elkins, WV	151,701
Innovative:		
Alaska Native Village of Tanacross	Tanacross, AK	600,000
Metlakatla Indian Community	Metlakatia, AK	500,000
Community Resource Group, Inc	Fayetteville, AR	467,500
Comite de Bien Estar	San Luis, AZ	600,000
Coachella Valley Housing Coalition	Indio, CA	600,000
Community Housing Improvement Program, Incorporated.	Chico, CA	451,397
Coyote Valley Band of Pomo Indians	Redwood Valley, CA	32,345
I-5 Social Services Corporation	Mendota, CA	509,500
Peoples' Self-Help Housing Corporation	San Luis Obispo, CA	500,000
South County Housing Corporation	Gilroy, CA	500,000
Everglades Community Association, Inc	Miami, FL	500,000
Iowa Finance Authority	Des Moines, IA	600,000
MidAmerica Housing Partnership Inc	Cedar Rapids, IA	500,000
Lincoln Hills Development Corporation	Tell City, IN	160,000
Federation of Appalachian Housing Enterprises	Berea, KY	482,374
Kentucky Highlands Investments Corporation	London, KY	461,854
Garrett County, Maryland, Community Action Committee, Inc.	Oaklands, MD	504,000
Five C, Inc	Scottville, MI	500,000
Bi-County Community Action Programs, Inc	Bemidji, MN	500,000
Blackfeet Tribe	Browning, MT	600,000
The Heriatge Institute	Poplar, MT	501,219
Housing & Economic Rural Opportunities, Inc	Las Cruces, NM	165,445
New Mexico Mortgage Finance Authority	Albuquerque, NM	600,000
Pojoaque Housing Corportation	NM	500,000
Partnership for Economic Development	Monticello, NY	500,000
Rural Opportunities, Inc	Rochester, NY	390,065
Portage Area Development Corporation	Ravenna, OH	500,000
Catawba Indian Nation	Catawba, SC	600,000
Rosebud Sioux Tribe	Rosebud, SD	500,000
The Lakota Fund	Kyle, SD	538,266
ACCION Texas, Inc	San Antonio, TX	600,000
Amigos Del Valle, Inc	Mission, TX	600,000
Rio Valle Rainbow, Inc	El Paso, TX	44,960

FISCAL YEAR 1999 RURAL HOUSING AND ECONOMIC DEVELOPMEMT GRANT WINNERS—Continued

Name of organization	Applicant City-State	Grant amount
The Center for Economic Opportunities, Inc	San Juan, TX	500,000
Community Health Center La Clinica	Pasco, WA	600,000
Dept. of Community, Trade & Economic Development	Olympia, WA	600,000
Seed Support:		
Design Corps	Newbern, AL	224,190
Fereration of Southern Cooperatives/Land Assistance Fund.	Epes, AL	207,800
Community Resource Group, Inc	Fayetteville, AR	222,000
Fort Defiance Housing Corporation	Window Rock, AZ	200,000
White Mountain Apache CDC	Mc Nary, AZ	250,000
Rural Communities Housing Development Corporation	Ukiah, CA	194,877
Neighborhood Housing Services, Inc	Boise, ID	200,000
Kentucky Farmworker Programs, Inc	Bowling Green, KY	209,519
Pendelton County Industrial Authority	Falmouth, KY	200,000
Northlake Community Development Corp	Hammond, LA	176,008
Eastern Maine Development Corporation	Bangor, ME	129,500
Action for Eastern Montana, Inc	Glendive, MT	126,766
Blackfeet Tribe	Browning, MT	200,000
Montana Community Development Corporation	Missoula, MT	199,058
Haliwa-Saponi Indian Tribe	Hollister, NC	250,000
Central Nebraska Community Services, Inc	Loup City, NE	195,632
North Central NE Resource Conservation Dev. & Plgn Council.	Bassett, NE	237,800
Citizen Potawatomi Nation	Shawnee, OK	198,928
Langston Community Development Corporation	Langston, OK	200,000
Little Dixie Community Action Agency	Hugo, OK	199,700
Wa-Ro-MaTri-County Action Foundation, Inc	Claremore, OK	225,710
Catawba Indian Nation	Catawba, SC	250,000
Cangleska, Inc	Kyle, SD	211,764
Rosebud Sioux Tribe	Rosebud, SD	196,800
El Paso Collaborative for Community & Economic Dev	El Paso, TX	200,000
VA Eastern Shores Economic Empowerment & Housing Corp.	Nassawadox, VA	175,000
Institute for Washington's Future	Renton, WA	199,500
Okanogan County Community Action Council	Okanogan, WA	196,665
The Jamestown S'Klallam Tribe	Sequim, WA	117,702

SECTION 8 HOUSING

Question. I hear from Montana that the private sector is pulling out of the Section 8 housing. Our elderly and handicapped need to feel secure where they live. What will be done to keep housing inventory stable and reassure the most needy that they will not have to move every year?

Answer. The Department shares your concern over the possible loss of quality assisted housing stock. Therefore, the Department took the initiative of issuing an emergency renewal policy in June 1999, which is designed to target increases in rental subsidy assistance to those developments most in risk of opting-out. This effort maximizes the use of existing statutory authority and available resources to maintain our inventory of valuable multifamily housing stock. Also, the Department is pursuing a cooperative effort with Congress to enact a more comprehensive solution to the loss of HUD-subsidized multifamily housing. Finally, since some owners will chose to opt-out, despite improved policies to encourage renewal, the Department is seeking authority to offer "enhanced" vouchers to all residents in projects that opt-out. This will avoid the potential for displacement of currently assisted residents when owners raise rents to local market levels.

WELFARE TO WORK

Question. Is HUD thinking about dedicating funding to those folks who are trying to break the welfare cycle? What are HUD's housing strategies for "Welfare to

Work" and helping men and women get into housing closer and to educational and job opportunities?

Answer. HUD has dedicated funding for two significant welfare-to-work initiatives in the fiscal year 2000 budget, Welfare-to-Work Rental Vouchers and the Welfare-to-Work Targeted Job Creation Initiative, a component of the Community Empowerment Fund. Also, our public housing reform is creating incentives in our existing housing programs to encourage residents to make the transition from welfare to work.

Welfare-to-Work Rental Vouchers

In fiscal year 1999, Congress appropriated $283 million for 50,000 new incremental welfare-to-work rental vouchers. Our fiscal year 2000 budget proposes $144 million for 25,000 additional welfare-to-work rental vouchers.

These new vouchers are targeted to families who are currently receiving, are eligible for, or have left welfare within the last 2 years and for whom the housing assistance is essential to obtaining or retaining employment. They will help families overcome a number of challenges to self-sufficiency. These vouchers will provide a safe and stable housing situation as a platform from which to find and keep a job. They will reduce the rent burden for families paying too high a percentage of their income for housing. The vouchers will also help families overcome the spatial mismatch that separates them from educational and job opportunities. Families will be able to move closer to those opportunities, or near transportation centers so they can easily get to those opportunities.

The welfare-to-work vouchers are being made available to communities on a competitive basis that requires Housing Authorities to develop their plans together with welfare and workforce development agencies. This will make sure the housing assistance is combined with the child care and other services families need for a successful transition from welfare to work. It will also ensure that the vouchers are provided to the families for whom they will be most critical to a successful transition.

The Welfare-to-Work Targeted Job Creation Initiative, funded with up to $75 million in direct Economic Development Initiative grants and an estimated $375 million in Section 108 guaranteed private loans, as part of the Community Empowerment Fund, is designed to help close the "jobs gap" facing many communities. HUD's 1998 State of the Cities report indicated that despite significant recent increases in job growth in many cities, there is still a sizable mismatch between the number of low-skilled jobs available and the number of low-skilled urban residents who need work-or who will need work over the next few years as Temporary Assistance for Needy Families (TANF) time limits take effect. This initiative is designed to help close this gap, with special emphasis on welfare recipients entering the workforce.

This targeted job creation initiative will support the expansion of businesses that emphasize hiring of those in transition from welfare to work—projects like the state-of-the art Learning and Work Complex opened by the Cessna company in a long-vacant industrial facility in Wichita, Kansas. Funded with a HUD grant and a HUD-guaranteed loan, the complex is helping TANF recipients prepare for well-paying manufacturing jobs. Of the 237 graduates so far, 200 have moved into Cessna jobs that start at more than $10/hour, and 26 are employed at other companies. Like the Cessna project, communities competing successfully under this targeted job creation initiative will combine the HUD incentives for business development with local public and private supports—like job training, child care, and—as needed. The initiative will ensure that those facing the transition from welfare to work get jobs that pay and that employers get the workers they need to be competitive. The overall $125 million Community Empowerment Fund is projected to support an estimated 100,000 in distressed community with welfare related populations.

The Quality Housing and Work Responsibility Act (QHWRA) of 1998 is reforming public housing. Much of the reform has to do with creating greater financial and other incentives for public housing residents to move from welfare to work. Some of the specific reforms are:

—Expanding mandatory earnings disregards to a larger pool of people. This includes residents who are receiving or have received TANF assistance in the past 6 months and residents who have been unemployed for over a year. Residents usually pay 30 percent of their income for rent, so as their earnings from work increase, they pay 30 percent of that increased income as additional rent. These new rules disregard 100 percent of the increased income from rental calculations for the first year, and 50 percent for a second year.

—Permitting flat rents and ceiling rents so that rent will not increase with increased earnings.

—Mandatory hardship exemptions from minimum rent payments for families who lose welfare benefits because of time limits.
—No rent reductions for families who lose welfare benefits for failure to comply with TANF work requirements. Previous law lowered the rent in such cases. This was at odds with the purpose of welfare sanctions.
—Exemptions from community work requirements for TANF recipients who are in compliance with their TANF program.
—The continuation of the Family Self-Sufficiency (FSS) Program. This program provides both case management for supportive services and escrow accounts for additional rent due to participants' increased work earnings. Rather than going to rent, these earnings are deposited into savings accounts. The residents can access the money when they complete the program and move to unsubsidized housing.

QUESTIONS SUBMITTED BY SENATOR CRAIG

HUD ACCESSIBILITY GUIDELINES

Question. In April of 1998, your Department finalized and published guidelines pertaining to accessibility standards for the disabled. Before 1998, regulations issued by HUD contained disclaimers that there was "no guarantee of the accuracy or completeness of the information." Builders, owners, and other involved parties in Idaho are now having complaints filed against them for units built before the finalized rules were published. How is it that you can hold people liable for following guidelines when HUD did not provide any definite requirements?

Answer. Congress and the Department have provided definitive statements of the accessibility requirements of the Fair Housing Act since the Fair Housing Amendment Act of 1988 was passed. The Department has continued dialogue in the industry and has continued to expand our efforts to communicate these legislated accessibility requirements.

The first guidance provided to the public and the building industry regarding the Act's design and construction requirements was contained in the Fair Housing Amendments Act of 1988 itself. In the Act, Congress defined the coverage of the requirements, in Sections 804 (f)(3)(C) and (f)(7) of the Act, and explicitly stated the required design features for units covered under the Act. First, the Act required that:

—1. the public and common use portions of covered dwellings be accessible to the disabled;
—2. all doors be sufficiently wide to permit passage by a person in a wheelchair; and
—3. all premises within the dwelling have an accessible route into and through the dwelling unit; light switches, electrical outlets, thermostats and other environmental controls in accessible locations; reinforcements in bathrooms for later installation of grab bars; and usable kitchens and bathrooms.

The Act also stated that compliance with the American National Standard accessible buildings and facilities (ANSI A117.1) satisfied the accessibility requirements of the Act. [Section 804 (f)(4)].

The vast majority of the fair housing complaints filed in the past 2 years in the State of Idaho contain allegations that these basic requirements of the Act have been violated. Many of the properties involved in these complaints have such features as: (1) steps up to the building, (2) steps at the entrances of the buildings, (3) thresholds of 4 inches or higher at the front door of the covered units, (4) no curb cuts for persons in wheelchairs in the sidewalks leading to units, and (5) bathrooms and kitchens that cannot be entered or used by persons in wheelchairs.

The Department published the Fair Housing Act Accessibility Guidelines in the Federal Register on March 6, 1991, with extensive participation by and comment from all of the major organizations representing the building industry. The Preamble to the Guidelines, which have been widely distributed to the building industry and the public since they were issued, stated, in part:

"The design specification presented in the Fair Housing Accessibility Guidelines provide technical guidance to builders and developers in complying with the specific accessibility requirements of the Fair Housing Amendments Act of 1988. The Guidelines are intended to provide a safe harbor for compliance with the accessibility requirements of the Fair Housing Amendments Act, as implemented by 24 CFR 100.205 of the Department's Fair Housing regulations. The Guidelines are not mandatory. Additionally, the Guidelines do not prescribe specific requirements which must be met, and which, if not met, would constitute unlawful discrimination under

the Fair Housing Amendments Act. Builders and developers may choose to depart from the Guidelines, and seek alternate ways to demonstrate that they have met the requirements of the Fair Housing Act." [emphasis added]

This statement consistently has been, and remains, the Department's position with respect to enforcement of the Fair Housing Act accessibility requirements. In the State of Idaho, for example, if HUD's investigation of a property indicates that the builder has not relied on these guidelines, the builder and architect may present evidence that they have satisfied the requirements of the Act through alternative means.

On June 28, 1994, the Department published in the Federal Register further official guidance on the accessibility requirements of the Act, as "Supplement to Notice of Fair Housing Accessibility Guidelines: Questions and Answers about the Guidelines."

In August 1996, the Department published a Fair Housing Act Design Manual. The purpose of this Manual, stated in its title, was to provide additional means by which designers and builders may meet the accessibility requirements of the Fair Housing Act. The Manual contained, explained, and illustrated the 1991 Fair Housing Act Accessibility Guidelines. Additionally, the Manual contained non-binding recommendations about how builders and developers could design accessible housing that met and, in some cases, exceeded the requirements of the Act.

In 1998, the Manual was revised to more clearly distinguish between the requirements of the Act, on one hand, and design elements that were merely recommended, on the other. The disclaimer was eliminated. The revisions appear in approximately 25 of the Manual's 350 pages.

IDAHO FAIR HOUSING COUNCIL ACCESSIBILITY ISSUES

Question. In addition, it seems that the HUD grantee in Idaho, the Idaho Fair Housing Council, is suddenly filing large numbers of complaints, when previously there were very few and we still don't have a single case of a disabled individual being denied housing. Can you explain the process that is used to control and oversee what the HUD grantees are doing in the states?

Answer. The number of complaints may seem large until you consider the number of Americans having disabilities. A 1997 Census Bureau publication reported that, at the end of 1994, 20.6 percent of the population, about 54 million people, had some level of disability, and 26 million people had a severe disability and 1.8 million Americans used a wheelchair. An additional 5 million used a cane, crutches, or a walker and had used these assistive devices for 6 months or longer.

The level of need for accessible units in Idaho is consistent with these national statistics. In a 1999 article in the Idaho Statesman, Kelly Buckland, Executive Director of the State Independent Living Council, states: "People with disabilities tell us over and over * * * that accessible and affordable housing is one of the two top issues for them in the state." Buckland added:

"What you'll hear from owners and builders is that there's not that many people with disabilities. But 45 percent of the households in Idaho contain someone with a disability."

Similarly, a January 24, an 1999 Idaho Statesman article told of two retirees who were evicted from their room in a home allegedly because the husband's health deteriorated and he needed a ramp or handrail to get into the house.

We see our FHIP grantees as pivotal in protecting the rights of these Americans. The control and oversight for the FHIP grantees are pretty typical for grantees of any Federal agency.

To be funded, grantees must demonstrate the need for the proposed funding in their communities. HUD awards grants based on the extent to which their application demonstrates the need for such funding, among meeting other conditions, and then it negotiates a Statement of Work, and monitors the performance under that Statement of Work. Please note that in addition to the disability cases they brought, they referred to HUD numerous cases from people alleging a broad range of discriminatory practices, including discrimination on the basis of national origin and gender. The 1999 FHIP NOFA has some new requirements, which strengthen HUD oversight of the FHIP organizations. With two exceptions, all complaints resulting from HUD-funded activities must be filed with HUD. The exceptions are:

—a "bona fide" private complainant can opt-out by stating in writing (s)he does not want the complaint filed with HUD; and

—FHIP grantees are not to refer any complaint to HUD unless it is fully jurisdictional under the FHAct and supported by credible and legitimate evidence.

HUD will use these standards in negotiations with grant recipients. Moreover, HUD's upcoming GTR training in July will help HUD field staff better assess the quality of the deliverables, including complaint referrals.

FAIR HOUSING EDUCATIONAL AND TECHNICAL ASSISTANCE TO INDUSTRY AND CONSTRUCTION PROFESSIONS

Question. I also have concern over the educational efforts in this area. GAO reports show that between 1989 and 1997, HUD made available more than $98 million to private groups through the Fair Housing Initiative Program (FHIP) to work on enforcement activities, staff training and testing and complaint process. However, less than one percent of this funding was targeted to provide educational and technical assistance to the industry and construction professions. Can you explain how you expect building contractors to comply with HUD regulations if you don't educate and provide outreach to them?

Answer. We agree that education is critically important. In fact, if you look closely at the $98 million figure cited in the GAO report, you will see that it includes $23.4 million for the education and outreach initiative. So in other words, 24 percent of the total FHIP expenditures from 1989 to 1999 went to education and outreach. A portion of that figure included education and outreach efforts to industry and construction professions.

Ordinarily, education and outreach efforts are open to anyone interested, and a full range of affected groups and organizations are invited, which includes the various housing industry groups.

Generally, we would expect the building and construction industry to be aware of the accessibility requirements; compliance with the American National Standard Institute's standards (ANSI A117.1), which have been the standards for the building industry since 1961, constitutes compliance with the Fair Housing Act. This has been the case since the Act was amended in 1988 to include the accessibility standards. It is important to note again that the accessibility requirements are embodied in the legislation. HUD issued guidelines published in the Federal Register in 1991 and further guidance in the Federal Register in 1994. The Department has continued to provide additional guidance in a series of publications.

Looking at Idaho more specifically:

—HUD began holding seminars for local officials and the building industry in Idaho on accessibility requirements in 1994. Other seminars were held in 1996 and in 1997. The seminars covered both federally assisted housing projects and private housing developments. HUD continues to hold these seminars;

—In 1994, HUD's Idaho State office began distributing accessibility brochures for builders and architects;

—In September 1996, the Idaho Fair Housing Council wrote local officials throughout Idaho requesting their assistance in advising the affected building industry of the FHAct's requirements;

—Throughout 1997 and 1998, HUD engaged in dialogue with the City of Boise and its building department about notifying builders of the coverage and accessibility requirements of the Act;

—HUD awarded a Fair Housing Initiative Program grant to the National Association of Home Builders to conduct accessibility seminars across the country. One of those sessions was held in Boise, Idaho in 1998; and

—Recently, as an outgrowth of a conciliation agreement, a builder in Pocatello, Idaho sponsored a seminar on the accessibility requirements for the industry in eastern Idaho. Although 400 people were notified, fewer than 40 people attended, and most of those in attendance were code enforcement people.

REAL ESTATE AGENTS ACCESSIBILITY RESPONSIBILITIES

Question. I have heard from many real estate agents in Idaho who are concerned that they will be held liable for facilitating transactions of homes that do not meet the accessibility guidelines for the disabled. Can you clarify for me what position HUD has taken on this issue?

Answer. The Department's position is that real estate agents are not liable under the Fair Housing Act for facilitating transactions of homes that do not meet the accessibility guidelines for the disabled. The Department would not accept a Fair Housing Act complaint seeking to name a real estate agent as a respondent to the complaint based solely on the fact that the real estate agent facilitated a real estate transaction. Instead, a real estate agent or any other person who participated in the design or construction of a covered multifamily dwelling unit that does not meet the design and construction requirements of the Act, including as an owner of the property or as a property manager, however, would be an appropriate respondent to a

Fair Housing Act complaint. We expect that these instances will be exceedingly rare.

AVAILABLE HUD TECHNICAL ASSISTANCE ON FAIR HOUSING GUIDELINES

Question. In addition if a Realtor, or a consumer, were going to list a piece of property today, where would they go for technical assistance to determine if a property complies with the Fair Housing guidelines? Does HUD provide this information? If not, why not?

Answer. The Realtor or consumer seeking technical assistance on the Fair Housing guidelines should come to HUD. The Department will respond to telephone and written inquiries. As you can see from the listing below, the Department provides a number of documents and technical assistance materials that explain these requirements.

Item Number	Title
2440	24 CFR 1 Fair Housing Accessibility Reg.–24 CFR, Chapter 1 Questions and Answers
2429	Federal Register—Monday January 23, 1989 Part III 24 CFR 14 et al. Implementation of the Fair Housing Amendments Act of 1988; Final Rule
4826	June 28, 1994; Fair Housing: Accessibility Guidelines; Question and Answers; Supplement to Notice
4682	Architects and Builders: Are You in Compliance with the Fair Housing Act
4703	Seven Technical Requirement Brochure
4715	Fair Housing Act: Design Manual (WIRE-PALETTED) (also order item #4889 with this item)
4725	Federal Register-March 6, 1991 Part VI–24 CFR Chapter 1 Final Fair Housing Accessibility Guidelines
4734	Cost of Accessible Housing
4889	Revision Sheets of Fair Housing Act Design Manual (also order item #4715 with this item)

In addition to the above, a 28:09 minute videotape "Accessible Housing: HUD Fair Housing Accessibility Guidelines" is available. Anyone can request any of these materials through:

— http://www.hud.gov/ (under "handbooks/forms")
—(202) 708–2313
—(800) 767–7468
—(800) 877–8339 TDD
—U.S. Department of Housing and Urban Development Directives Distribution Section Room B–100 451 Seventh Street, S.W. Washington, D.C. 20410

Some items are out of print, but print orders can be placed if there is demand for them.

MANAGEMENT AND MARKETING FIRMS FOR PROPERTY DISPOSITION

Question. As you know, last year Congress passed legislation that allowed HUD to change the process of granting contracts to local REAMs. Now HUD gives the contracts to companies known as "M&M's. These Management and Marketing firms were intended to increase the turnaround time on reselling the homes. However, I have heard concerns from the state that this process is not working. Mr. Secretary, I am interested in how your would rate the success of this program so far and your opinion on whether it is accomplishing its goals? Additionally, can you tell me the current status of how Intown Marketing—the M&M in Idaho—is performing?

Answer. On March 29, 1999, the seven management and marketing contractors assumed responsibility for approximately 28,000 HUD-owned properties nationwide. Prior to this date, the Department removed approximately 16,000 properties from the market for sale to allow for the transition to the management and marketing contractors. The management and marketing contractors were required to resecure all of the transferred properties, reclean the properties and prepare new marketing plans for each property. Given this large-scale portfolio transfer, the contractors have been able to list approximately 25,000 properties for sale and sell approximately 15,000 properties in this 3-month period. Last fiscal year, the Department sold 64,536 properties. This is early in the assessment of the performance of these contractors. However, at the current rate of sales by the contractors, they have the ability to surpass the Department's sales for a year by as much as 12,000 properties.

This is a promising trend and this type of performance is expected to continue throughout the contract period.

With regard to the performance of the Intown Management Group in Idaho, the Department initially transferred 28 properties to this contractor. There are currently 29 properties listed for sale while 21 properties have been sold since contract inception. The current numbers reflect the contractor's ability to list and sell properties in the Idaho area.

HUD'S FAIR HOUSING EDUCATION EFFORTS AND MEASUREMENT OF ITS EFFECTIVENESS

Question. HUD's fiscal year 2000 annual performance plan contains a goal to ensure equal opportunity in housing for all Americans. However, the objectives and performance indicators are predominantly related to managing complaints and enforcement actions. What strategies will HUD use to increase awareness of the fair housing provisions?

Answer. The Department believes strong action is needed to rid this nation of housing discrimination. Therefore, the Department is stressing enforcement of the Fair Housing Act in its Annual Performance Plan (APP).

As you suggest, however, enforcement actions are not the sole method for eliminating housing discrimination. HUD's strategy is to educate the housing industry and the public primarily through the FHIP program. In fact, $15.75 million of the $27 million total requested for FHIP programs in fiscal year 2000 would fund National Education and Outreach Grants program.

The following efforts to educate the building industry in Idaho about accessibility requirements exemplify HUD's strategies:

—HUD began holding seminars for local officials and the building industry in Idaho on accessibility requirements in 1994. Other seminars were held in 1996 and in 1997. The seminars covered both federally assisted housing projects and private housing developments. HUD continues to hold these seminars;

—In 1994, HUD's Idaho State office began distributing accessibility brochures for builders and architects;

—In September 1997, the Idaho Fair Housing Council wrote local officials throughout Idaho requesting their assistance in advising the affected building industry of the FHAct's requirements;

—Throughout 1997 and 1998, HUD engaged in dialogue with the City of Boise and its building department about notifying builders of the coverage and accessibility requirements of the Act;

—HUD awarded a Fair Housing Initiative Program grant to the National Association of Home Builders to conduct accessibility seminars across the country. One of those sessions was held in Boise, Idaho in 1998; and

—Recently, as an outgrowth of a conciliation agreement, a builder in Pocatello, Idaho sponsored a seminar on the accessibility requirements for the industry in eastern Idaho. Although 400 people were notified, fewer than 40 people attended, and most of those in attendance were code enforcement people.

Question. How will HUD measure the effectiveness of these efforts?

Answer. The APP states that the Department will conduct a survey to assess public knowledge of fair housing law. It will take the form of a random dialing telephone survey in 2000. The information resulting from this survey will form a baseline against which progress in educating the public about fair housing will be measured in subsequent surveys.

Question. Why doesn't the plan cover all these activities?

Answer. Outcome Indicator 2.1.3 of the APP calls for raising public awareness of fair housing law. It states:

"Public awareness of the law concerning fair housing reduces discriminatory actions, but no nationally available data exist to estimate the extent of awareness. This indicator tracks the effect of fair housing enforcement activities and of public information campaigns such as the National Education and Outreach Grants program on public understanding of their rights and responsibilities under the law."

HUD OVERSIGHT OF STATE DISABILITY RELATED ENFORCEMENT EFFORTS

Question. In 1989, the Fair Housing Act was amended to cover persons with disabilities. Shortly afterward, HUD delegated enforcement authority for these amendments to each state that had a statute that was equivalent to the federal law. Subsequently, HUD has issued more guidelines that expanded the requirements for building units that would comply with the amendments. What efforts has HUD taken to ensure that the states to which enforcement authority was delegated comply with the more recent guidelines?

Answer. State and local agencies are bound by their respective laws/ordinances/regulations. The Fair Housing Act (FHAct) requires that those laws be substantially equivalent—not identical to the FHAct. If a difference in interpretation arises between the State/local law and the FHAct after substantial equivalency status is awarded, the Department may determine the change is of such consequence that the law is no longer substantially equivalent or it may, by mutual consent, retain jurisdiction over certain categories of claims (i.e., the state would not handle certain categories of complaints). The Department would become aware of such differences in one of two ways: (1) the agency notifies the Department of the change, or (2) in assessing complaints processed by the agency for payment.

The Department provides guidance to substantially equivalent agencies in a variety of ways: annual HUD-sponsored training, technical assistance from the Government Technical Representative or local HUD enforcement office, direct mailings and on the HUD website.

Question. How does HUD monitor the enforcement activities in these states?

Answer. HUD monitors the activities of the agencies through technical assistance, on-site performance evaluations, review of the cases submitted by the agencies for payment, and training.

Question. How does HUD ensure that its enforcement activities in states where enforcement authority is not delegated is equivalent to the activities in other states?

Answer. In states that are not substantially equivalent, there is no delegation of enforcement authority. The Department maintains responsibility for processing all such complaints under the Federal Act.

QUESTIONS SUBMITTED BY SENATOR KYL

VIOLATIONS OF THE FAIR HOUSING ACT

Question. On October 28, 1998, HUD published a proposed Rule on "Fair Housing Performance Standards for Acceptance of Consolidated Plan Certifications and Compliance with Community Development Block Grant Performance Criteria." It is my understanding that this Rule would have denied CDBG funds to any locality that was so much as accused of violating the Federal Fair Housing Act. In your view, is it fair to penalize communities that are merely accused of being in violation of the Fair Housing Act? Does the concept of due process not require that an actual violation—not the allegation of one—be found before communities are penalized?

Answer. HUD agrees it is not fair to penalize communities that are merely accused of being in violation of the Fair Housing Act and has never proposed any such approach. A "charge" of a violation of the Fair Housing Act by HUD is not mere accusation or allegation. Pursuant to the Fair Housing Act regulations, HUD may only issue a charge after HUD has:

—determined that the allegations state a claim under the Fair Housing Act;
—determined that the claim is timely;
—determined that the complainant has standing to assert the violation;
—notified the respondent of the Fair Housing Act complaint;
—permitted the person to submit any evidence that responds to the allegations;
—investigated the complaint, including exculpatory evidence;
—attempted to conciliate the complaint; and
—based upon its full investigation and all evidence submitted by both parties, determined that reasonable cause exists to believe a discriminatory housing practice has occurred.

The issuance of such a charge requires the concurrence of HUD's Office of General Counsel.

The proposed rule does not address or change the existing due process requirements in the Consolidated Plan and CDBG program regulations. The due process already required by HUD regulations for CPD actions would continue to apply to the disapproval of the affirmatively furthering fair housing certification in the Consolidated Plan and to the imposition of corrective actions to address deficient affirmatively furthering fair housing performance under the CDBG program. In other words, the fair housing matters would be subject to exactly the same due process requirements that apply to CPD concerns.

Question. I understand that HUD did not adequately consult with cities and fair housing advocates before drafting and publishing this Rule. Given that the Rule has been withdrawn, does HUD intend to work with city leaders and fair housing advocates to draft new fair housing guidelines that have the understanding and support of the stakeholders?

Answer. HUD did not issue a final rule on this; HUD issued a proposed rule. The Administrative Procedures Act normally calls for a consultation process before an agency issues a final rule. The consultation process ordinarily consists of notifying the public of the proposed rule through publication in the Federal Register and giving the public the opportunity to comment on the proposed rule. The issuing agency then examines the comments and considers them.

HUD fully complied with these Administrative Procedures Act requirements. In fact, HUD extended the comment period and invited numerous groups (including a briefing with representatives from the House Majority staff of the Housing Subcommittee on Housing and Community Opportunity) to discuss their views during this comment period. As a result of these consultations, HUD withdrew the proposed rule. HUD intends to continue the process of consultation with interested parties to arrive at a rule which more clearly states HUD's policy.

Question. I understand that many communities never received feedback from HUD on the adequacy of proposals to address impediments to fair housing in their comprehensive plans. Don't you think there should have been some constructive educational action taken before HUD attempted to impose punitive measures as proposed in the Rule?

Answer. While HUD does not require prior submission and approval of a jurisdiction's analysis of impediments to fair housing choice, it promptly responds to complaints or concerns expressed by local citizens and groups. This may involve a review of the analysis and supporting documents. In addition, HUD will carefully review the performance indicators under the Consolidated Plan to measure the jurisdiction's progress toward meeting its fair housing goals.

To assist communities in implementing their analysis of impediments to fair housing choice, HUD conducted 22 training sessions nationwide during the summer, fall, and winter of 1997. These sessions were attended by over 1,700 people representing CDBG and HOME grantees, public housing agencies, fair housing organizations, and housing industry groups. These sessions educated participants about the rights of their constituents to fair housing planning.

In 1996, HUD published a Fair Housing Planning Guide which provided information on how to conduct an Analysis to Fair Housing Choice, undertake activities to correct the identified impediments, and the types of documentary records to be maintained.

FAIR HOUSING GUIDELINES RELATING TO GROUP HOMES

Question. Many communities in Arizona feel that HUD's fair housing guidelines do not grant them adequate authority to reasonably regulate group homes within their boundaries. For example, minimum spacing requirements and occupancy limits are routinely interpreted by the federal government as being in violation of the Fair Housing Act. The intent of these regulations is not to prevent group homes from being able to operate and provide necessary services; rather, the intent is to allow group homes to operate in greater harmony with the character of the neighborhoods in which they exist. The fiscal year 2000 budget proposed for HUD contains $47 million for "Fair Housing Activities." Can you assure me that HUD will not expend funds to investigate citizens who, in protesting the placement of group homes, are merely exercising their First Amendment Rights?

Answer. HUD responsibilities for enforcement of the Fair Housing Act are subject to the Constitutional protections of free speech. HUD continues to adhere to specific guidelines that ensure that citizens' First Amendment rights are protected as HUD processes claims that may involve freedom of speech issues. All FHEO staff are bound by these guidelines. Moreover, the Department acknowledges the Senate's direction in our Appropriations Act for the last several years, which states that the Department may not "investigate or prosecute...any otherwise lawful activity...engaged in solely for the purpose of achieving or preventing action by a governmental official."

Question. Why should the Fair Housing Act not be amended to allow communities greater, but reasonable, control over the placement of, and the number and type of occupants in, group homes within their boundaries?

Answer. The issues localities raise regarding group homes are not best addressed in statute. A cooperative effort among all parties involved, including localities, housing provider groups, civil rights organizations and federal enforcement agencies, rather than the unnecessary restructuring of a historic civil rights statute, is a more positive and productive approach.

A comprehensive, non-legislative approach to the group home issue is appropriate because much of the controversy generated on the issue involves such non-federal matters as licensing and monitoring. The scope of community concerns regarding

group homes go beyond Fair Housing Act considerations and, in fact, consists mostly of concerns regarding licensing, monitoring, and compliance with local ordinances.

Question. I understand that HUD had planned to release fair housing guidelines in October1994 that would clarify for localities what actions they could take or not take with respect to group homes. Those guidelines were never issued. Why?

Answer. While HUD has not issued formal policy guidelines regarding group homes, on October 4, 1995, HUD responded in detail to questions from the League of Cities regarding the role of the Department on zoning-related issues. HUD has taken other actions in several areas regarding group homes, including:

—agreeing to coordinate discussion of the group home issue among interested parties at the request of the U.S. Conference of Mayors;
—meeting with key Department of Justice (DOJ) staff to discuss appropriate, non-legislative responses to group home issues;
—meeting with representatives of the National League of Cities to discuss group home concerns;
—meeting with representatives of the Coalition to Preserve the Fair Housing Act, an ad hoc grouping of civil rights, disability and national community organizations, to discuss group home concerns;
—attending, in an "observer" capacity, a meeting organized by the National League of Cities designed to discuss non-legislative responses to issues raised by pending legislation;
—meeting with the Department of Health and Human Services Assistant Secretary for Planning and Evaluation to discuss group homes, and obtaining information from HHS on state regulation of group homes; and
—reviewing HUD programs which may involve group homes.

QUESTIONS SUBMITTED BY SENATOR CAMPBELL

NAHASDA

Question. Though you have repeatedly recognized the "third world conditions" of Indian housing, fiscal year 2000 funding for the Native American Housing Assistance and Self-Determination Act (NAHASDA) Block Grant did not receive the requested 10 percent increase that the rest of HUD and its programs received. If Native American housing represents the worst in the nation, why did it not receive a 10 percent increase in requested funding?

Answer. Although the Department's overall Budget request for fiscal year 2000 reflects an increase, the increase was not spread evenly across all programs. However, the President's fiscal year 2000 Budget request continues to support the fiscal year 1999 Budget increases provided for the Indian Housing Block Grant (IHBG) program, the Section 184 Indian Housing Loan Guarantee Fund and the Indian Community Development Block Grant program. Other programs proposed for fiscal year 2000 from which Indian Tribes and their Tribally Designated Housing Entities are expected to benefit include the Welfare-to-Work Section 8 Voucher Program (25,000 units requested), and Service Coordinators for the Elderly, proposed to be funded at $50 million.

As the implementation of IHBG progresses, the Department must ensure that tribal management and operational capability exists. Some larger tribes now receive significantly more funding post-NAHASDA than they received under pre-NAHASDA programs. The Department is confident that the funding proposed for Indian programs in the President's fiscal year 2000 Budget request is the optimum amount that can be prudently managed in Indian Country while maintaining the integrity of both the programs and Federal funds.

NAHASDA

Question. The Committee on Indian Affairs has received complaints from tribes regarding the confusion over NAHASDA's environmental review process, inadequate consultation, and lack of Title VI implementation. Please describe the Department's proposals to address each of these matters.

Answer. The Department's proposals to address (a) environmental, (b) consultation and (c) Title VI implementation concerns of the Committee on Indian Affairs are as follows:

a. *Environmental Concerns.*—The Department has taken a number of initiatives to eliminate confusion about the tribal environmental review process. Prior to the passage of NAHASDA, HUD maintained the lead role in ensuring that affordable housing activities complied with the National Environmental Protection Act (NEPA) and related laws. Under NAHASDA, tribes may either perform such reviews or re-

quest HUD to conduct them. While most tribes successfully perform their environmental reviews, a few tribes have started projects without completing the requisite environmental reviews. Of 27 environmental problems discovered recently, virtually all have been resolved successfully without any loss of grant funds.

Basic environmental training has been provided by the Department at 11 locations throughout the United States to over 300 NAHASDA grantees and Office of Native American Programs (ONAP) staff. During the remainder of this calendar year, HUD will conduct advanced training for grantees and ONAP staff at approximately 12 additional locations. Other actions include:

—1. each ONAP Office has a designated Environmental Liaison Officer to provide technical assistance, and provide guidance, as requested;

—2. publication and distribution of an Environmental Guidebook to all grantees; and

—3. a memorandum to be issued shortly to all Area ONAP Administrators detailing environmental review requirements, along with technical guidance on how to proceed when defects in environmental reviews are discovered.

The Department's primary objectives are twofold: (1) to continue to work with tribes until they are capable of assuming the environmental requirements, and (2) to monitor and promote environmental regulatory compliance.

b. *Consultation Concerns*.—The Department strongly supports the concepts of Indian self-determination and the government-to-government relationship. The Department has had an American Indian and Alaska Native Consultation Policy in place since 1994. That document, issued in response to the President's Memorandum of April 29, 1994, reaffirmed the government-to-government relationship between Federally recognized Indian tribal governments and the United States government. The Office of Native American Programs subsequently conducted regional consultation sessions on the policy throughout Indian Country and received input from tribal leaders on how best to implement it.

On May 14, 1998, the President issued Executive Order 13084, which required Federal agencies to develop an effective process for elected officials of tribal governments to provide meaningful and timely input in the development of regulatory policies that would significantly or uniquely affect Native American communities.

During the March 1999, "Shared Visions: The Native American Homeownership, Legal and Economic Development Summit I," in Chicago, the Department presented a revised draft consultation policy and procedures document to tribal leaders and other participants. At that time, Secretary Cuomo met personally with tribal leaders to express the Department's commitment to tribal consultation.

More recently, on June 4, 1999, the Department released a letter to all tribal governments inviting them to participate in redrafting the Department's consultation policy. The letter explained the Department's initiative, included an Action Plan, and requested their active participation in developing the final policy.

c. *Title VI Implementation*.—The Title VI Tribal Housing Activities Loan Guarantee Program was announced on July 23, 1998. To ensure that the $6 million loan guarantee program is implemented successfully, the Department contracted with a TA and capacity-building provider using a $3 million Rural Housing and Economic Development Initiative grant. The contractor may work directly with tribes, or act in coordination with another Technical Assistance (TA) provider of the applicant's choice. In either case, TA will be provided free of charge to applicants. The grant is expected to help ensure that proposals are well-conceived, and should increase every applicant's chances for success.

As of June 12, 1999, the contractor, IHA Management Systems, reports that they are assisting six tribes/tribally designated housing entities develop a Title VI loan project plan. Three additional potential participants have taken the required preliminary steps toward project development.

NAHASDA

Question. Some tribes, including Lower Elwha, Yakima Nation, and Coeur d'Alene have experienced situations where HUD has informed the tribes that a one page environmental review document was 'incomplete' and consequently, all NAHASDA money was to be returned to HUD. What will HUD do to ensure that the environmental review process is better communicated to tribes?

Answer. In addition to the steps outlined in the above response on this issue, the Department has issued guidance to the six Area ONAP Administrators that no NAHASDA grant funds will be withdrawn due to environmental infractions without a thorough and fair assessment of the matter with the grantee.

NAHASDA

Question. Tribal leaders have expressed concerns to both the Committee on Indian Affairs and HUD regarding the lack of consultation. President Clinton has directed, through an Executive Order, that all agencies promulgate a written consultation process. Though HUD states that it has a written consultation process with American Indians and Alaska Natives, obviously, this process has some wrinkles in it. What tangible steps have been taken to improve the consultation process after the implementation of NAHASDA?

Answer. The Department strongly supports the concepts of Indian self-determination and the government-to-government relationship. The Department has had an American Indian and Alaska Native Consultation Policy in place since 1994. That document, issued in response to the President's Memorandum of April 29, 1994, reaffirmed the government-to-government relationship between Federally recognized Indian tribal governments and the United States government. The Office of Native American Programs subsequently conducted regional consultation sessions on the policy throughout Indian Country and received input from tribal leaders on how best to implement it.

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NAHASDA

Question. Why has HUD eliminated funding for the Title VI program under NAHASDA?

Answer. Although not requested as a separate program, the President's fiscal year 2000 Budget request does, in fact, propose $5 million for Title VI within the requested appropriation for the Indian Housing Block Grant.

QUESTION SUBMITTED BY SENATOR LEAHY

SECTION 8 PROJECT-BASED CONTRACTS

Question. I have heard from many Vermonters about the affordable housing crisis in our state. The number of Vermonters waiting for federal housing assistance has steadily grown and the waiting list for people seeking Section 8 rental subsidies has been as high as 2½ years. I support your efforts at addressing this crisis with the addition of 100,000 new rental assistance vouchers.

However, I did notice in GAO's January report on HUD's Major Performance and Management Issues, that there remains a concern identified originally in a July 1998 GAO report. The concern is over HUD's ability to adequately monitor funds that are no longer needed for specific Section 8 project-based contracts. GAO reports that if HUD had identified and deobligated these funds, it could have recaptured and used them to reduce the Department's request for Section 8 funding. Your budget summary mentions that the Department began last year with a comprehensive reform of the administration of Section 8 project-based contracts. What steps has the Department taken under the 2020 reform plan to address this problem? Have you taken steps to recapture these deobligated funds.

Answer. The principal reform proposed by the Department with respect to the administration of project-based section 8 contracts is our initiative to expand the use of contract administrators. Currently, such contract administration is used only for state housing agency financed projects. The Department now has issued a solicitation of interest to identify potential administrator for the balance of our project-based section 8 portfolio. These contracts will be performance-based to provide incentives for more effective administration, and will free up civil service personnel in our field offices for other pressing multifamily management and development responsibilities.

With respect to the issue of recaptures of remaining balances on section 8 contracts that have reached their initial expiration date, the Department has focused considerable attention on developing a means of identifying such balances available for recapture which minimizes staff-intensive effort and avoids the potential for deobligating funds needed to satisfy owner claims or adjustments which can occur following contract termination. While these procedures are being refined, in August, 1998, a total of $412 million was recaptured, and in November, another $1.29 billion was identified and recaptured. These amounts are being applied against the $1.65 rescission enacted in the fiscal year 1999 Appropriations Act. The Department is in the process of preparing for another round of recaptures this summer which coincides with a large number of additional initial contract expirations, particularly in the Loan Management Setaside (LMSA) inventory. Initial estimates indicate that up to $1.5 billion may be available for recapture from these contracts. This recapture was anticipated in the Administration's pending budget request for fiscal year 2000, which assumes the use of $2 billion from such recaptures to offset the requirement for new appropriations to meet program level requirements for contract renewals and amendments.

SUBCOMMITTEE RECESS

Senator BOND. We thank you, Mr. Secretary——

Secretary CUOMO. Thank you.

Senator BOND [continuing]. For a worthwhile hearing.

And rather than ending with a whimper, we will end this hearing with a bang. Thank you.

Secretary CUOMO. Thank you, sir.

[Whereupon, at 11:40 a.m., Thursday, April 22, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT AND INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2000

THURSDAY, APRIL 29, 1999

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:30 a.m., in room SD–138, Dirksen Senate Office Building, Hon. Christopher S. Bond (chairman) presiding.

Present: Senators Bond, Burns, Craig, Kyl, Mikulski, Leahy, Lautenberg, Harkin, and Byrd.

ENVIRONMENTAL PROTECTION AGENCY

STATEMENT OF CAROL M. BROWNER, ADMINISTRATOR

ACCOMPANIED BY:

SALLYANNE HARPER, CHIEF FINANCIAL OFFICER
PETER ROBERTSON, ACTING DEPUTY ADMINISTRATOR

OPENING STATEMENT OF CHRISTOPHER S. BOND

Senator BOND. Good morning, the subcommittee will come to order. We meet this morning to take testimony from the Environmental Protection Agency and the Council on Environmental Quality for the Administration's fiscal year 2000 budget request for these agencies.

We also have three pieces of testimony for the record from the General Accounting Office on EPA information management concerns, the Superfund program, and the new Chemical Safety and Hazard Investigation Board.

We welcome EPA Administrator Browner, Deputy Administrator Peter Robertson, the Chief Financial Officer Sallyanne Harper and the rest of the EPA team. We, also, welcome for the first time before the subcommittee CEQ acting chairman George Frampton.

Today marks the last day of hearings for the fiscal year 2000 cycle for this subcommittee. Our next step will begin to craft the fiscal year 2000 VA–HUD bill. This is going to be a very difficult task this year because the caps imposed by the budget agreement will result in a real reduction of almost $30 billion in discretionary spending below the current level. Within this subcommittee's portfolio there are many critical requirements. One of our most significant concerns will be veterans' medical care. The President's budg-

et proposes no increase for veterans' medical care despite increases in many other programs and agencies. Yet VA has identified more than $1 billion in unbudgeted needs associated with treating patients with Hepatitis C, providing emergency care in non-VA hospitals, homelessness activities and long-term care for the aging veteran population.

Without some increase in the budget, VA expects to lay off about 8,500 personnel in its hospitals. This process has already begun and many members of this subcommittee are hearing from their constituents about the problems in their VA facilities. We, on this subcommittee, are committed to ensuring that the quality of care in VA medical facilities does not in way deteriorate because of the budget situation, and based on my prior experience with this bill, I can assure you that an overwhelming bipartisan majority in the United States Congress will feel the same way.

We can also expect FEMA disaster relief requirements for fiscal year 2000 of several billion dollars which has not been budgeted for. FEMA's annual disaster relief costs are running close to $3 billion and we have no reason to believe we won't have disaster costs next year in keeping with historical averages.

In fact, there is a laundry list of other concerns I could cite. Clearly with an allocation which is expected to be well below last year's level, coupled with many critical requirements within this subcommittee's portfolio, every agency's budget request will be scrutinized closely and we'll have a tough time meeting the President's request in many, if not, most instances, for additional funding.

EPA's budget request totals $7.2 billion. This is a reduction of $384 million below current levels because EPA has cut the State Revolving Fund for clean water infrastructure by $550 million as well as other congressional priorities. However, many of other activities are slated for significant increases and one major new program is proposed. The budget includes $3.7 billion for the operating programs, an increase of 5.5 percent over current levels; $1.6 billion for the trust funds, including $1.5 billion for Superfund; and 1.9 billion for air and water and infrastructure financing.

Unfortunately, once again there is no evidence that the budget request is based on priorities which will best protect the environment and improve human health. Instead it appears that political considerations, pet projects and photo ops may be guideposts used in putting this budget proposal together. Let me give you one simple example. You proposed a $200 million grant program called the Clean Air Partnership Fund for which there is no specific authorization, no stated criteria, no clearly defined goals. This program has been likened by some early analysts to a "funded unmandate." Meanwhile, after funding the new unmandate with the catchy slogan, the President's budget slashes the Clean Water State Revolving Fund by over a half a billion dollars, a program which has a specific purpose, a specific authorization and an enormous identified unmet need.

I just do not believe that is right. We all know the Clean Water SRF has a proven track record. It helps meet an EPA-identified, nationwide need which last year was put at $140 billion for waste water infrastructure financing and which results in demonstrable

improvements in water quality of our nation's rivers, lakes and streams. The Federal investment in capitalization grants to date has been roughly doubled through leverage bond proceeds and state matching funds, making this a greater Federal state partnership. It is a program which works and which is needed.

And we all understand what EPA's primary responsibilities are supposed to be. It's on your Web site. The mission of the EPA is to protect human health and safeguard the environment, air, water and land upon which life depends. Apparently somebody at OMB did not log on to the mission statement. The Agency's budget request is only $800 million for clean water infrastructure, a cut of some $550 million.

It's particularly curious that this effective program is being cut despite the President's statements that clean water is a top environmental priority. And even more astonishing is that this cut comes about as your own agency is revising, we believe upwards, the actual unmet need. While tremendous progress has been made in improving water quality since passage of the Clean Water Act 27 years ago, much remains to be done. About 40 percent of surface waters today are not clean enough to support such basic uses as fishing and swimming. To put it plainly, EPA proposes a cut of 41 percent to the Clean Water SRF, an effective program designed to meet specific Federal water quality mandates.

Let's understand what we are talking about. Summer is just around the corner. More than 46 million school children in this country are getting ready for a vacation. The vacation spots of their choice will be our nation's beaches, rivers, lakes and streams. That is why I call on you and the EPA to get back to the basics. Let's revisit the priorities. Let's ensure that our children and families are protected, not backpedal on the progress we've made. Let me assure everyone that one of the highest priorities that I will pursue, to the extent our allocation will allow, will be restoring the cut to the Clean Water State Revolving Fund.

The second example I'd cite of concern is the President's proposed doubling of the Climate Change Technology Initiative to $216 million, again, as far as I can tell, not based on a national assessment of rational priorities but seemingly due to political considerations. At the same time, EPA proposes to cut drinking water research even while the agency acknowledges it will have insufficient data to meet the mandate to promulgate new drinking water regulations in the next few years. Yet compliance costs associated with some of the new regulations likely will be great. EPA officials themselves told GAO investigators that the new demands cannot be met by shifting resources, without sacrificing quality or missing statutory deadlines. Initial EPA estimates is that annual funding shortfall for research and data collection will be in the range of $10 million to $20 million per year for fiscal years 1999 through 2005. That this activity should be cut while doubling the Climate Change Technology Initiative and creating a new clean air program seems to defy logic.

Once again, it looks as though the EPA is more interested in channeling money into new programs and questionable pet projects while at the same time slashing the vital programs that we have for our basic environmental needs. It begs a question: Why? Why

should we slash these programs when they are the ones that are the basic mission and the ones that we know work?

EPA has requested $63-plus million for children's health but at the same time the scientific magazine Chemical and Engineering News said as of June 1998, because all air pollutants have fallen in the past 20 years, trying to associate falling air pollution with increasing asthma rates flies in the face of logic. We support activities to improve the health and well-being of children but we must support activities which are grounded in science, not simply what we wish science to be.

The Inspector General has listed ten major management concerns at EPA, number one being accountability. We are concerned about EPA's forays into land use planning and transportation issues. The IG has also raised considerable concerns regarding inadequate oversight by EPA in its grants and assistance agreements despite the recognition since at least 1996 that this was a problem. We intend to hold EPA fully accountable.

We also have concerns regarding EPA's implementation of the Government Performance and Results Act. The Results Act needs to be focused on effective outcomes, not bean counts.

One of the items in this accountability list is environmental data systems. We have raised this question before because we cannot know if environmental goals are being met if data is of a questionable quality. Again, the EPA Inspector General has cited information systems as a major management issue.

We commend the starts that have been made but I've not seen enough progress. We can't be confident about the quality of the data. EPA often publicizes data without any stakeholder consultation or even advanced notice and without taking any responsibility for the accuracy for the data. There is still no data correction process. We don't, in some instances, know how useful the data is, even if it's accurate. EPA told us last year it would be conducting a survey of the needs of American households but we have not seen that. There has been a suggestion that the number of EPA web site hits is a good measure. I don't think that is the best performance measure for EPA's right-to-know goals.

Finally, there still is no data quality action plan. We acknowledge that EPA has begun to create the new information office to be a one-stop shop. That is a good step but we need to see EPA take aggressive action to establish the office quickly and make sure it has the authority to see that all EPA offices adhere to the standards set forth. We plan to hold the head of this office accountable for the quality and integrity of the data EPA releases.

I would, also, note in passing very serious concerns about computer security. The Inspector General has said that the preliminary results of ongoing work indicate a number of significant and pervasive problems with the adequacy of existing security plans for EPA's core financial systems and regional systems.

Touching briefly on the Superfund program, I'm pleased that EPA is meeting its site cleanup goals but we still have significant concerns reflecting the GAO's concerns. And I'm disappointed that the administration apparently is not willing to engage in an honest, constructive dialogue on legislative reforms.

We are, also, concerned about EPA's reinvention initiatives and whether they are languishing. We have made little progress on these as these activities continue to operate at the margins of EPA.

Finally, in many agencies reinvention has meant carrying out missions in a more cost-effective manner, doing more with less. We have seen this in the Veterans Health Administration which has lost some 20,000 employees in the past several years while increasing the number of patients it treats by more than 10 percent. We have seen significant reductions at the Department of HUD. Yet at EPA there has been a significant growth in the workforce, but we don't know whether there has been a commensurate increase in work performed. States have taken on more and more of the responsibility for environmental programs. More than 70 percent of the programs which can be delegated are now being run by the States. And according to the Environmental Council of the States, between 1993 and 1998 the percent of the delegated programs grew from 41 percent to 71 percent. And in the past decade there has been an increase of 60 percent in the number of staff in state environmental agencies.

Yet EPA's own workforce has grown tremendously. Since 1990 the EPA workforce has grown by more than 3,000 and in that time we have seen only three new pieces of major environmental legislation. In my 4 years as chairman of this subcommittee, the number of EPA work-years has grown by about 500.

Ms. Browner, you have made the workforce your highest priority. In the fiscal year 1999 operating plan you cut key programs such as NPDES permits and the Reinventing Environmental Information Initiative in favor of increasing staff above the prior-year level. Given that States are doing more and more, this priority raises questions with me. We have to ask, what are all these people doing? Only EPA's workforce, of all the major agencies' workforces under the jurisdiction of this subcommittee, has been growing in the past few years.

Let me be clear that I believe that much of the work of the subcommittee will be to set funding priorities for your agency to ensure that our environmental programs work effectively and efficiently. Congress has made a commitment to protecting our environment both for this generation and for those to come. To fulfill that commitment, we have to get back to the basics for EPA.

PREPARED STATEMENT

There are many, many issues. Believe it or not, I had a much longer opening statement which I ask unanimous consent to submit in full in the record. Otherwise I will read it. Hearing no objection, it will be so included in the record.

[The statement follows:]

PREPARED STATEMENT OF SENATOR CHRISTOPHER S. BOND

The Subcommittee will come to order. We meet this morning to take testimony from the Environmental Protection Agency and the Council on Environmental Quality on the administration's fiscal year 2000 budget request for these agencies. We will also have 3 pieces of testimony for the record from the General Accounting Office on EPA information management concerns, the Superfund program, and the new Chemical Safety and Hazard Investigation Review Board.

We welcome EPA Administrator Browner, Deputy Administrator Peter Robertson, Chief Financial Officer Sallyanne Harper, and the rest of the EPA team. We also welcome for the first time before this subcommittee CEQ Acting Chairman George Frampton.

Today marks the last day of hearings for the fiscal year 2000 budget cycle for this subcommittee. Our next step will be to begin crafting the fiscal year 2000 VA–HUD bill. It will be an arduous task, as the caps imposed by the budget agreement will result in a real reduction of almost $30 billion in discretionary spending below the current level.

Within this subcommittee's portfolio, there are many critical requirements. One of our most significant concerns will be veterans medical care. The President's budget proposes no increase for veterans medical care, despite increases in many other programs and agencies. Yet VA has identified more than $1 billion in unbudgeted needs associated with treating patients with hepatitis C, providing emergency care in non-VA hospitals, homelessness activities, and long-term care for the aging veteran population.

Without some increase in the budget, VA expects to lay-off about 8,500 personnel in its hospitals. This process has begun already, and many members of this subcommittee are hearing from their constituents about problems in their VA facilities. We are committed to ensuring that the quality of care in VA medical facilities does not in any way deteriorate because of the budget situation.

We can also expect FEMA disaster relief requirements in fiscal year 2000 of several billion dollars, which has not been budgeted for. FEMA's annual disaster relief costs are running at close to $3 billion, and we have no reason to believe we won't have disaster costs next year in keeping with historical averages.

In fact there is a laundry list of other concerns I could cite. Clearly, with an allocation which is expected to be well below last year's level, coupled with the many critical requirements within this subcommittee's portfolio, every agency's budget request will be scrutinized closely and we will have a tough time meeting the President's request in many—if not most—instances.

EPA's budget request totals $7.2 billion. This is a reduction of $384 million below current levels because EPA has cut the state revolving fund for clean water infrastructure by $550 million and other Congressional priorities. However, many other activities are slated for significant increases, and one major new program is proposed.

The budget includes $3.7 billion for the operating programs, an increase of 5.5 percent over current levels; $1.6 billion for the trust funds including $1.5 billion for Superfund; and $1.9 billion for air and water infrastructure financing.

Unfortunately, once again, there is no evidence that the budget request is based on priorities which will best protect the environment and improve human health. Instead, it appears that political considerations, pet projects and photo ops are the guideposts used in putting together this budget proposal.

Let me give you one simple example—your proposed new $200 million grant program—called the Clean Air Partnership Fund—for which there is no specific authorization, no specific criteria, and no specific goals. This program has been likened to a "funded un-mandate."

Meanwhile, after funding the new un-mandate with the catchy slogan name, you slash the clean water state revolving fund by over a half billion dollars, a program which has a specific purpose, a specific authorization, and an enormous identified unmet need. That is just not right.

We all know the clean water SRF has a proven track record, helps meet an EPA-identified nationwide need of at least $140 billion for water infrastructure financing, and results in demonstrable improvements to the water quality of our nation's rivers, lakes and streams. The federal investment in capitalization grants to date has been roughly doubled through leveraged bond proceeds and state matching funds, making this a greater federal-state partnership. It is a program which works.

And we all understand what EPA's primary responsibility is supposed to be. It is on your website: the mission of the EPA is to protect human health and safeguard the environment—air, water and land—upon which life depends. But apparently EPA does not log onto its own mission, as Ms. Browner, your agency's budget request is only $800 million for clean water infrastructure. That's a cut of $550 million for water infrastructure in this country.

It's particularly curious that this effective program is being cut despite the President's statements that clean water is a top environmental priority. And even more astonishing is that this cut comes about as your own agency is revising—upwards—the actual unmet need.

While tremendous progress has been made in improving water quality since passage of the Clean Water Act 27 years ago, much remains to be done. About 40 per-

cent of surface waters today are not clean enough to support such basic uses as fishing and swimming.

To put it plainly, EPA proposes a cut of 41 percent to the clean water SRF, an effective program designed to meet specific federal water quality mandates.

And let's understand what we are talking about. Summer is just around the corner. More than 46 million schoolchildren in this country are getting ready for vacation. The vacation spot of their choice will be our nation's beaches, rivers' lakes and streams. That's why I am calling on you, and the EPA, to get back to the basics. Revisit your priorities. Let's ensure that our children and families are protected—not backpedal on the progress we have made.

Let me assure everyone, one of our highest priorities to the extent our allocation will allow, will be restoring the cut to the clean water state revolving fund.

A second example of concern is the President's proposed doubling of the Climate Change Technology Initiative to $216 million, again, not based on any rational assessment of priorities, but seemingly due to political concerns.

At the same time, EPA proposes to cut drinking water research even while the agency acknowledges it will have insufficient data to meet the mandate to promulgate new drinking water regulations in the next few years. Yet compliance costs associated with some of the new regulations likely will be great.

EPA officials themselves told GAO investigators that the new demands cannot be met by shifting resources without sacrificing quality or missing statutory deadlines. Initial EPA estimates are that the annual funding shortfall for research and data collection will be in the range of $10 million to $20 million per year for fiscal years 1999 through 2005.

That this activity should be cut while doubling the climate change technology initiative and creating a new clean air program defies all logic.

Once again it looks as though the EPA is more interested in channeling money into dubious pet projects and undefined new programs, while at the same time slashing the vital programs that ensure we have safe and clean water. This not only unacceptable, it begs the question WHY? Why would EPA slash these vital programs?

EPA also requests $63.2 million for its children's health initiative, with a major emphasis on childhood asthma, which EPA attributes to air pollution. It is interesting to note, however, that air quality has steadily improved over the past decade. A June 1998 article in the scientific magazine Chemical & Engineering News said "because all air pollutants have fallen in the past 20 years, trying to tie falling air pollution with increasing asthma rates flies in the face of logic "

Let me be clear—we support activities to improve the health and wellbeing of our children. But we must support activities which are grounded in science—not simply what one wished the science to be.

Another major emphasis in EPA's budget is the Better America Bonds Initiative. EPA would have authority to select proposals for $1.9 billion in bonding authority for projects aimed at creating open spaces and restoring urban areas. While no specific request is made in EPA's budget, EPA funding would be required for the administrative costs associated with running the program.

There are major concerns with EPA playing a role in local land use decisions. This is another example of EPA seeking to pursue new activities, without any specific Congressional direction or authority, while many other mandated activities go without adequate attention. We must remember, local land use decisions are just that, local decisions.

The Inspector General in its list of 10 major management concerns at EPA lists as Number 1, accountability. EPA's forays into land use planning and transportation issues would seem to imply EPA does not believe it is accountable to the Congress and the specific laws set out for it. Before starting up new programs, the agency should consider the many critical activities that come from specific statutory mandates that seem to be getting short shrift.

With respect to concerns about the lack of accountability at EPA, the I.G. tells us that regional offices are acting largely autonomously, often not spending appropriated funds consistent with designated purposes; and enforcing regulations inconsistently. These are not new concerns, but apparently they have not been deemed important enough to be addressed in an aggressive manner by EPA leadership.

The I.G. has also raised considerable concerns regarding inadequate oversight by EPA of its grants and assistance agreements. Despite EPA's recognition since at least 1996 that this was a problem, it continues to be a material management control weakness. We must be able to hold EPA fully accountable for the billions of dollars in annual grants, assistance agreements and contracts it oversees.

We also have concerns regarding EPA's implementation of the Government Performance and Results Act, which relate closely to our concerns about accountability.

The Results Act was intended to see that agencies be measured based on their performance, not "bean counts." Yet in EPA's annual plan, only about 40 of the roughly 320 performance measures—13 percent—that EPA has set forth are true environmental indicators, as opposed to bean counts. EPA continues to focus heavily on traditional measures such as the number of permits issued, inspections conducted or reports written.

A significant aspect of EPA's ability to implement fully the Results Act is having environmental data systems that are timely, accurate and useful. We cannot know whether environmental goals are being met if EPA data is of questionable quality. Yet again this year, the Inspector General cites environmental data information systems as a major management issue. This is an issue this subcommittee focused a great deal on in last year's hearing, and while commitments were made, I'm afraid not enough progress has been made.

EPA has 500 data systems, most of which operate with different standards and definitions, and often contain data which is out of date or simply inaccurate. One of EPA's 10 goals is "Expansion of American's right-to-know about their environment."

Yet we can't be confident about the quality of the data. EPA often publicizes data without any "stakeholder" consultation—or even advance notice—and without taking any responsibility for the accuracy of the data. There is still no data correction process. And data is often put out for purposes other than that for which it was collected, leading to possible inappropriate conclusions about the information.

In many instances, we don't know how useful the data is, even if it is accurate. EPA last year told us it would be conducting a survey by early this year of environmental information needs of American households. Apparently this has become a lower priority as EPA does not plan to complete a survey and report until the fall.

I would suggest that the number of EPA web site "hits" is not the best performance measure for EPA's right-to-know goal. We need to find out how useful the information is to Americans.

Moreover, there still is no final data quality action plan—which was committed to last year; there is no information plan, which GAO cites as a critical need; we have seen no actual burden reduction for facilities reporting to EPA; and many activities, such as creating common facility identifiers, have been in the pipeline for so long we wonder whether they are losing momentum and whether there is commitment to completing them.

We acknowledge that EPA has begun to create a new information office ostensibly to be the "one-stop shop" to provide uniformity in the agency's approach to information management, and to address the need to ensure that data is accurate, reliable, and consistent. This is a good step.

But we need to see EPA take aggressive action to establish the office quickly, and ensure it is vested with the authority it needs to see that all EPA offices adhere to the standards it sets forth. We don't want to repeat the problem we've seen in the area of peer review, where the office which developed the polio,—the R&D Office—followed peer review procedures, but other program offices ignored it.

Let me be clear—We plan to hold the head of this office accountable for the quality and integrity of the data EPA releases.

We also have serious concerns about computer security. The Inspector General stated, "The absence of a centralized validation process leaves vast amounts of EPA information vulnerable to unauthorized access, manipulation and potential destruction. The preliminary results of ongoing work indicate a number of significant and pervasive problems with the adequacy of existing security plans for EPA's core financial systems and regional systems."

While the I.G. recommended in 1997 that EPA implement formal firewall technology and implement a Network Security Policy, EPA has dragged its feet in responding. According to the I.G., the agency firewall is not scheduled for implementation until the spring 2000. Protecting sensitive business information and ensuring that appropriate fireballs are in place must be an immediate top priority of the new information office and top agency leadership.

Moving on to the Superfund program, I'm pleased EPA is meeting its site cleanups goals. However, there remain significant concerns with this program. GAO continues to list it as a high-risk program, as it has for the past decade, citing concerns with the way its contracts are managed, excessive overhead costs, and the cost-recovery program. In addition, there remain significant impediments to fair and efficient site cleanups, owing to the litigious nature of the program and other problems that only legislative reforms can fix.

For that reason I'm very disappointed to have heard that this administration is no longer willing to engage in honest, constructive dialog on legislative reforms.

We also have concerns about EPA's so-called reinvention initiatives and whether they are languishing. We have been talking for many years now—and there have been scores of reports and studies on the need for flexibility and innovative approaches. But it seems we've made very little progress as these activities continue to operate at the margins of EPA.

Finally, in many agencies reinvention has meant carrying out missions in a more cost-effective manner—doing more with less. We have seen this in VA, which has lost some 20,000 employees in the past several years while increasing the number of patients it treats by more than 10 percent.

Yet at EPA there has been significant growth in the workforce, but I'm not sure we've seen a significant increase in work performed. Indeed, in the past decade, states have taken on more and more of the responsibility for environmental programs. More than 70 percent of programs which can be delegated are now being run by the states. According to the Environmental Council of the States, between 1993 and 1998 the percent of delegated programs grew from 41 percent to 71 percent. And in the past decade there has been an increase of 60 percent in the number of staff in state environmental agencies devoted to carrying out EPA mandates.

Yet EPA's own workforce has grown tremendously at the same time. Since 1990, EPA workforce has grown by more than 3,000, yet in that time we have seen only 3 new pieces of major environmental legislation. During my tenure as chairman of this subcommittee, total EPA workyears have grown by about 500!

Ms. Browner, you have made the workforce your highest priority. In the fiscal year 1999 operating plan, you cut key programs, such as NPDES permits and the reinventing environmental information initiative in favor of increasing staff above the prior year level. Given that states are doing more and more, this priority seems not to make sense. We must ask, what are all these people doing? Of all the major agencies under this subcommittee, only EPA's workforce has grown in the past few years.

In conclusion, let me be clear that I believe much of the work of this subcommittee will be to set funding priorities for your agency to ensure that our environmental protection programs work effectively and efficiently. Congress has made a commitment to protecting our environment both for this generation and those to come, and to fulfill that commitment we must get EPA back to the basics.

There are clearly many issues we wish to discuss today. Before I ask you, Ms. Browner to proceed with your opening statement, I will turn to my distinguished ranking member Senator Mikulski for her opening statement.

Senator BOND. And before I ask you to begin, Madam Administrator, I will turn to my colleagues and first call on the distinguished ranking member of the subcommittee, Senator Mikulski.

STATEMENT OF SENATOR BARBARA MIKULSKI

Senator MIKULSKI. Thank you very much, Mr. Chairman. My own remarks will be condensed in light of the fact that we have many members here as well as a vote at 10:30.

I want to welcome Administrator Carol Browner and her team. This is her seventh appearance before this subcommittee. And I want to thank her for her efforts and leadership over the years and also her tenacity in surviving this 7 years of attacks on EPA. Her tenure has neither been boring nor uneventful. Budget cuts, shutdowns and catastrophes have made her job quite challenging. In addition, there is often been a kind of hostility around protecting the environment. And I would hope, as we examine the culture of attack in our society, we need to learn more about civility among ourselves. Hopefully, it will even start on the Senate floor.

Today I am going to focus on the issues related to the environment because in my own home state, which I believe is a cameo for the nation, first of all, good environment is good business. Good environment is good business in Maryland because of the Chesapeake Bay.

Whether it is the bounty that comes from the Bay that sustains our watermen, our restaurants, our charter fishing and our resi-

dential development; the Bay has been bountiful and we need to protect the Bay and I'm very appreciative in Senator Mathias, to myself, to President Reagan to President Clinton to focus on the Bay.

But also, environmental protection has been good business for Maryland. I want to get into also the whole issue of environmental technology. In my own home state the development of new technology to provide the private sector with tools for either environmental cleanup, remediation or even detection for early warning before it would get to a problem is resulting in the fact that there are thousands of jobs being created, export jobs that absolutely crucial.

The other is the issue around the cleanup of the environment. And I want to, also, see what efforts and progresses are being made in brownfields. From a legislative standpoint, we're making very little progress on Superfund but brownfields, I believe, offers a cornucopia of opportunity. Again, in my own home state, there are 3,000 acres of brownfields around the waterfront of three counties. Redevelopment of these brownfields could result in commercial, cargo, residential and other new types of office park development that would really be a cornucopia of economic development for my state.

So those are the kinds of things that we want to focus on. But we, also, want to make sure that there continues to be the establishment of a very clear link between public health and the environment. We want to know about what is happening in clean air, what is happening to our children with asthma. The epidemiologists at Hopkins in Maryland tell me asthma is skyrocketing throughout the nation and is probably one of the number one health issues facing America's children.

In addition to that, again, looking at public health, there is the issue of Pfiesteria in the Bay and several other waters. So we want to go through the budget. We want to make sure the budget does match policy, and policy matches national priorities. And I believe our national priority is, we protect the environment not only for itself, but because of its linkage to public health and economic development.

So we look forward to hearing your testimony and, of course, we want to know you are Y2K-ready. Thank you very much.

PREPARED STATEMENT

I ask you now with your consent that my entire statement go into the record.

Senator BOND. Without objection, it will be.

[The statement follows:]

PREPARED STATEMENT OF SENATOR BARBARA A. MIKULSKI

Thank you Mr. Chairman. I want to welcome EPA Administrator Carol Browner and her team. This is Ms. Browner's seventh appearance before the subcommittee. I want to thank her for her efforts and leadership over the last seven years.

Administrator Browner's tenure has not been boring and uneventful. Budget cuts and government shutdowns have made Ms. Browner's job—and the job of EPA's employees—quite challenging.

In addition, there has often been a climate of hostility toward environmental protection in the Congress as a whole, particularly in the authorizing committees.

This has not made for the most constructive climate within which to move our agenda. I believe that EPA has survived these challenges and has taken many initiatives to make the long-term changes that are necessary to keep up with a changing world.

As a Senator for Maryland, I have seen the positive results of EPA's programs and initiatives on a firsthand basis.

As a Marylander, I am also well aware of the importance of one of our most precious resources—water.

Water links the lives of all Marylanders—from the north branch of the Potomac River, to the southern tip of the Wicomico River, water is critical to Maryland's environment and economy. The EPA has been a leader in keeping Maryland's Chesapeake Bay and waterways clean.

I also want to take this opportunity to highlight two sometimes overlooked aspects of environmental protection. First, with the help of the EPA, I believe we need to make all Americans aware of the strong connection between public health and environmental protection.

Unfortunately, we have seen examples all across the country of the negative effects of a poor environment on the health of our citizens. We need to ensure that our environment and our people are protected.

We also need to do all we can to clear up the misconception that our economy and our environment cannot prosper together. Nothing could be further from the truth. Our economy and our environment can indeed coexist. In fact, they must.

I believe that environmental protection goes hand in hand with economic growth and job creation. Protecting our environment creates jobs.

In Maryland, our watermen have always relied on a clean bay for their livelihood. A clean bay means more jobs for our watermen.

But Maryland's economy is benefitting from a new industry—environmental technology.

Environmental laws and regulations create the need for new environmental technologies. New technologies means new jobs and new markets. The United States sets the standards for many areas in environmental protection.

In Maryland alone, there are 1,700 companies in the environmental industry. These companies have created 21,000 jobs in Maryland, and have exported $260 million worth of goods and services.

The demand for these types of businesses will only grow in the coming years. According to the EPA, the global market for environmental technologies and services is now estimated at $410 billion per year. Current growth rates range from 3 to 4 percent a year in most industrialized nations to 16 percent in parts of Asia.

This represents incredible opportunities for jobs in Maryland and across the country.

As we move forward in today's hearing, let me note a few of the things that I am pleased to see in EPA's fiscal year 2000 budget request. First, I would like to note that the President has requested $7.2 billion for EPA for fiscal year 2000.

I am pleased to see an increase in funding for the President's clean water action plan.

I believe we must ensure the integrity of our core water programs, while we seek to broaden our base of knowledge and understanding of water issues.

I was pleased to join the President in my hometown of Baltimore when he outlined this plan to ensure clear waterways and safe ecosystems.

The President's clean water action plan will promote water quality protection by emphasizing state initiatives and new guidelines for regulating animal waste.

This is a critical issue in my state of Maryland as we wrestle with how to respond to the pfiesteria outbreaks that ravaged our waterways—waterways which are crucial to the economy of our state.

Mentioning the topic of pfiesteria leads me to note that I consider this year's hearing in many ways a follow-up status check.

I would like to know what progress EPA has made in working internally and with other agencies to address the pfiesteria problem.

I'd like to know what progress has been made in identifying not only the problems, but workable solutions.

I know you are aware Ms. Browner, just how important the waterways are to the Maryland economy. Thousands of Maryland watermen, commercial fishermen, merchants and restaurants depend of the great seafood that is harvested in our beautiful waters.

It is imperative that EPA and other relevant agencies work together and with the states to continue to find workable solutions to the pfiesteria problem—solutions that are based upon sound science.

This year is also a follow-up year on the brownfields program. I know the chairman shares my concern about the need to revitalize our nation's brownfields.

My hometown of Baltimore has over three thousand acres of brownfields. This is land that could be cleaned and revitalized to help create jobs and rebuild communities.

I want to hear this morning what progress EPA has made with its brownfields initiative and what progress it has made in coordinating activities with HUD.

This program is too important and too necessary to fall victim to mismanagement or lack of clear direction.

I will continue to work with the chairman to stand sentry to ensure that we have a brownfields program that works for the taxpayers and works for the communities that receive brownfields dollars.

I am interested to learn what the EPA has done to implement the NAPA recommendations. I'd like to know what has been done to date and what plans are in place to accomplish those things remaining undone.

As you know, when I was chair I requested that NAPA do a report on how EPA could improve its management and operations. That report became the basis for yet another NAPA report that continued evaluating the progress EPA had made.

These reports are not meant to be reports for reports sake. These NAPA reports and the recommendations they include are to be blueprints for positive, action and results oriented change.

I know the chairman shares my desire to see EPA use the NAPA reports as frameworks for improved performance based management.

I am also aware of some concerns with the implementation of the food quality protection act. I want to make sure that we have a program that is open, uses the best science available, and works effectively to protect consumers from illnesses and death caused by polluted foods.

So, Madame Administrator, I know that your plate is full and that you are busy. I commend you again for your efforts and look forward to working with you and the chairman on making the Environmental Protection Agency one that truly fulfills its critical mission.

Thank you Mr. Chairman.

Senator BOND. We are very honored to have the ranking member of the full committee with us today and I'd ask Senator Byrd if he wishes to make some statements.

Senator BYRD. Mr. Chairman, that's very nice. I will take my turn. I do thank you, however, very much.

Senator BOND. Thank you, Senator.

Senator Leahy.

Senator LEAHY. Thank you, Mr. Chairman, I'll happy to yield to the distinguished Senator.

Senator BYRD. You overwhelm me with praise. [Laughter.]

Senator BOND. Would one of you gentleman please proceed?

Senator CRAIG. Mr. Chairman, I would be happy——

Senator BYRD. Mr. Chairman, I am thoroughly enjoying this. But I think I will wait. I will learn a lot by listening to my peers.

STATEMENT OF SENATOR PATRICK J. LEAHY

Senator LEAHY. Thank you, Mr. Chairman.

Administrator Browner, it is good to have you here. As you know, there will always be a lively debate over priorities of your agency. Last week Secretary Babbitt was testifying before this subcommittee. I think it is a toss-up probably as to who has endured more bruises during your tenures, you or he. But I see that as a credit to your leadership at EPA and your commitment for improving our environment, not just for us but for our children. They are the ones that are going to live most of their lives in the next century.

That same perspective has motivated my agenda in the Senate trying to improve my own state of Vermont for future generations.

We have been—we are very grateful for the fact that in Vermont, that you have been up there and visited our State. You have seen how the funding you have requested for Lake Champlain is going to help us achieve this goal. Lake Champlain's watershed covers more than half of our state. In other words, revitalizing the health of Lake Champlain is essential not only to our environment but also to our economy. From the funding from your agency we are going to be able to meet the challenge of improving both the environment and the economy at the same time.

For example, one project that may seem mundane, but has a great effect on the whole lake ecology, is a monitoring program to help our dairy farmers choose the most effective way to reduce agricultural runoff into Lake Champlain.

We have another project that I would like to see EPA get involved in. I have scraped together some seed money for two pilot projects that integrate economic and natural resource data into a web-based interactive tool that could help communities access everything from the impact of a new gas station or shopping center on their watershed. I would like to expand the pilot program to cover the entire Lake Champlain basin. I hope EPA can be one of the primary Federal partners.

I want to compliment you also and your staff for your work on two very high-profile issues in Vermont, the cleanup of the Pownal Superfund site and the Lake Memphremagog partnership with the Department of Agriculture.

My wife was born a hundred yards from the shore of Lake Memphremagog on the Vermont side. Had she been born a hundred yards further, she would have had the same Canadian citizenship her parents had.

I was very impressed with how quickly and professionally your staff developed remediation plans embraced by the community and the State's environmental officials. And the Lake Memphremagog partnership to reduce agriculture runoff is such a success, we are going to try to replicate it for the Connecticut River.

Mr. Frampton is not here. But I was going to thank him, also, for his help with the Northern Forest funding. I will put the whole statement in the record. Mr. Chairman, we will also have a markup at the same time in the Judiciary Committee on a constitutional amendment.

Senator BOND. Senator Lautenberg.

STATEMENT OF SENATOR FRANK R. LAUTENBERG

Senator LAUTENBERG. Thanks, Mr. Chairman. I will try to be brief and ask unanimous consent that my full statement be included in the record.

Mr. Chairman, I just briefly want to commend Carol Browner, the EPA Administrator, for the great job that she's done. And as Senator Mikulski noted that she is not either battle- or weather-weary, despite the number of contests and conflicts she has had to endure.

It strikes me as being rather peculiar that we are looking at the reduction in funding for EPA that we are, when the record of success is greatly astounding. We hear lots of criticism and talk about the bureaucratic influence and decision making and how tough it

is to live with the rules and regs. I would like to note, Mr. Chairman, that we have—by the end of the fiscal year, that 95 percent of the Superfund sites will have had signed records of decision. That 50 percent of the contaminants that used to plague our air have been eliminated. That 150 million people in this country breathe cleaner air as a result of the work that's done at EPA. And we are—that thousands of brownfield sites, whether it is those that are cleaned up by State or Federal Government or private contractors under the supervision of the Federal Government, have been released for economic and community use.

I think the record is pretty darn good. And I must tell you I find it discouraging—I know that we have other priorities—but I think that we ought to be examining all of our priorities in the same fashion. "Look at the record" used to be a favorite expression. And I want to commend Administrator Browner and her team for the great work that they're done, again, sometimes under very severe pressure.

PREPARED STATEMENT

I hope, Mr. Chairman, that we are going to be able to find of a way take care of the funding to get a Superfund bill. The Chairman sits on the same committee that I do, the EPW Committee, and I am hoping that we can enact sensible Superfund legislation to keep that program going. It will help enormously in terms of our financing the programs that we have to.

Thank you, Mr. Chairman.

[The statement follows:]

PREPARED STATEMENT OF SENATOR FRANK R. LAUTENBERG

Mr. Chairman, I am pleased to be here to discuss EPA's fiscal year 2000 Budget with Administrator Browner, and the fiscal year 2000 Budget for the Council on Environmental Quality with Acting Chairman George Frampton.

I would like to take this opportunity to commend Ms. Browner for the job she is doing at the helm of EPA. I have had the good fortune to work with her closely over these last several years, but had the distinction of spending even more time with her than usual during the Superfund negotiations of the previous Congress.

She is an outstanding leader for environmental protection.

As the ranking member of the Budget Committee, I can understand the difficulties this Subcommittee faces in trying to adequately fund its environmental programs.

Even though we have erased the deficit, and are expecting large surpluses in the next five years, we are still living with the tight domestic discretionary caps from the Balanced Budget Agreement.

Despite this outlook, I hope that this Subcommittee will strongly consider proper investment for EPA's environmental protection programs.

We need to do whatever we can to provide appropriate funding for Superfund, the Clean Water Act, the Clean Air Act and other critical programs. If not, we will not make enough progress in cleaning up our land, water and air.

Mr. Chairman, I know it will be tough to fund all of the competing priorities in this Subcommittee. I know you and the distinguished ranking member will do your very best to fund EPA's critical programs because environmental cleanup is needed in all states. You did an outstanding job with this bill last year, and look forward to no less this year.

But let's face facts, it will be very tough. But we can still work together to make the right investments in environmental protection. And I look forward to working with members on both sides of the aisle, along with Administrator Browner, to make this happen.

Thank you

Senator BOND. Thank you, Senator Lautenberg. We will be coming forward with some ideas. We will be working with your staff on EPW. Now I turn to the distinguished Senator from West Virginia.

Senator BYRD. Mr. Chairman, these two gentlemen who are here were here before I was.

Senator BOND. No, sir. I watch them closely. You do not think I actually listen to those statements I am reading, do you? I'm watching who is coming into the room.

Senator BURNS. We are not ready anyway, Senator.

Senator BYRD. I am not ready either, as a matter of fact. [Laughter.]

Just so this time is not counted against me, Mr. Chairman.

Senator BOND. We are not so foolish as to put the lights on.

Senator BYRD. Is there a vote at 10:30?

Senator BOND. Yes, sir.

Senator BYRD. Will we be coming back?

Senator BOND. I will. I hope that some of my colleagues will. It gets lonely up here.

TRANSPORTATION PARTNERS PROGRAM

Senator BYRD. Madam Administrator, you are very senior to me in this area. Let me ask you about the EPA program known as Transportation Partners. The EPA program known as Transportation Partners has recently come to my attention through some published reports that make some rather disconcerting charges. Primary among those charges is that this program is a source of funding for some purely anti-road initiatives. I can certainly see the merit in a program that helps local communities to help develop volunteer strategies for transportation-related emission reductions and that assists them in developing transportation alternatives that reduce traffic volume and congestion.

It seems that if EPA is actually helping to underwrite activities to block construction authorized, of desired, safer, more modern highways, a critical line is being crossed. I have no doubt that the public would be dismayed to hear it if, in fact, as one Federal agency is spending millions of taxpayer dollars to build modern infrastructure, another agency was spending additional taxpayer money to help prevent such construction.

The logical result of this kind of mess is that the taxpayers end up paying several times over, including footing the bill to fight court battles to defend the projects and covering the costs of inflation resulting from lengthy construction delays. The only beneficiaries from this kind of scheme, it would seem, are the lawyers. This scenario simply defies fiscal logic. I would like to know more about the Transportation Partners program. Does anyone at EPA conduct oversight of the program? What is the answer?

Ms. BROWNER. Do you want me to answer?

Yes, we do. It is a grant program and it is subject to all of the requirements of our program and the oversights associated with our grant programs.

Senator BYRD. Can you then tell the committee specifically how this funding is being spent?

Ms. BROWNER. Yes, we can. I would be happy to spend a moment to elaborate on the program, if that would be helpful at this point.

Senator BYRD. Well, we have the time if you do.

Ms. BROWNER. Yes, certainly. [Laughter.]

I apologize, Senator Byrd, I had thought the chairman wanted to finish with the opening statements. So I apologize.

Senator BYRD. Perhaps I am mistaken.

Senator BOND. We did have this time for opening statements, Senator Byrd. We were going to go into the question round later. This is an area in which I have a great interest. If you wish to do that, I will ask the indulgence——

Senator BYRD. Mr. Chairman, I think it is unfair to the other members to proceed with questions.

Senator BURNS. Senator, I am submitting my statement. So you may proceed. You are not walking on any toes over here.

Senator CRAIG. I concur.

Senator BYRD. Well, I am glad the Administrator is calling my attention to my error.

Ms. BROWNER. Senator, that is not my intent. I simply want to follow the lead of the Chairman and the subcommittee.

Senator BURNS. We do want to let the Administrator make her full statement before getting into full-blown questions. But this is a question that I believe, Madam Administrator, you can answer because this is of major concern to me and to Senator Byrd.

Senator BYRD. Mr. Chairman, I am embarrassed to feel that, being my first occasion to sit on this subcommittee, I have misread the tea leaves and am proceeding out of order.

Senator BURNS. No, you are not either.

Senator MIKULSKI. There no alligators from the Everglades to worry about.

Ms. BROWNER. I would be happy to answer the question, Senator Byrd.

Senator BYRD. Since our time is limited, I would prefer to wait until the others have had a chance. I've got several questions on this.

Senator BOND. Thank you very much, Senator. I assure you I have concerns in this area. We look forward to working with you.

We propose to introduce two pieces of legislation that will protect the EPA's role and the Department of Transportation's role. Since you and I had a great deal to do with the passage of the Clean Air Act, the Byrd-Bond amendment, as it is known up here, or the Bond-Byrd amendment as it's known in Missouri, enabled to us to develop an emissions trading system which facilitated the passage of the Clean Air Act and we want to see the goals of clean air and safer highways achieved. So we will be having many discussions on that.

Senator Burns, do you have an opening statement?

Senator BURNS. I would ask that I may submit it in the interests of time and protocol.

Senator BOND. I'd be delighted and without objection.

Senator Craig, do you have an opening statement?

Senator CRAIG. Under those conditions, welcome to the committee.

Senator BOND. With that, Madam Administrator, would you like to give your opening statement?

Ms. BROWNER. Yes. Before I do that I just want to assure the committee that I am more than happy to answer any question, but particularly the questions that have been proposed by Senator Byrd and by the Chairman——

Senator BOND. There will be plenty of opportunity.

Ms. BROWNER [continuing]. Concerning transportation and other important matters.

STATEMENT OF CAROL M. BROWNER

It is, indeed, a pleasure to appear again before you, Mr. Chairman, Senator Mikulski and the members of this committee, and it is a great honor to have Senator Byrd here and showing an interest in our programs. We thank you for that.

I am here today to present the President's fiscal year 2000 budget request for the Environmental Protection Agency. The President's $7.2 billion request for the EPA continues this administration's efforts to protect both public health and our environment while providing states and communities with new innovative funding tools to build these strong, healthy and safe communities that we all desire for the 21st century.

As you noted, Mr. Chairman, accompanying me today are many of the senior managers from the Agency, including our Chief Financial Officer, Sallyanne Harper, who is beside me at the table. If I might, Mr. Chairman, just take a brief moment to say a word about Sallyanne Harper. She just won a very, very prestigious award from the Joint Financial Management Improvement Program. They pick one Federal financial officer a year, government-wide, one State officer, and one local government officer for this award. Sallyanne Harper was the winner this year for the entire Federal Government and she is an outstanding public servant and she does a tremendous job for us at EPA.

Senator BOND. Ms. Harper, we congratulate you and commend you for your good work. You certainly have challenging opportunities ahead of you, and we wish you the best.

Ms. BROWNER. We are very proud to have her.

Mr. Chairman, with the help of the members of this subcommittee, you have provided essential funding for important environmental programs. With that funding we have made significant progress for the people of this country in providing a safe and a healthy environment. During this administration we have also worked with Congress to pass in a bipartisan manner important environmental laws and to implement earlier laws to carry out our common goal of stronger environmental protections.

If I might just take a moment to cite a few examples. Over the past 6 years we have worked together to pass environmental laws such as the Safe Drinking Water Act Amendments of 1996. We estimate today that 88 percent of the American population receive drinking water from a system that meets all health-based standards, 88 percent. That is a truly remarkable statement about the commitment of the Congress, the commitment of the EPA, to working with local communities to ensure that every time their citizens turn on the tap, it is clean, healthy, safe water that they receive.

Thanks to the resources provided by this committee, we have also made significant progress in many of the key action items in the Clean Water Action Plan which the President announced in Maryland almost a year ago. We recently announced a joint strategy with the USDA to protect waterways from nonpoint source pollution associated with the largest animal feeding operations. We have made significant progress to clean up toxic waste sites. As of the end of 1998, 585 Superfund toxic waste sites have been cleaned up. An additional 85 cleanups will occur in 1999.

In addition, 227 communities have benefited from more than $44 million in grants to revitalize brownfields, to see these sites cleaned up, to see these sites redeveloped, to see them made a productive part of the community. And, finally, because of the Clean Air Act approximately 164 million Americans are today breathing cleaner air.

The budget we present today is in the tradition of every previous budget submitted by this administration. It is based on what the President and Vice President have said time and time again, and what we have proven over the last 6 years. We do not, as a country, have to choose between our health, our environment and our economy. That, in fact, a strong economy and a healthy environment are goals in concert, not in conflict.

Today we have some of the toughest environmental and public health protections in the world and our economy is also strong. It is literally soaring. Building on this record of success, the Clinton-Gore 2000 budget request charts a new course to meet the environmental challenges of the coming century.

The budget we put before you today is about communities. It is about neighborhoods. It is about protecting where we live our lives as Americans. It is about protecting how we live our lives. It is about keeping communities healthy, strong and prosperous. It is about families. It is about improving their quality of life, especially for our children.

The President in his State of the Union address articulated a new livability agenda to help communities grow in ways that will ensure a high quality of life and strong sustainable economic growth. A key part of this agenda is an innovative financing tool called Better America Bonds. This plan offers a creative way for states and communities, through zero interest bonding authority, to preserve open space, create shared areas and parks, clean up brownfields and improve water quality.

Mr. Chairman, I want to be very clear what this program is not. It is not big government. It is not the Federal Government owning anything. This is merely another tool for those communities who want to preserve their open spaces, who want to enhance their water quality. They choose whether or not to take advantage of it. They are not required to participate. Across the country many communities are looking for financing mechanisms so they can provide these kind of open spaces, these shared spaces, this enhanced quality of life.

The President's budget also includes $200 million for the Clean Air Partnership Fund, another new tool to help communities. You made reference to this, Mr. Chairman, in your opening comments. This is a fund to allow those local communities who want to look

at creative alternative solutions to local air pollution problems, with some modest resources so they can develop these sorts of local solutions. No one is required to participate. We hear from many communities, from many mayors who would like to forge public and private sector partnerships to develop local air pollution solutions. That is what this is designed to do, to provide some modest resources for those communities who want to take this approach to enhancing their air quality and thereby their quality of life.

Third, this budget allows EPA to take a leading role in the administration's important effort to fight the growing problem of childhood asthma. Five million children suffer from this debilitating disease, and the incidence is clearly on the rise. Senator Mikulski made reference to the very, very good work that is done at Johns Hopkins. The budget before you includes $22.2 million for education, outreach and monitoring to reduce children's exposure to the environmental toxins that can make an asthma attack far worse.

I am aware that this is a concern, Mr. Chairman, that I think we both share. Your work on children's issues as both Governor and Senator has done much to ensure that our children are well prepared for a healthy lifetime of achievement. I hope that we can continue to work together as EPA reaches out to communities to provide them with the tool to address this very real, this growing problem of childhood asthma.

In addition to these three new initiatives, the President's budget also continues our work on the nation's other environmental and public health priorities. To implement the Clean Water Action Plan $651 million, the national blueprint announced last year to finish the job of restoring and protecting our nation's rivers, lakes and coastal waters.

For the State Revolving Funds $1.6 billion, to upgrade drinking water systems, and waste water systems. To help communities address the very pressing problem of polluted runoff, we are asking that this committee allow States to take up to 20 percent of their waste water money and turn it into a grant program.

There are many small and medium-sized communities, where the next important step to protecting their river or lake is addressing polluted runoff. A grant program funded through an optimal 20 percent setaside of the Clean Water SRF administered by the States, would be a very, very important tool for communities.

To continue the cleanup of toxic waste sites, the budget invests $1.5 billion in Superfund, of which almost $92 million will go directly to support brownfields communities.

If I might, just in closing, call the committee's attention to something that is a very, very important concern to me and to the administration, and that is the agency's operating programs. We are seeking an increase in those programs. That is where we do almost everything, short of the money for Superfund and brownfields and the money that goes to States. Everything from setting a drinking water standard to rigorous science, to a new information office, to getting an "A" on our Y2K compliance efforts, all of what we do sits in the operating program budget. We are very, very concerned that if we do not have the resources in this section of our budget, the work that is extremely important to the American people will be

delayed or in some instances, we will simply have to cease that work. We are concerned about this because of the House- and Senate-passed budget resolution that includes a 12-percent across-the-board-cut in priority domestic programs. We are concerned that that magnitude of a cut to our operating program will result in a huge delay or stoppage of important efforts that we are involved in.

For example, it would affect our ability to set drinking water standards on target with the new law. We have not missed a deadline. The budget before you allows us to continue that record, but a 12-percent cut would be extremely difficult——

Senator BOND. Madam Administrator, let me assure you that the assumptions in the budget have absolutely nothing to do with what kind of 602B allocation EPA will receive or how this committee will allocate it.

Ms. BROWNER. I appreciate that.

Senator BOND. I think you can disregard most of the assumptions underlining the budget. It is the numbers that count and we are the ones that deal with the numbers.

Ms. BROWNER. I appreciate that. I take it from your words that you recognize the importance of our operating budget.

Senator BOND. Merely that we are going to have no intention of being bound by those assumptions.

Ms. BROWNER. In closing, Mr. Chairman, we want to continue to work with this committee. We do recognize that congressional earmarks are a part of the budgeting process. I think many of the projects are extremely worthwhile projects, and are important to the local communities. But as the number of those earmarks increases, it does function as a reduction in our ability to meet our commitments, both to States and local communities, and affect our ability to do the kind of work that was envisioned by Congress as they passed and reauthorized and strengthened the nation's environmental laws.

In the last 4 years, we have experienced a 300-percent increase in congressional earmarks to our budget. I am not suggesting that the earmarks are not important projects. I am sure they are, but they do affect our ability to do our job. Mr. Chairman, they also affect the money that is made available to the States for their priorities. We provide a lot of funding to the States and they manage it across a set of competing needs. An earmark comes at the expense of the dollars we have available to provide to the States.

I raise that concern to the committee. I understand the realities. But I hope that we can work together to ensure that we do not continue to experience the kind of growth in earmarks and to really, if possible, look at the projects and determine whether or not they are better funded through an existing set of resources that we make available to a State.

PREPARED STATEMENT

In closing, let me thank you for the opportunity to be here. Let me thank you for the opportunity to work with you. We recognize it is a difficult budget year, and that there will be difficult choices to make. We believe we have presented you with a budget in keeping with the balanced budget agreement that honors the commitment that the Congress and the President made to the American

people in reaching that balanced budget agreement, which was to provide strong public health and environmental protections for the American people.

[The statement follows:]

PREPARED STATEMENT OF CAROL M. BROWNER

Chairman Bond, Ranking Member Mikulski, and Members of the Committee, I am very pleased to be here today to present the President's fiscal year 2000 Budget Request for the Environmental Protection Agency. The President's $7.2 billion request for the EPA continues this Administration's efforts to protect public health and the environment and provide states and communities with new, innovative funding tools to help build strong, healthy communities for the 21st century.

At the outset, Mr. Chairman, I would like to mention something we at EPA are very proud of. Sallyanne Harper, the Agency's Chief Financial Officer, has been named the recipient of the Joint Financial Management Improvement Program's (JFMIP) 1998 Donald L. Scantlebury Memorial Award. She receives this in recognition of sustained leadership and a record of accomplishments in financial management at EPA. This is an extremely prestigious government-wide award given by the JFMIP, to recognize senior financial management executives who, through outstanding and continuous leadership in financial management, have been principally responsible for significant economies, efficiencies, and improvements in federal, state, or local government. Sallyanne has done a great job for us at EPA. I just wanted to share with you our pride in Sallyanne and ask you to join me in congratulating her.

Mr. Chairman, with the help of this Subcommittee, which has funded essential environmental programs, we have made significant progress in providing a safe, healthy environment for the American people. During this Administration, we have also worked with Congress to pass important environmental laws and to implement earlier laws to carry out our common goal of stronger environmental protections. To cite just a few recent examples:

This year, as a result of the Safe Drinking Water Amendments of 1996, we estimate that 88 percent of the American population will receive drinking water from community water systems that meet all health-based standards in effect since 1994. The Agency has had remarkable success in carrying out those Amendments, and, to date, has not missed a single deadline that Congress placed in the law. We are honoring the commitments you made in passing this legislation, and we are meeting the safe drinking water needs of the American people.

Because of the action of this Subcommittee, and particularly your support Mr. Chairman, and that of Senator Mikulski, we have made significant progress on many of the 111 key action items in the Clean Water Action Plan and will soon announce a joint strategy with USDA to protect waterways from non-point source pollution from animal feeding operations. I would like to thank this Committee for its support and funding for the Clean Water Action Plan, almost all of which goes to the states.

Today, because of the Clean Water State Revolving Fund and Construction Grants programs supported by this Committee, more than 176 million Americans receive the benefit of at least secondary treatment of wastewater, keeping pollution out of our rivers, lakes and coastlines.

We are making significant progress cleaning up toxic waste sites. As of the end of 1998, 585 Superfund toxic waste sites have been cleaned up. An additional 85 construction completions will occur in 1999. In addition, 227 communities have benefitted from more than $44 million in grants to revitalize Brownfields. The Brownfields program has helped to leverage over $1 billion in private investments which have gone a long way toward revitalizing communities.

Approximately 164 million Americans are breathing cleaner air today, because of the Clean Air Act. I would like to thank this Committee for providing funding to carry out this legislation which provides crucial health protections.

Our fiscal year 2000 Budget, in the tradition of every previous budget submitted by this Administration, is based on what the President and Vice President have proved over the past six years—that we don't have to choose between environmental protection and economic growth. A strong economy and a healthy environment and a healthy economy go hand in hand. They are inextricably linked.

Today, we have some of the toughest environmental and public health protections in the world, and our economy is not only strong, it is soaring. In 1992, this nation had a record high $290 billion deficit. This year, we expect a $79 billion budget surplus. That's progress.

Building on this record of success, the Clinton-Gore 2000 budget request charts a new course to meet the environmental challenges of the coming century. This budget recognizes that protecting our environment is about more than beautiful vistas and scenic rivers, and it's about more than passing new environmental and public health laws. It's about protecting our health, our air, our water, our land, our food, and our children.

This budget reflects a new American ideal. It's about neighborhoods, protecting where we live and how we live, and what we do in the everyday life. It's about communities—and how we keep them healthy, strong, and prosperous. It's about improving the quality of our lives.

Three new landmark initiatives in this budget reflect President Clinton's and Vice President Gore's commitment to America's communities. These initiatives provide significant new, innovative financial tools to give communities the flexibility they need to address their most pressing environmental and public health needs. They tap into our nation's greatest resources—our ingenuity and spirit of collaboration. They protect our most precious resource first—our children.

The Better America Bonds program puts the Agency in the forefront of support for the President's and Vice President's initiative to build livable American communities. This new, innovative, financial tool is aimed at helping communities address problems associated with urban sprawl—such as, traffic congestion, lost farmland, threatened water quality, shrinking parkland and abandoned industrial sites, or Brownfields. This is about flexibility. Communities can decide for themselves how they will preserve their open spaces, protect their water, revitalize their blighted urban areas, and improve their quality of life. The Administration proposes federal tax credits that will support $9.5 billion in bond authority over five years for investments by state, local and tribal governments. Through this initiative, the funds invested by local communities to protect the environment could go farther. I urge you to give local communities this flexibility to address their most urgent environmental needs.

The President's budget includes $200 million for a new Clean Air Partnership Fund—an initiative that is part of the Administration's efforts to clean the nation's air and meet the challenge of global warming. The Clean Air Partnership Fund will promote innovative technology demonstrations to help communities nationwide reduce harmful air pollution and greenhouse gases. The Fund finances, through grants, the creation of partnerships among local communities, states and tribes, the private sector, and the Federal government. There is no requirement to participate. These are simply grants designed to finance projects that are locally managed and self-supporting and that enable communities to achieve their clean air goals sooner. The Fund will stimulate cost-effective pollution control strategies, spur technological innovation, and leverage substantial non-federal investment in improved air quality.

I am very excited to discuss this next issue: children's health. I am aware that this is a concern we both share. Your work on children's issues, as both Governor and Senator, has done much to help ensure that our children are well prepared for a lifetime of achievement. Reducing children's exposure to toxins in our environment, toxins that can exacerbate asthma, is a top priority for the budget before you today and is a central theme in this Administration's fiscal year 2000 budget. I look forward to finding opportunities for you and I to work together on this very important issue. As a start, I'd like to describe the Agency's fiscal year 2000 proposal for fighting childhood asthma.

The Agency will take a leadership role as part of an Administration-wide effort to fight childhood asthma and address this growing problem. Five million children suffer from this debilitating disease. President Clinton has provided an additional $17 million, for a total of $22 million, to reduce children's exposure to toxins in our environment that can exacerbate asthma. This funding will implement an interagency initiative for education, outreach, and air monitoring. An additional $12 million, for a total of $40 million, focuses on other chronic childhood afflictions, such as cancer and developmental disorders. EPA's investment to protect children from environmental threats totals $62 million.

In addition to these three new initiatives, the President's budget also continues our work on the nation's other environmental and public health priorities.

Last year, the President announced a national blueprint to restore and protect our nation's rivers, lakes, and coastal waters—and we made great progress. The President's budget allocates $651 million for the Clean Water Action Plan, and related activities, to continue our efforts to restore and protect watersheds across the country.

Because polluted runoff is one of the most serious problems facing communities, the President proposes another important flexible funding mechanism—this one designed to help communities provide clean water. The President's proposal will allow

states greater flexibility to address their most pressing water quality problems: polluted runoff from city streets, suburban lawns and rural areas. The proposal will give states for the first time the option to set aside up to 20 percent (or as much as $160 million) of their fiscal year 2000 Clean Water State Revolving Fund allotment for grants to implement non-point source pollution and estuary management projects. We will need the authority to allow states to set aside these funds for this state-managed grant program. I look forward to working with Congress to provide this authority so that we can implement this important, new funding mechanism.

In addition, the President's budget provides a combined $1.625 billion for the state revolving funds (SRF), of which $800 million funds the Clean Water SRF and $825 million funds the Drinking Water SRF. The Drinking Water SRF increases from last year, and will help achieve the Administration's goal of capitalizing the Drinking Water SRF until states can provide an average of $500 million in annual financial assistance for drinking water projects.

The Clean Water SRF request is part of the Administration's overall capitalization plan to ensure states can provide an average of $2 billion a year in financial assistance for water quality projects. We plan to continue capitalization of the Clean Water SRF until this goal is met. I would like to note that almost $16 billion in Federal capitalization grants have been provided so far to the Clean Water SRF, or almost 90 percent more than originally authorized.

The President's budget invests approximately $216 million at EPA, and $1.8 billion government-wide, to help reduce the pollution that causes global warming. This program will continue the Administration's efforts to address the challenge of climate change through innovative, cost-effective partnerships with businesses, schools, states and local governments that voluntarily lower energy use—and energy bills, for everyone. The Climate Change Technology Initiative proposed by the President this year also offers tax credits for consumers who purchase fuel efficient cars, homes, appliances and other energy-efficient products. It also includes increased spending on research to develop new, cleaner technologies in areas like the Partnership for a New Generation of Vehicles and the Partnership for Advancing Technology in Housing.

The President's budget invests $1.5 billion in Superfund to continue cleanup of toxic waste sites. The Agency plans to complete clean up construction at 85 sites for a total of 755 construction completions by the end of 2000, with a target of 925 through 2002. The Budget also invests approximately $92 million in the clean up and redevelopment of abandoned industrial sites through our Brownfields Program, including $35 million for the Brownfields Revolving Loan Fund which helps communities leverage funds for actual cleanup of Brownfield sites. Through 2000, the Agency will have funded Brownfields site assessment pilots in 350 communities across our great nation.

Of special importance in this budget proposal is our request to increase the Agency's Operating Programs by five percent over the fiscal year 1999 Enacted level. This budget provides $3.7 billion for the Operating Programs, which include most of the Agency's research, regulatory and enforcement programs and funds our partnership programs with states, tribes, and local governments. The Operating Programs, which have grown 33 percent during this Administration, represent the backbone of the nation's efforts to protect public health and the environment through sound science, standard setting, and enforcement. It is through these programs that the Agency works to ensure that our water is pure, our air is clean and our food is safe. I cannot emphasize enough the important contribution the Operating Programs make to the Agency's ability to meet the expectations of the American public for a safe, healthy environment.

As part of these important Operating Programs, the President requests $19 million for the Chemical Right-To-Know Program. This includes $14.4 million for the Chemical Right-to-Know Initiative to focus on accelerating the screening and testing of the 2,800 highest production volume chemicals used in the U.S. We will conduct this initiative through a voluntary industry challenge program and a series of test rules for those data not obtained through the voluntary program. Information on these chemicals, many that we use daily in virtually every aspect of our lives, will be broadly disseminated to the public. The President's budget also provides $18 million for Environmental Monitoring for Public Access and Community Tracking (EMPACT) to provide citizens with access to real-time information about the health of the air, land and water in their communities.

The President's budget supports sound science with $681 million for developing and applying the best available science for addressing current and future environmental hazards, as well as new approaches toward improving environmental protection. The Agency will focus its research efforts on areas such as Particulate Matter, Global Change, Mercury and the Coastal Research Initiative.

The Air Toxics program increases by almost $18 million in new funding, for a total of approximately $109 million. This program will focus on urban air toxics to develop tools and data that will move the air toxics program from an almost exclusively technology-based program to a risk-based program. The program is geared to reduce risks for poor and minority groups, who are more prevalent in urban areas, and will increase protection to a larger number of more sensitive populations, such as children and the elderly.

The budget request for the Mexican Border is $100 million, a $50 million increase, for projects there. The Agency will use these resources for direct grant assistance intended to address the environmental and public health problems associated with untreated industrial and municipal sewage on the border.

These are the highlights of our fiscal year 2000 Request. Mr. Chairman, I appreciate that this Subcommittee balances different priorities which are all important to our nation, and that you do so with the responsibility of stewardship over the taxpayers' dollars. I look forward to discussing with you, as the year progresses, the initiatives and innovative financing mechanisms in our budget request. I believe they embody a common-sense, cost-effective approach to environmental protection. I would be happy to answer your questions at this time.

ENVIRONMENTAL PROTECTION

STATUS OF EPA'S EFFORTS TO CREATE A CENTRAL INFORMATION OFFICE

Mr. Chairman and Members of the Subcommittee: We appreciate the opportunity to present this statement for the record, which discusses our preliminary observations based on our ongoing work for this Subcommittee concerning the Environmental Protection Agency's (EPA) information management initiatives. Specifically, this statement provides information on (1) the status of EPA's efforts to create a central office responsible for information management, policy, and technology issues and (2) the major challenges that the new office needs to address in order to achieve success in collecting, using, and disseminating environmental information. Our final report will be provided in August 1999.

EPA estimates that its central information office will be operational by the end of August 1999 and will have a staff of about 350 employees. The office will address a broad range of information policy and technology issues, such as improving the accuracy of EPA's data, protecting the security of information that EPA disseminates over the Internet, developing better measures to assess environmental conditions, and reducing information collection and reporting burdens. EPA recognizes the importance of developing an information plan showing the goals of the new office and the means by which they will be achieved but has not yet established milestones or target dates for completing such a plan. Although EPA has made progress in determining the organizational structure for the new office, it has not yet finalized decisions on the office's authorities, responsibilities, and budgetary needs. Nor has the agency performed an analysis to determine the types and the skills of employees that will be needed to carry out the office's functions. EPA officials told us that decisions on the office's authorities, responsibilities, budget, and staff will be made before the office is established in August 1999.

On the basis of our prior and ongoing reviews of EPA's information management problems, we believe that the success of the new office depends on the agency's addressing several key challenges as it develops an information plan, budget, and organizational structure for that office. Most importantly, EPA needs to (1) provide the office with the resources and the expertise necessary to solve the complex information management, policy, and technology problems facing the agency; (2) empower the office to overcome organizational challenges to adopting agencywide information policies and procedures; (3) balance the agency's need for data on health, the environment, and program outcomes with the call from the states and regulated industries to reduce their reporting burdens; and (4) work closely with its state partners to design and implement improved information management systems.

BACKGROUND

In October 1998, the EPA Administrator announced plans to create an office with responsibility for information management, policy, and technology. This announcement came after many previous efforts by EPA to improve information management and after a long history of concerns that we, the EPA Inspector General, and others have expressed about the agency's information management activities. Such concerns involve the accuracy and completeness of EPA's environmental data, the fragmentation of the data across many incompatible databases, and the need for improved measures of program outcomes and environmental quality.

The EPA Administrator described the new office as being responsible for improving the quality of information used within EPA and provided to the public and for developing and implementing the goals, standards, and accountability systems needed to bring about these improvements. To this end, the information office would (1) ensure that the quality of data collected and used by EPA is known and appropriate for its intended uses, (2) reduce the burden of the states and regulated industries to collect and report data, (3) fill significant data gaps, and (4) provide the public with integrated information and statistics on issues related to the environment and public health. The office would also have the authority to implement standards and policies for information resources management and be responsible for purchasing and operating information technology and systems.

PROGRESS IS BEING MADE, BUT KEY QUESTIONS ON RESOURCES AND STRATEGIES REMAIN UNRESOLVED

Under a general framework for the new office that has been approved by the EPA Administrator, EPA officials have been working for the past several months to develop recommendations for organizing existing EPA personnel and resources into the central information office. Nonetheless, EPA has not yet developed an information plan that identifies the office's goals, objectives, and outcomes. Although agency officials acknowledge the importance of developing such a plan, they have not established any milestones for doing so. While EPA has made progress in determining the organizational structure of the office, final decisions have not been made and EPA has not yet identified the employees and the resources that will be needed. Setting up the organizational structure prior to developing an information plan runs the risk that the organization will not contain the resources or structure needed to accomplish its goals.

INFORMATION PLAN IS NEEDED

Although EPA has articulated both a vision as well as key goals for its new information office, it has not yet developed an information plan to show how the agency intends to achieve its vision and goals. Given the many important and complex issues on information management, policy, and technology that face the new office, it will be extremely important for EPA to establish a clear set of priorities and resources needed to accomplish them. Such information is also essential for EPA to develop realistic budgetary estimates for the office.

EPA has indicated that it intends to develop an information plan for the agency that will provide a better mechanism to effectively and efficiently plan its information and technology investments on a multiyear basis. This plan will be coordinated with EPA's agencywide strategic plan, prepared under the Government Performance and Results Act. EPA intends for the plan to reflect the results of its initiative to improve coordination among the agency's major activities relating to information on environment and program outcomes. It has not yet, however, developed any milestones or target dates for initiating or completing either the plan or the coordination initiative.

ORGANIZATIONAL STRUCTURE IS NOT YET DETERMINED

In early December 1998, the EPA Administrator approved a broad framework for the new information office and set a goal of completing the reorganization during the summer of 1999. Under the framework approved by the EPA Administrator, the new office will have three organizational units responsible for (1) information policy and collection, (2) information technology and services, and (3) information analysis and access, respectively. In addition, three smaller units will provide support in areas such as data quality and strategic planning.

A transition team of EPA staff has been tasked with developing recommendations for the new office's mission and priorities as well as its detailed organizational and reporting structure. In developing these recommendations, the transition team has consulted with the states, regulated industries, and other stakeholders to exchange views regarding the vision, goals, priorities, and initial projects for the office.

One of the transition team's key responsibilities is to make recommendations concerning which EPA units should move into the information office and in which of the three major organizational units they should go. To date, the transition team has not finalized its recommendations on these issues or on how the new office will operate and the staff it will need.

NEEDED RESOURCES ARE STILL UNKNOWN

Even though EPA has not yet determined which staff will be moved to the central information office, the transition team's director told us that it is expected that the office will have about 350 employees. She said that the staffing needs of the office will be met by moving existing employees in EPA units affected by the reorganization. The director said that, once the transition team recommends which EPA units will become part of the central office, the agency will determine which staff will be assigned to the office. She added that staffing decisions will be completed by July 1999 and the office will begin functioning sometime in August 1999.

The funding needs of the new office were not specified in EPA's fiscal year 2000 budget request to the Congress because the agency did not have sufficient information on them when the request was submitted in February 1999. The director of the transition team told us that in June 1999 the agency will identify the anticipated resources that will transfer to the new office from various parts of EPA. The agency plans to prepare the fiscal year 2000 operating plan for the office in October 1999, when EPA has a better idea of the resources needed to accomplish the responsibilities that the office will be tasked with during its first year of operation. The transition team's director told us that decisions on budget allocations are particularly difficult to make at the present time due to the sensitive nature of notifying managers of EPA's various components that they may lose funds and staff to the new office.

Furthermore, EPA will soon need to prepare its budget for fiscal year 2001. According to EPA officials, the Office of the Chief Financial Officer will coordinate a planning strategy this spring that will lead to the fiscal year 2001 annual performance plan and proposed budget, which will be submitted to the Office of Management and Budget by September 1999.

EPA'S NEW INFORMATION OFFICE WILL FACE SIGNIFICANT CHALLENGES

The idea of a centralized information office within EPA has been met with enthusiasm in many corners not only by state regulators, but also by representatives of regulated industries, environmental advocacy groups, and others. Although the establishment of this office is seen as an important step in improving how EPA collects, manages, and disseminates information, the office will face many challenges, some of which have thwarted previous efforts by EPA to improve its information management activities. On the basis of our prior and ongoing work, we believe that the agency must address these challenges for the reorganization to significantly improve EPA's information management activities. Among the most important of these challenges are (1) obtaining sufficient resources and expertise to address the complex information management issues facing the agency; (2) overcoming problems associated with EPA's decentralized organizational structure, such as the lack of agencywide information dissemination policies; (3) balancing the demand for more data with calls from the states and regulated industries to reduce reporting burdens; and (4) working effectively with EPA's counterparts in state government.

OBTAINING SUFFICIENT RESOURCES AND EXPERTISE

The new organizational structure will offer EPA an opportunity to better coordinate and prioritize its information initiatives. The EPA Administrator and the senior-level officials charged with creating the new office have expressed their intentions to make fundamental improvements in how the agency uses information to carry out its mission to protect human health and the environment. They likewise recognize that the reorganization will raise a variety of complex information policy and technology issues.

To address the significant challenges facing EPA, the new office will need significant resources and expertise. EPA anticipates that the new office will substantially improve the agency's information management activities, rather than merely centralize existing efforts to address information management issues. Senior EPA officials responsible for creating the new office anticipate that the information office will need "purse strings control" over the agency's resources for information management expenditures in order to implement its policies, data standards, procedures, and other decisions agencywide. For example, one official told us that the new office should be given veto authority over the development or modernization of data systems throughout EPA.

To date, the focus of efforts to create the office has been on what the agency sees as the more pressing task of determining which organizational components and staff members should be transferred into the new office. While such decisions are clearly important, EPA also needs to determine whether its current information manage-

ment resources, including staff expertise, are sufficient to enable the new office to achieve its goals.

OVERCOMING PROBLEMS ASSOCIATED WITH EPA'S DECENTRALIZED ORGANIZATIONAL STRUCTURE

EPA will need to provide the new office with sufficient authority to overcome organizational obstacles to adopt agencywide information policies and procedures. As we reported last September, EPA has not yet developed policies and procedures to govern key aspects of its projects to disseminate information, nor has it developed standards to assess the data's accuracy and mechanisms to determine and correct errors.[1]

Because EPA does not have agencywide polices regarding the dissemination of information, program offices have been making their own, sometimes conflicting decisions about the types of information to be released and the extent of explanations needed about how data should be interpreted. Likewise, although the agency has a quality assurance program, there is not yet a common understanding across the agency of what data quality means and how EPA and its state partners can most effectively ensure that the data used for decision-making and/or disseminated to the public is of high quality. To address such issues, EPA plans to create a Quality Board of senior managers within the new office in the summer of 1999.

Although EPA acknowledges its need for agencywide policies governing information collection, management, and dissemination, it continues to operate in a decentralized fashion that heightens the difficulty of developing and implementing agencywide procedures. EPA's offices have been given the responsibility and authority to develop and manage their own data systems for the nearly 30 years since the agency's creation. Given this history, overcoming the potential resistance to centralized policies may be a serious challenge to the new information office.

BALANCING THE NEED TO COLLECT MORE DATA AND EFFORTS TO REDUCE REPORTING BURDENS

EPA and its state partners in implementing environmental programs have collected a wealth of environmental data under various statutory and regulatory authorities. However, important gaps in the data exist. For example, EPA has limited data that are based on (1) the monitoring of environmental conditions and (2) the exposures of humans to toxic pollutants. Furthermore, the human health and ecological effects of many pollutants are not well understood. EPA also needs comprehensive information on environmental conditions and their changes over time to identify problem areas that are emerging or that need additional regulatory action or other attention.

In contrast to the need for more and better data is a call from states and regulated industries to reduce data management and reporting burdens. EPA has recently initiated some efforts in this regard. For example, an EPA/state information management workgroup looking into this issue has proposed an approach to assess environmental information and data reporting requirements based on the value of the information compared to the cost of collecting, managing, and reporting it. EPA has announced that in the coming months, its regional offices and the states will be exploring possibilities for reducing paperwork requirements for EPA's programs, testing specific initiatives in consultation with EPA's program offices, and establishing a clearinghouse of successful initiatives and pilot projects.

However, overall reductions in reporting burdens have proved difficult to achieve. For example, in March 1996, we reported that while EPA was pursuing a paperwork reduction of 20 million hours, its overall paperwork burden was actually increasing because of changes in programs and other factors.[2] The states and regulated industries have indicated that they will look to EPA's new office to reduce the burden of reporting requirements.

WORKING MORE EFFECTIVELY WITH STATE COUNTERPARTS

Although both EPA and the states have recognized the value in fostering a strong partnership concerning information management, they also recognize that this will be a challenging task both in terms of policy and technical issues. For example, the states vary significantly in terms of the data they need to manage their environmental programs, and such differences have complicated the efforts of EPA and the

[1] "Environmental Information: Agencywide Policies and Procedures Are Needed for EPA's Information Dissemination" (GAO/RCED–98–245, Sept. 24, 1998).

[2] "Environmental Protection: Assessing EPA's Progress in Paperwork Reduction" (GAO/T–RCED–96–107, March 21, 1996).

states to develop common standards to facilitate data sharing. The task is even more challenging given that EPA's various information systems do not use common data standards. For example, an individual facility is not identified by the same code in different systems.

Given that EPA depends on state regulatory agencies to collect much of the data it needs and to help ensure the quality of that data, EPA recognizes the need to work in a close partnership with the states on a wide variety of information management activities, including the creation of its new information office. Some partnerships have already been created. For example, EPA and the states are reviewing reporting burdens to identify areas in which the burden can be reduced or eliminated. Under another EPA initiative, the agency is working with states to create data standards so that environmental information from various EPA and state databases can be more readily shared. Representatives of state environmental agencies and the Environmental Council of the States have expressed their ideas and concerns about the role of EPA's new information office and have frequently reminded EPA that they expect to share with EPA the responsibility for setting that office's goals, priorities, and strategies. According to a Council official, the states have had more input to the development of the new EPA office than they typically have had in other major policy issues and the states view this change as an improvement in their relationship with EPA.

OBSERVATIONS

Collecting and managing the data that EPA requires to manage its programs have been major long-term challenges for the agency. The EPA Administrator's recent decision to create a central information office to make fundamental agencywide improvements in data management activities is a step in the right direction. However, creating such an organization from disparate parts of the agency is a complex process and substantially improving and integrating EPA's information systems will be difficult and likely require several years. To fully achieve EPA's goals will require high priority within the agency, including the long-term appropriate resources and commitment of senior management.

[General Accounting Office, April 29, 1999]

HAZARDOUS WASTE: OBSERVATIONS ON EPA'S CLEANUP PROGRAM AND BUDGET MANAGEMENT PRACTICES

(By Peter F. Guerrero)

Mr. Chairman and Members of the Subcommittee: We are pleased to provide you with information on the Environmental Protection Agency's (EPA) hazardous waste cleanup programs to assist in your deliberations on the agency's budget request for fiscal year 2000. Our work has determined that EPA faces several management challenges in implementing two of its hazardous waste cleanup programs—the Superfund program, under the Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as CERCLA, and the Corrective Action program, under the Resource Conservation and Recovery Act, commonly known as RCRA. For the Superfund program, we found that the agency needs to better control cleanup costs, especially contractors' costs. For the Corrective Action program, we found that four key factors are hampering the progress of cleanups, including companies' reluctance to begin cleanups without an economic incentive and EPA's lack of resources to direct more companies to conduct cleanups. These management challenges demonstrate that the agency could more cost-effectively implement the Superfund program but needs more resources for the Corrective Action program—findings that are relevant to your decisions on the levels of new funding for these programs.

More specifically, you asked us to provide information on three management issues confronting these cleanup programs: (1) the amount of contracts that EPA has awarded to private companies that conduct Superfund cleanup activities for the agency, (2) the extent to which EPA is using its "Contracts 2000" initiative as a vehicle to improve the agency's Superfund contract management practices, and (3) our perspective on the potential effects of transferring $25 million from the Superfund program's budget to the Corrective Action program's budget as a means of increasing the number of cleanups under RCRA. Our observations are based predominantly on two reports. In October 1997, we reported on the progress of cleanups under the Corrective Action program. Today, we are issuing a report discussing the progress

that EPA and other federal agencies have made in resolving Superfund program management issues.[1]

In summary, we observed the following:

EPA may be retaining more contractors than it needs to conduct its Superfund cleanup work. As a result, contractors often have low levels of work and high program support costs, such as those for rent and managers' salaries. Given that EPA expects its future Superfund workload to decrease as states take on more cleanups that the agency would otherwise have managed under Superfund and as cleanup construction is completed at more sites, contractors will continue to incur high program support costs unless EPA makes adjustments in the number of contracts it awards.

EPA could use the team that is managing its Contracts 2000 initiative—an effort designed to help the agency put in place the Superfund cleanup contracts it needs and assess its contract management practices—to address some of the recurring contract management issues we have identified, such as high program support cost rates. However, the agency could not provide us with documentation describing the (1) overall plan that the team would use to determine what options it would recommend that the agency adopt for improving Superfund contract management practices, and (2) time frames for implementing these improvements.

Transferring $25 million from Superfund to the Corrective Action program could help EPA achieve more RCRA cleanups; however, we cannot determine with certainty what impact this transfer would have on Superfund. When we assessed the progress of cleanups under the Corrective Action program, we found that it was slow, in part because companies responsible for conducting cleanups at their facilities did not begin the cleanups unless they had a business incentive to do so, such as wanting to sell or redevelop the property, or until EPA directed them to do so. At the same time, we found that EPA lacked the resources it needs to direct more companies to begin cleanups. Therefore, providing more funds for corrective actions could increase cleanup activities. In our report on Superfund program management issues, we observed that for fiscal year 1998, EPA had more sites ready to begin the construction of a cleanup method than funds available. Thus, reducing the program's budget could further delay cleanups. Nevertheless, EPA has the flexibility to propose how it will use the funds it receives for Superfund, such as the relative amounts it would like to use for remedial work and enforcement actions. Therefore, EPA might be able to manage a reduction in its budget by cutting its administrative costs rather than performing fewer cleanup activities.

BACKGROUND

When EPA awards a Superfund contract, it specifies that the contractor will obtain up to a certain dollar amount of cleanup work over a given time period. As the contractor conducts the work, it incurs costs—both direct costs that can be attributed to an individual site and indirect costs that are not site specific. EPA pays the contractor for both types of costs. EPA tracks the amount of non-site-specific costs it pays as a percentage, or rate, of the total contract costs that it covers. One subset of these indirect costs is the contractor's program support costs, for items such as rent and managers' salaries. Since the mid-1990s, EPA has used 11 percent as its target for program support costs.

Within the Superfund program, EPA established a long-term contracting strategy to identify and implement needed contract management improvements. An outgrowth of this strategy is EPA's Contracts 2000 initiative. Under this initiative, a team of EPA staff are helping the agency put in place the contracts it will need to manage its future cleanup workload and to assess and update its Superfund contract management practices. One of the issues that the team has identified as needing resolution is the type and number of contracts to use in the program. How EPA resolves this issue could affect the program support cost rate that it pays.

CONTRACTORS' SUPERFUND PROGRAM SUPPORT COSTS ARE STILL HIGH, IN PART, BECAUSE EPA HAS TOO MANY CONTRACTS FOR ITS CLEANUP WORKLOAD

In a 1997 report on contract management issues,[2] we stated that the percentage of funds EPA was paying contractors for program support costs (e.g., rent and salaries) was high relative to the percentage it was paying for cleanup costs. Specifi-

[1] *Superfund: Progress Made by EPA and Other Federal Agencies to Resolve Program Management Issues* (GAO/RCED–99–111, Apr. 30, 1999) and *Hazardous Waste: Progress Under the Corrective Action Program is Limited, but New Initiatives May Accelerate Cleanups* (GAO/RCED–98–3, Oct. 21, 1997).

[2] *Superfund Program Management* (GAO/HR–97–14, Feb. 1997).

cally, the program support costs ranged from 21 to 38 percent of the total costs for some of the new Superfund contracts that EPA was awarding as its old contracts expired. These amounts exceeded EPA's target of 11 percent. In August 1998, we further reported that, overall, contractors' program support costs averaged about 29 percent of total contract costs.[3] For our report on contract management issues, we reviewed the 15 new Response Action Contracts that EPA had awarded and determined that the program support cost rates for 5 of them were below EPA's target and the rates for 10 of them exceeded EPA's target, ranging from 16 to 76 percent with a median of 28 percent.[4] According to several EPA contracting officers, the agency expects such high rates for new contracts until it has had time to award enough work to all of the contractors. The officials predict that as EPA awards more work assignments, these program support cost rates should decrease.

However, the uncertain future of the program may make such a decrease difficult to achieve. When EPA began replacing its expiring contracts with new contracts, it had to decide how many contracts to award. In September 1992, it used the number of work assignments under its 45 expiring contracts to project the number of work assignments it would have in the future. Because the agency expected the number of work assignments to remain steady, it believed that if it reduced the number of contracts it awarded, it could give its contractors more work and their program support cost rates would decrease. Initially, EPA decided to reduce the number of contracts from 45 to 22; later, it further reduced the number to 19 because it no longer expects to have the workload it originally predicted. However, EPA may still have more contracts in place than it needs. For example, EPA has been enrolling fewer sites in the program in recent years. In addition, the four EPA regions with the highest Superfund workload indicated that, as the states take on greater cleanup responsibilities, fewer sites will enter the program. With fewer sites, contractors will have less work and EPA will have less chance to reduce its program support cost rates.

EPA will soon have an opportunity to review the number of contracts it should have in place and to try to better control program support costs. EPA designed the current Superfund contracts to last 5 years, with an option to renew them for another 5 years. The 5-year base period will be up for 11 of the current contracts within about 2 years and EPA will have to determine whether to exercise its option to renew them.

RECURRING PROBLEMS RAISE BROADER QUESTIONS ABOUT SUPERFUND CONTRACTING THAT COULD BE ADDRESSED THROUGH EPA'S CONTRACTS 2000 INITIATIVE

While reviewing EPA's progress in resolving Superfund program management issues, including contractors' high program support cost rates, we determined that these problems may be symptoms of more systemic issues associated with EPA's Superfund contracting. EPA could use its Contracts 2000 initiative to address some of the following issues we identified:

Could the agency more quickly and aggressively test and implement alternative types of contracts, such as fixed-price or performance-based contracts, in addition to or instead of using cost-reimbursable contracts as it now does? A cost-reimbursable contract, under which EPA agrees to pay all of a contractor's allowable costs, places most of the financial risk on the government because the work to be performed at a site is uncertain in nature and extent and EPA therefore cannot accurately predict its costs. A fixed-price contract, used for clearly defined and more routine cleanup actions, reduces the financial risk to the government because the parties agree on a price for the contractor's activities and the contractor bears the risk of performing at the agreed price. The Office of Management and Budget has also been urging EPA to make more use of performance-based contracts, which establish a price structure for a contractor's services that rewards the contractor for superior performance, allowing the government to better ensure the receipt of high-quality goods and services at the best price. EPA has begun to use both fixed-price and performance-based contracts on a limited basis at pilot sites.

Is it cost-effective for EPA to duplicate the infrastructure necessary to manage contracts in each of its 10 regional offices as it is now doing?

Are there new and more effective ways to build more competition into EPA's contracting process? Allowing multiple contractors to bid on portions of cleanup work could help to control costs.

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[3] *Superfund: Analysis of Contractor Cleanup Spending* (GAO/RCED–98–221, Aug. 4, 1998).

[4] Five of these 15 contracts were less than a year old and two additional ones were just awarded at the time of our review. EPA plans to eventually award a total of 19 contracts nationwide.

Has EPA lowered its contract management costs through its recent use of the U. S. Army Corps of Engineers to manage a portion of its cleanup work? Because the Corps specializes in and conducts a significant amount of construction contracting for the federal government, it may be better equipped than EPA to manage Superfund construction contracts. If using the Corps has been cost efficient for EPA, should it give the Corps additional cleanup work to manage?

Our reviews over the years have consistently shown that without the sustained attention of high-level management, EPA has not always succeeded in implementing and sustaining contracting reforms. Because of this history, we were concerned when the agency could not provide documentation describing the (1) overall plan that the Contracts 2000 team would use for determining what options it would recommend that the agency adopt to improve Superfund contracting practices and (2) the time frames for implementing these improvements. As a result, we do not know whether EPA will move quickly enough to put improvements in place before it decides whether to exercise the option to review its Superfund contracts for another 5 years.

WHILE SHIFTING FUNDS COULD ACCELERATE CORRECTIVE ACTION CLEANUPS, THE IMPACT ON SUPERFUND IS UNCERTAIN

Our work has demonstrated that limited resources have delayed the progress of cleanups under the Corrective Action program; therefore, moving more funds into the program from the Superfund program could help accelerate RCRA cleanups. While we are uncertain how such a shift would affect the Superfund program, EPA may have the flexibility to minimize the impact of a reduction in funds on Superfund cleanups.

Lack of Resources Hampers EPA's Ability to Perform Corrective Action Cleanups

In 1997, we assessed the status of EPA's RCRA Corrective Action program. This program was designed for currently operating facilities that must clean up contamination at their sites, whereas the Superfund program was intended to address contamination at abandoned sites. At the time of our review, we found that only about 8 percent of the approximately 3,700 nonfederal facilities nationwide that treat, store, or dispose of hazardous waste—including only about 5 percent of the approximately 1,300 facilities EPA considers to pose the highest risks—had completed cleanup actions under the Corrective Action program, according to EPA's data. About 56 percent of the remaining facilities—including about 35 percent of those posing the highest risks—had yet to begin the formal cleanup process. While some facilities had undertaken cleanup actions outside the program, the extent of such actions is unknown because the actions are not reflected in EPA's program data.

Contributing to this slow rate of progress was that, without a business incentive, companies were reluctant to initiate cleanups until EPA, or a state implementing the program for EPA, directed them to do so. According to several cleanup managers we spoke with, companies will generally ensure that the contamination at their facilities does not pose an immediate danger to public health or the environment, whether or not EPA or a state has directed the facility to enter the Corrective Action program. However, the companies in our survey appeared to undertake more comprehensive cleanup actions only when they had an economic incentive to do so because the corrective action process can be costly and time-consuming. According to one cleanup manager at a large corporation, the company may not be anxious to pursue a cleanup if the contamination is not posing an immediate threat, the facility is not losing revenue, or the company is not incurring a financial liability by delaying the cleanup.

Although EPA is aware that cleanups are progressing slowly, we found that the agency could not direct more facilities to begin cleanups because it lacked the necessary resources. In fiscal year 1997, EPA expected to direct cleanups at less than 2 percent (46) of the 1,886 facilities—427 of which were high priorities—that had not yet begun cleanup. For example, program managers in one region projected that they would have enough resources that fiscal year to direct companies to begin cleanups at only 4 of their 69 high-priority facilities awaiting cleanup. Likewise, another region had 82 high-priority facilities that were eligible for and awaiting corrective action but expected to be able to enforce such action at only three of the facilities during that fiscal year because of resource constraints. Furthermore, several of EPA's program managers in headquarters and the two regions noted that they may never have the resources to get to the 1,459 lower-priority facilities that were in EPA's corrective action workload at that time. According to EPA Corrective Action program managers, the program's budget did not increase for fiscal years 1998 or 1999. Therefore, the problems we identified in our earlier review remain.

Effect of Moving Funds Out of the Superfund Program Is Difficult to Predict

EPA officials have stated that the agency has serious concerns about transferring funds out of the Superfund program and is evaluating the effect of such a transfer on the agency's Superfund cleanup goals. As we stated in our report on Superfund program management issues, in fiscal year 1998, EPA had 50 sites that were ready to start constructing the cleanup method but funded 38 of them, at a cost of $200 million, or about 13 percent, of its $1.5 billion overall Superfund budget.[5] Given that EPA did not provide funds for all 50 sites, additional cuts to the program's budget could reduce the number of future construction activities the agency could fund.

However, EPA has some flexibility to determine the amount of funds it plans to spend on its various Superfund program activities. Our ongoing work reviewing EPA's total Superfund expenditures demonstrated that for fiscal years 1996 through 1998, EPA spent about 60 percent of its Superfund budget on its own site-specific and contractors' cleanup costs and 40 percent on non-site-specific costs, including its own program management and administrative activities.

Furthermore, we found that over these same 3 years, the amount of funds going to contractors for cleanup work and to other site-specific work was declining. Given that the Superfund program is now almost 20 years old and most sites are in construction and moving toward completion, we would expect to see more spending for cleanups and less for administrative costs. Such a shift in spending would be consistent with changes in the types of work needed and with efficiencies gained through experience. Since such a shift has not yet occurred, EPA may have opportunities to achieve more administrative efficiencies, which it can use instead of cuts in actual cleanup work to offset a reduction in funding for the Superfund program.

Senator BOND. Thank you, Madam Administrator. I will ask that we set the timer at 5 minutes to try and get as many rounds in as possible. I had asked Senator Burns if he would not mind voting early and coming back to——

Senator BURNS. And often?

Senator BOND. Yes, two or three times—and will take the gavel when I leave.

Senator BURNS. Mr. Chairman, might I suggest something here. We have got a little time set aside, floor time to sort of describe and set the stage of where we think agriculture is today, on the floor under the leadership of Senator Coverdell. If you want to go vote, then I will chair, and then when you come back, I will just go over there and vote and stay there.

Senator BOND. All right. Senator Craig, can you——

Senator BURNS. George Frampton has already had a heart attack.

Senator BOND. Senator Craig, can you come back?

Senator CRAIG. I will try to come back.

Senator BOND. Can you vote early and come back? The vote starts at 10:30.

Senator CRAIG. I have some questions for Carol Browner.

Senator BOND. Let me move on and get started.

Senator MIKULSKI. Mr. Chairman, just one note of order. When we vote, I will not be coming back because I am going to a hearing on refugees and the emergency supplemental for Kosovo. I thank the Administrator and I will submit my questions for the record.

GAP ANALYSIS OF WATER QUALITY NEEDS

Senator BOND. All right. Madam Administrator, EPA's 1996 Clean Water Act Needs Survey identified about $140 billion in waste water infrastructure financing needs. We understand EPA

[5] In addition to these new construction projects, EPA continued to fund ongoing longer-term construction projects and shorter-term cleanup actions at numerous sites.

has been updating these estimates in what is being called a GAP analysis. What is your revised estimate?

Ms. BROWNER. We will have to submit that for the record. We are concluding that analysis. As you know, Mr. Chairman, in accordance with the desires of both Congress and the States we complete Clean Water and Drinking Water Needs Surveys in alternate years.

Senator BOND. I understand from the various sources like the AMSA and others that it is estimated at about $200 billion.

Ms. BROWNER. Our analysis is not done yet and we will submit it when it is done.

Senator BOND. We have it. It says—from AMSA—it says that it is—it has been increased to $200 billion and that does not even include waste water treatment replacement costs.

Ms. BROWNER. Mr. Chairman, I am more than happy to provide it to you. It is not done. We do this by soliciting information from the States. I do not doubt that you are right that the needs continue and that they are significant. We will get it to you the minute we have it done. But we went through a very rigorous program with the States to determine how we would actually do this. And I think it would be inappropriate for me to speak outside of that process.

Senator BOND. Well, we were looking at the public meeting material handed out. I assume this was preliminary information?

Ms. BROWNER. That is correct.

Senator BOND. On Thursday, March 18?

Ms. BROWNER. That would be correct.

Senator BOND. It shows SSO adds—it brings it up to almost $200 billion and that there are replacement needs as well.

Ms. BROWNER. We do not dispute that there are replacement needs.

Senator BOND. Apparently the SSOs were not included—they were included at $10 billion the first time around and that is an underestimate. Okay. In view of the significant increased cost, and we think from the preliminary analysis, it would be at least 43 percent, I want to point out that this chart shows the request from OMB, from the President to the EPA. It started out for clean water, $1.6 billion in 1996; $1.35 in 1997; $1.075 in 1998, the same in 1999. This year, $800 million.

It is dropping off the chart. We believe that the needs are at least $200 billion plus any addition for replacement, which is also an SRF-eligible number. And given the magnitude of these numbers—and we understand that there are other dollars that go into cleaning up our waste water—why has the presidential recommendation been slashed in half since 1996, when cleaning up the waste water is the one way we can assure that our children and families who go to lakes and beaches and rivers and streams on summer vacation aren't subject to the dangers of water pollution?

Ms. BROWNER. Mr. Chairman, the President made a commitment to provide to the States a fund that would revolve annually at $2 billion by the year 2005. Because of our work with you, and because of funding levels and a variety of other reasons, the fund will

revolve at the promised $2 billion, which goes beyond what the Clean Water Act authorizes in the year 2002.

Mr. Chairman, we do not dispute that water pollution continues to be a significant environmental challenge. But when you look at the nature of water pollution across this country, as you yourself know, polluted runoff is as much a problem in many communities as is waste water. What we would suggest to Congress is now is the time for all of us to come together and to rewrite and strengthen the Clean Water Act so we can meet all of the pollution challenges that we face, and to not simply continue to focus on one segment of the problem.

This is a large problem. We agree with you about that. But when you go out there and you talk to the States and you talk to people who deal with water pollution beyond waste water, they are looking at a significant problem. They are looking for support and we would encourage the Congress to work with us.

NONPOINT SOURCE POLLUTION

Senator BOND. Madam Administrator, we have done things on the nonpoint source pollution. We have a number of initiatives going. There are many things that need to be done there. But there is much more than a $200 billion need. The amount that the President has proposed for revolving funds for the States is, I believe, totally inadequate.

We cannot, no matter what other problems there are, we cannot underfund something that is as important as this. I cannot understand the budget prioritization process when we have such a clear need to address dealing with waste water and the budget is cut. We cannot be setting up new initiatives.

Let me turn now to Senator Mikulski for her questions.

Senator MIKULSKI. Mr. Chairman, in light of the vote and also——

Senator BOND. The good news or bad news, depending on which side you sit on, is that the vote on Kosovo doesn't occur until 11:40. So we will not be interrupted by votes.

Senator MIKULSKI. Senator Byrd, in light—may I just proceed? Otherwise I am happy to defer to you, sir.

Senator BYRD. Proceed.

WASTE WATER: Y2K READINESS

Senator MIKULSKI. Just following up on the waste water issue, Madam Administrator. And I had hoped before your tenure was over that we could call you Madam Secretary, but I understand there were other politics involved. In the Y2K readiness report prepared by Senators Bennett and Dodd and also a GAO survey, there were flashing yellow lights about the Y2K readiness of drinking water plants.

And I will get to my question. As you know, water plants are often automated control systems and, therefore, they are automated and in the event of a Y2K glitch, the failure to have water could have widespread community and public health, et cetera effects. According to GAO, only Colorado and Minnesota have taken actions to assess the readiness of their plants. Twenty-eight States

including Maryland and Virginia are beginning to notify—now this is May.

Could you tell us, number one, your assessment of where we are with Y2K readiness in terms of the availability of water and, number two, what is EPA's role and what action it has taken on this?

Ms. BROWNER. Yes. As I said earlier, EPA, in terms of the systems we managed, have now gotten a clean bill of health. Congressman Horn has given us an "A." Since we have completed the work for our Y2K compliance issues, we are now working with both the States and local governments. And many of these drinking water utilities are privately owned. We are reaching out to States and local governments in terms of the readiness survey and in terms of what actions will need to be taken. It is a mammoth undertaking. We believe, based on what the States have shared with us and the trade associations, that the States are going to be able to address the drinking water systems problems.

Senator MIKULSKI. Are you coordinating this for the nation? Who is coordinating the readiness of these water plants?

Ms. BROWNER. We have worked through the White House office on Y2K compliance. We, in fact, brought this to their attention. We have been conducting outreach meetings with the various stakeholders. The preliminary indications from a survey of 4,000 public water systems, which service about 80 percent of the population, is that 86 percent of these systems that serve 100,000 or more people expect to be Y2K-compliant.

Senator MIKULSKI. Madam Secretary, I want to move on—excuse me, Madam Administrator. In your work with the White House, I think you really need to press them to focus on this issue. We had a briefing from the White House on what they were doing. And it was so general in so many ways. The meeting was helpful, but they really need to feel an urgency on this because we are so used to having good water when we want it that we are complacent.

Ms. BROWNER. We'll provide for the record the various studies that have been done and the analysis we have done if that would be helpful.

Senator MIKULSKI. I think that would.

[The information follows:]

READINESS OF DRINKING WATER PLANTS FOR Y2K

The Agency agrees that the Y2K readiness of drinking water and wastewater utilities is of vital national significance. EPA's Office of Water has been actively leading the outreach efforts to this sector, with substantial assistance and participation by the drinking water and wastewater related trade and professional associations, both national and local/regional chapters. OW and the EPA regional offices have held numerous meetings with trade associations, other stakeholders and state agencies. We have disseminated information through our web sites, developed written materials, and participated in trade conferences and other forums. We have also highlighted this issue through site visits by the EPA Assistant Administrator for Water; these visits were publicized in major drinking water and wastewater trade association journals in a joint effort to raise the level of awareness of this problem. We have worked to have Y2K addressed in drinking water and wastewater operator training sessions in most states.

A recent GAO report indicated that few states have assessed the Y2K readiness of their drinking water and wastewater utilities and that many have not been actively reaching out to inform and work with them. During and since the time of the GAO survey, EPA's regional offices have been working directly with their states and have indicated that state activity has increased on this issue since GAO collected their data.

Many states have sent Y2K information to their drinking water and wastewater utilities; held Y2K seminars, conferences and workshops; published articles; and provided Y2K training to drinking water and wastewater operators. An increasing number of states are conducting Y2K readiness surveys and are incorporating Y2K into site visits. Some states have been very proactive, providing information and assistance, while others have interpreted their regulatory roles and authority as applying only to enforcement activity if a utility should violate its wastewater permit or be out of compliance with drinking water regulations.

The surveys completed last year of wastewater utilities (conducted by the American Metropolitan Sewerage Association) and drinking water utilities (conducted by the American Water Works Association, the Association of Metropolitan Water Agencies and the National Association of Water Companies) indicated that most of the larger systems were taking steps to address the issue and were likely to be prepared. The surveys provided by the associations are attached.

These associations have committed to conducting follow-up surveys with results available by early July. In addition, EPA's Office of Water has agreed to work with the National Rural Water Association (NRWA) to design a survey that NRWA will conduct of the small to medium drinking water and wastewater systems nationwide. These systems were largely unrepresented in the earlier surveys. John Koskinen, Chair of the President's Council on Year 2000 Conversion, requested that the survey results be available by early July to provide a more complete picture of the readiness status of the nations' drinking water and wastewater sector.

EPA continues to work with states, associations and other stakeholders to encourage readiness activities, testing, contingency planning and communication to the public on the Y2K readiness of drinking water and wastewater utilities.

COMMUNITY PUBLIC WATER SYSTEMS YEAR 2000 PREPAREDNESS SURVEY SUMMARY

Introduction

In July and August 1998, the American Water Works Association (AWWA), the Association of Metropolitan Water Agencies (AMWA), and the National Association of Water Companies (NAWC) conducted a joint survey of their member public water utilities to determine the Year 2000 preparedness of community public water systems to address potential computer problems caused by the change of date at the beginning of the year 2000.

The public water utility membership of AWWA, AMWA and NAWC consists of approximately 4,000 public water systems serving approximately eighty percent of the American public. The remainder of the Nation's 55,000 community public water systems which are not members of AWWA, AMWA or NAWC are primarily small rural public water systems which are members of the National Rural Water Association (NRWA) or not members of any of the four major public water system associations.

The 55,000 community public water systems serve a total population of 249 million people. However, the 3,687 community public water systems serving a population of 10,000 or more serve a total of 204 million people. Nearly all of these 3,687 community public water systems are members of AWWA, AMWA, or NAWC. The remaining community public water systems serve a total population of 45 million people. The remainder of the United States population obtain their drinking water from private wells.

Approximately 725 public water systems have responded to the survey. The responding public water systems range in size from small systems serving less than 10,000 people to systems serving more than a million. While the number of respondents is a comparatively small sample of the total population of community public water systems, the preliminary data can be used to provide an indication and understanding of the state of preparedness of the Nation's community public water systems. However, it is also important to note that the state of preparedness of non-responding utilities is not known. This could introduce a bias into the results of a large number of non-responding utilities are also unprepared. These caveats should be kept in mind when evaluating the data of the survey to date.

Tentative Indications

Although a statistically valid projection may not be made from the survey data, the data provide the following tentative indications concerning the state or Year 2000 preparedness of the Nation's community public water systems.

Approximately 75 percent of the American people are served by large community public water systems serving a population over 100,000 people. Based on the survey, community public water systems serving populations of 1,000,000 or more can be expected to have little or minimal internal problems caused by the change of date at the beginning of the year 2000. There are 30 community public water systems

which serve a population of more than 1,000,000. 89 percent of the community public water systems serving a population of 100,000–1,000,000 expect to have Year 2000 compliance work done in time. These statistics seem to indicate that the overwhelming majority of the American people will not have their drinking water supply disrupted or made unsafe by internal Year 2000 computer problems of a community public water system.

However, a smaller percentage of community public water systems (26 percent), including very large systems, appear to have fully assessed the Year 2000 compliance status of service providers and vendors which could affect public water system operations or expect to have completed an external Year 2000 problem assessment before the Year 2000. This raises the possibility that some community public water systems could be affected by power outages, communications failures including data transmission, or a shortage of water treatment chemicals if their external service providers and vendors have Year 2000 problems.

The survey responses concerning contingency plans may cause some confusion. Most public water systems have contingency plans for natural disasters, etc., to operate and provide safe drinking water. This would include using manual operations instead of computer operations and, in a worst case scenario, issuing a "boil water' notice. It would seem that existing public water system contingency plans could be used or adapted for a system failure caused by a Year 2000 problem. It may be that public water systems that indicated that they have not completed contingency plans (83 percent) intend to modify their existing contingency plans to specifically mention the Year 2000 problem and have not completed the update. However, regardless, the majority of the public water systems indicated that they expect to have Year 2000 readiness work done in time.

As one would expect, the survey data indicates that the cost of Year 2000 compliance increases with system size. No estimated total national projection of cost of Year 2000 compliance can be determined from the survey data at this time until a more refined cost analysis is done in conjunction with the total number of public water systems in each size category.

DATA SUMMARY

Formal Plan for Year 2000 Problem

61 percent of the utilities had formal plans for addressing the Year 2000 problem; 36 percent did not have a formal plan; 3 percent did not respond to this question.

52 percent of the systems serving less than 10,000 persons had formal plans; 68 percent of systems serving 10,001–100,000 had formal plans; 89 percent of systems serving 100,001–1,000,000 had formal plans; 100 percent of systems serving over 1,000,000 had formal plans.

Completed Internal Utility-Wide Year 2000 Problem Assessment

51 percent of the utilities have completed an internal utility-wide Year 2000 problem assessment; 42 percent have not completed a utility-wide Year 2000 problem assessment; 7 percent did not respond to this question.

44 percent of utilities serving less than 10,000 persons have completed a utility-wide Year 2000 problem assessment; 57 percent of systems serving 10,001–100,000 have completed a utility-wide Year 2000 problem assessment; 63 percent of systems serving 100,001–1,000,000 have completed a utility-wide Year 2000 problem assessment; 100 percent of systems serving over 1,000,000 have completed a utility-wide Year 2000 problem assessment.

Expect Internal Year 2000 Work to be Completed in Time

81 percent of the utilities expect to complete internal Year 2000 work in time; 13 percent did not expect to complete internal Year 2000 work in time; 6 percent did not respond to this question.

76 percent of the utilities serving less than 10,000 persons expect to have internal Year 2000 work to be completed in time; 87 percent of the utilities serving 10,001–100,000 expect to have internal Year 2000 work to be completed in time; 89 percent of the utilities serving 100,001–100,000,000 expect to have internal Year 2000 work to be completed in time; 100 percent of the utilities serving over 100,000,000 expect to have internal Year 2000 work to be completed in time.

Completed External Year 2000 Problem Assessment

26 percent of the utilities have completed an external Year 2000 problem assessment; 69 percent have not completed an external Year 2000 problem assessment; 5 percent did not respond to this question.

22 percent of utilities serving less than 10,000 persons have completed an external 2000 problem assessment; 31 percent of systems serving 10,001–100,000 have

completed an external Year 2000 problem assessment; 35 percent of systems serving 100,001–1,000,000 have completed an external Year 2000 problem assessment; 30 percent of systems serving over 1,000,000 have completed an external Year 2000 problem assessment.

Expect External Year 2000 Work to be Completed in Time

65 percent of the utilities expect to complete external Year 2000 work in time; 29 percent did not expect to complete external Year 2000 work in time; 6 percent did not respond to this question.

62 percent of the utilities serving less than 10,000 persons expect to have external Year 2000 work to be completed in time; 67 percent of the utilities serving 10,001–100,000 expect to have external Year 2000 work to be completed in time; 67 percent of the utilities serving 100,001–1,000,000 expect to have external Year 2000 work to be completed in time; 90 percent of the utilities serving over 100,000,000 expect to have external Year 2000 work to be completed in time.

Completed Contingency Plans for Unforseen Internal Problems

23 percent of the utilities have completed contingency plans for unforseen internal problems; 72 percent of the utilities have not completed contingency plans for unforseen internal problems; 5 percent did not respond to this question.

20 percent of the utilities serving less than 10,000 persons have completed contingency plans for unforseen internal problems; 25 percent of the utilities serving 10,001–100,000 have completed contingency plans for unforseen internal problems; 23 percent of the utilities serving 100,001–1,000,000 have completed contingency plans for unforseen internal problems; 30 percent of the utilities serving over 1,000,000 have completed contingency plans for unforseen internal problems.

Completed Contingency plans for Unforseen External Problems

12 percent of the utilities have completed contingency plans for unforseen external problems; 83 percent of the utilities have not completed contingency plans for unforseen external problems; 5 percent did not respond to this question.

13 percent of the utilities serving less than 10,000 persons have completed contingency plans for unforseen external problems; 10 percent of the utilities serving 10,001–100,000 have completed contingency plans for unforseen external problems; 15 percent of the utilities serving 100,001–1,000,000 have completed contingency plans for unforseen external problems: 30 percent of the utilities serving over 1,000,000 have completed contingency plans for unforseen external problems.

Cost of Year 2000 compliance

39 percent of the utilities expect to spend less than $10,000 to become Year 2000 compliant; 26 percent of the utilities expect to spend $10,000–$50,000 to become Year 2000 compliant; 8 percent of the utilities expect to spend $50,000–$100,000 to become Year 2000 compliant; 10 percent of the utilities expect to spend $100,000–$1,000,000 to become Year 2000 compliant; 4 percent of the utilities expect to spend over $1,000,000 to become Year 2000 compliant.

As would be expected, the smaller community public water systems expect to spend less and the larger systems expect to spend more on Year 2000 compliance. The survey data range from 56 percent of systems serving less than 10,000 people expecting to spend less than $10,000 on Y2k compliance to 60 percent of systems serving more than 1,000,000 people expecting to spend more than $1,000,000 on Year 2000 compliance.

AMSA YEAR 2000 SURVEY ANALYSIS

AMSA Year 2000 Survey—Background

The Association of Metropolitan Sewerage Agencies (AMSA) is a dynamic coalition of over 200 of the nation's publicly-owned wastewater treatment agencies. AMSA members collectively serve the majority of the sewered population in the United States, and treat and reclaim more than 18 billion gallons of wastewater each day. Over the past 28 years, AMSA has maintained a close working relationship with both Congress and the U.S. Environmental Protection Agency in the development of environmental legislation and policymaking.

Locally, AMSA member agencies play a major role in their communities, often spearheading watershed management efforts, promoting industrial/household pollution prevention and water conservation, and developing urban stormwater management programs. AMSA members are true environmental practitioners who work daily towards ensuring the safety and quality of our nation's water supply.

AMSA conducted a survey of its members to assess whether wastewater agencies have evaluated the Year 2000 (Y2K) problem, the estimated costs to remedy the

problem, the status of implementing solutions, the impacts of potential system failures, and whether plans are in place should systems fail. Seventy-six of AMSA's 206 agencies responded to the June 10, 1998 survey, and forty-three responded to the October 2, 1998 followup survey.

Computer Use and Level of Automation

Computers, microchips, electronic data logging/analysis, and remote monitoring/control systems are widely used and are critical components in the overall functions of the Nation's public wastewater treatment agencies. These systems contribute to varying levels of automation in the industry. While many of the functions within wastewater agencies can be automated or computerized, such as administrative functions (i.e., billing, payroll, finances, etc.), process control operations, or laboratory functions, all these functions can be performed manually, and a significant portion of the industry is not fully automated.

Respondents to AMSA's recent survey indicated an average level of automation of 54 percent. For example, some agencies use automated billing systems, while treatment plants may operate manually. Other agencies have fully automated administrative operations, process operations, and industrial compliance programs, but may not have automated data processing in their laboratory.

The survey examines the level of implementation of Supervisory Control and Data Acquisition (SCADA) systems within the AMSA membership. SCADA systems can allow operators to remotely collect operational data, and control operations of pump stations or treatment plant processes from a single location. Among the survey respondents, 88 percent currently implement some form of SCADA system currently, and nearly 100 percent of respondents indicated future plans to use SCADA systems. It should be noted that although a wastewater treatment agency may use SCADA in some of its processes, this does not necessarily mean that the entire treatment process is automated. For instance, a SCADA system may be used to monitor and collect data from remote pumping stations, however, the SCADA may not monitor treatment plant processes.

Nearly 100 percent of the agencies responding to the recent AMSA survey indicated that computers were used in process control, laboratory, industrial compliance, billing systems, and for other administrative purposes, such as finances, inventory, and maintenance management. A complete listing of responses on the use of computers/microchips in agency functions includes:

Administrative.—billing, accounts payable, payroll, human resources, purchasing, telephone systems, assessments, procurement, contract management, capital investment programs, general ledger, office automation, pensions

Maintenance.—system and plant maintenance management, inventory

Operations.—process control, embedded programmable logic controls, SCADA, electronic pressure recorders, generators, collection system monitoring, flow monitoring, mobile equipment, meter reading and routing

Laboratory.—laboratory analysis, calibration, reporting

Industrial Waste.—permitting, industrial compliance determinations, sampling

Engineering.—project tracking, geographic information systems, computer-aided drafting (CAD)

Reporting.—NPDES reporting and monitoring

Other.—interactive voice response, internet, energy management, telephones, security, radio, elevators, fire alarms.

Assessment and Action

A vast majority of AMSA survey respondents (90 percent) have developed a plan to assess and address the Year 2000 problem. Many of these assessments are very formal processes which are either initiated under a comprehensive local government assessment or as part of the agency's overall planning processes (it should be noted that 50 percent of the AMSA membership are agencies which operate under the jurisdiction of a local city or county government, while another 50 percent of AMSA members operate as regional districts). A little more than half of the agencies are addressing (or intending to address) the problem in-house, while the remainder are using consultants or a combination of in-house staff and consultants.

Costs

The costs to address the Year 2000 problem vary widely for survey respondents. Forty-five percent of the wastewater agencies which reported estimated costs indicated that the cost to address the Y2K problem was relatively minimal, ranging from 0 to $100,000, while fifteen percent reported estimated costs in excess of $1,000,000, with the two highest reported values being $15,000,000. Most of the agencies reporting expenditures in excess of $1,000,000 were relatively large systems, however 17 percent of these were agencies serving populations less than

250,000. In general, most agencies reported total estimated costs to fix the Y2K problem between 0 to 2 percent of annual operation costs. Four agencies reported estimated costs to fix the Y2K problem over 10 percent of annual operation costs. The average annual budget for an agency serving one million people is approximately $125,000,000.

Progress in Implementing Solutions

Implementation of solutions to the Y2K problem varies widely, though most all responding agencies have made some progress. Approximately 95 percent have begun to implement solutions to the Y2K problem, while 26 percent are complete or nearly complete. To address the Y2K problem, many agencies are systematically checking and upgrading systems which are not Y2K compliant. Figure 1 illustrates a timeline of responding AMSA POTW Y2K efforts. As illustrated in the graph, a majority of the agencies, will have completed the awareness, inventory, and assessment phases of Y2K conversion by January 1, 1999. Responding agencies are poised to focus Y2K efforts on repair, testing, contingency planning, and implementation in 1999 and nearly all have plans to be implementing Y2K ready systems by January 1, 2000.

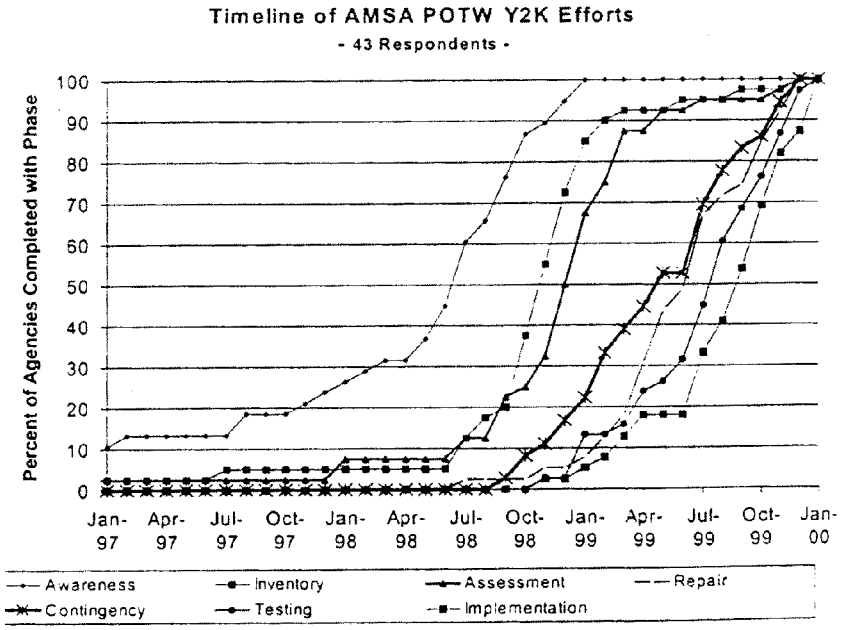

Figure 1

Figure 2, which illustrates the current status of responding agencies in accordance with six defined phases of Y2K remediation, also highlights that Y2K repair, testing, contingency planning, and implementation in will be a major focus of for wastewater agencies in 1999.

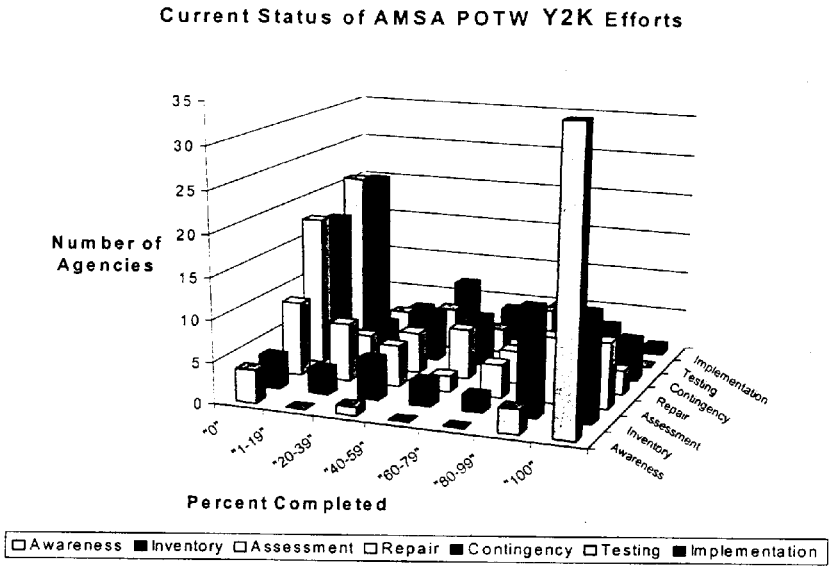

Figure 2

Figure 3 illustrates the status of assessment/correction of Y2K problems associated with embedded microchips. Embedded microchips present a special challenge to the Y2K issue as they are pervasive in a range of systems and equipment including: meter readers, programmable logic controllers, security systems, elevators, alarms, etc. Responding agencies are both testing these systems and receiving assurances from vendors that these systems are Y2K compliant. As the graph illustrates, a majority of the responding agencies are still in the assessment phase for each system type, while many are complete with embedded chip assessments, and are currently implementing remediation efforts, especially for mission critical systems such as plant process and remote process operations.

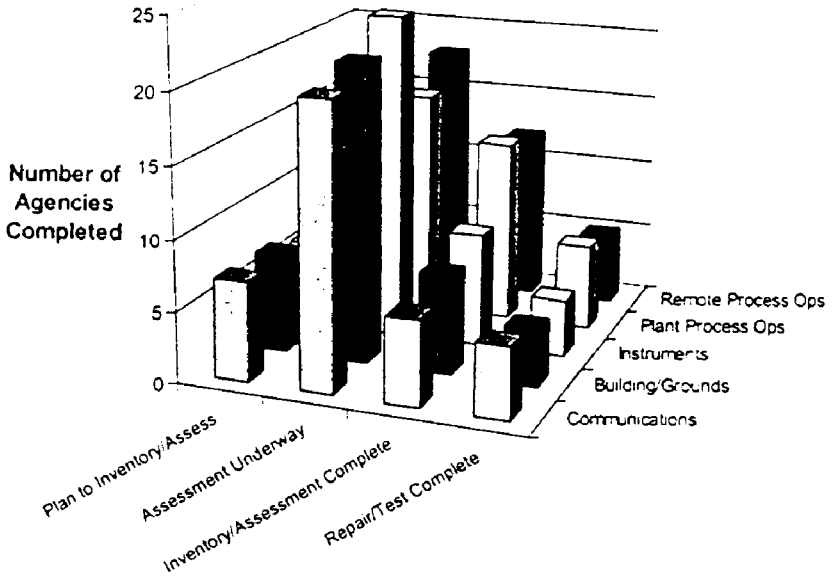

Figure 3

Impacts of Year 2000 Failure

Though most agencies believe they will be Y2K compliant in 1999, AMSA's survey requested that agencies project the resulting impact, should a Y2K failure occur in any critical systems. A breakdown by agency function follows:

Administration.—Computers are used throughout the administrative functions of a wastewater treatment agency. Billing, payroll, human resources, and many other functions depend on accurate computerized record-keeping and reporting. Potential failures in billing systems are the most troublesome to agencies responding to the survey. Should systems fail in the event of a Year 2000 problem, nearly all agencies indicated that delays in billing would result in serious cash flow interruptions. These interruptions in cash flow are unlikely to directly affect operations, as many agencies have cash reserves on hand, or may be able to negotiate with vendors to extend bill due dates, however, such a failure is likely to have major impact on the administrative functions of the agency. Some agencies reported that they have backup contingencies should there be a failure in automated billing.

Process Control.—All responding agencies with automated process controls have the ability to switch to manual operations almost immediately or within hours in the event of a Year 2000 failure. Approximately 15 percent agencies reported potential treatment plant problems and possible compliance issues as a result of switching to manual mode. Potential additional costs would be incurred with the addition of staff or the payment of overtime.

One of the biggest concerns in this situation is that collection system and plant operational data would not be immediately accessible for the operators, and whether this would lead to sewage backups, overflows, or compliance problems. However, most agencies reported that switching to manual mode would pose none or very minor problems as many automated operations run in parallel with "manual" instrumentation and control. For instance, a wastewater treatment plant may use programmable logic controllers (PLCs) within its treatment operations to control valves or pump operations based on flow or pressure readings. In normal operations, the data from these controllers would be relayed to an operator's computer control screen, and the PLCs would automatically activate valves or pumps accordingly. Should one or more PLCs malfunction, an operator would no longer receive data via the computer control screen and would have to "manually" read a flow meters or pressure gauges. The operator also could not rely on the PLCs to automatically acti-

vate appropriate valves or pumps, thus would also have to "manually" adjust these controls.

One potential catastrophic failure issue which was noted and which is beyond the control of the wastewater agency is the occurrence of a major regional electrical power failure. There are a wide-range of capabilities in terms of operating treatment plants in the absence of a electrical power.

During a recent meeting, with the electric power industry trade groups, power industry officials indicated the a "cautious optimism" regarding their industry's ability to meet the Y2K challenge by January 1, 2000. The groups referenced a recently released report titled, "Preparing the Electric Power Systems of North America for Transition to the Year 2000—A Status Report and Work Plan" which was submitted to the Department of Energy on September 17, 1998 (available at http:www.nerc.com). In summing up the report, officials indicated that any power outages that occur due to Y2K issues are likely to be localized and short-term (i.e. hours or days), and that the chance of a widespread power grid failure is basically zero. Localized and short-term power outages will not produce widespread treatment plant disruption as most facilities have the dual power feeds from differing electrical sub-stations as backup, and/or have reserve capacity within the treatment and collection system to store flows until power is restored.

In the extreme case of a regional, long-term electrical power failure, thirty-seven percent of the responding agencies indicated that all treatment plants under their control could operate indefinitely throughout the power outage. Most of these facilities would use diesel, methane, or natural gas powered generators, though fuel availability would clearly be an issue. Some plants could operate generators with methane produced from on-site solids digestion processes. Another twenty-eight percent of the agencies indicated that their plants could operate at partial capacity, or that some, but not all of the plants under their control could operate fully. Remote pumping stations may also be affected by a regional, long-term power failure. While, seventy-percent of responding agencies would be able to operate their remote pumping stations in the case of a long-term electrical power failure using diesel generators, other agencies would have to rely on mobile generators, or in-line and off-line storage capacity to contain any flows that could not be pumped to the treatment plant.

Laboratory.—Should laboratory systems fail, the issue would be whether agency laboratories could adequately and accurately analyze sample results, and report compliance problems adequately to regulatory and public health agencies. Some agencies can operate in manual mode, while others indicated that out-sourcing of lab functions could be implemented.

Industrial Compliance Programs.—Should industrial compliance systems fail, the wastewater treatment agency would not be able to adequately monitor industrial customer compliance, which could result in undetected high strength discharges leading to treatment plant upsets, delays in issuing permits, and noncompliance with federal regulatory pretreatment requirements.

Plan of Action

Nearly 55 percent of the agencies have completed or begun work on a contingency plan should all or a portion of their computer systems fail as a result of the Year 2000. As noted in Figure 1, all respondents plan to address the issue of contingency plans by January 1, 2000. Contingency plans will discuss issues concerning: (1) how manual operation should be initiated in the case of system failures; (2) chemical and fuel supply needs; (3) coordination with other local entities; (4) manpower needs, and; (5) correction of system failures.

Conclusion

Based on the results of the AMSA survey and follow up discussions with wastewater treatment agency staff, it can be concluded that the large segment of wastewater industry represented by AMSA's membership will respond effectively to the challenges presented by the Year 2000 problem. However, a significant portion of work will need to be completed prior to January 1, 2000. Remediation, testing, implementation, and contingency planning should be high priorities in 1999.

While treatment plants have become more and more automated over the past ten years, many treatment plants still operate fully manually, and even automated plants can be reverted back to manual mode in a matter of a few minutes or hours depending upon the complexity of the system and manpower availability. Some problems are bound to occur, and may involve either or both internal system problems or external factors that are beyond the control of a public wastewater treatment agency, however, careful program management and proper contingency plan-

ning should minimize the impacts of these problems on public health and the environment.

AMSA YEAR 2000 SURVEY—ADDENDUM

CHEMICAL SUPPLY: 85 percent of responding agencies do not anticipate chemical supply problems associated with Y2K. Some agencies indicate that adequate supply is on-hand (e.g., 3 months) should there be a short-term disruption in the chemical supply/delivery chain.

COMMUNICATIONS: 98 percent of responding agencies indicate that pump stations will be able to operate in the event of a telecommunications failure.

MANPOWER: 35 percent of responding agencies indicate additional manpower needs and/or shortages should Y2K problems require manual operations.

POTENTIAL IMPACT OF EMBEDDED CHIP FAILURES

Communication—Minor
Building Grounds—Minor
Instruments—Moderate
Treatment Plant Processes—Moderate to Major
Remote Process Operations—Moderate

FOOD SAFETY: PESTICIDE RISKS

Senator MIKULSKI. Let me go to another issue and this also goes to children and public health. I note from a Washington Post article that seven groups have quit your food panel and they criticized EPA for being soft on pesticide risks. I found the article disturbing, Madam Administrator, and I would like to give you the opportunity to share with us where we are on food safety, the whole issue around pesticides because pesticides have a direct impact in nonpoint runoff in our water supply. I was troubled. Could I now hear your response to this and how are you dealing with the pesticides problem? And do you have the resources to do it?

Ms. BROWNER. Yes, we do. As I think you are well aware, Senator Mikulski, Congress passed a new modern food safety law working closely in a bipartisan manner with the administration 2 years ago. That law for the first time ever requires us to take a set of actions that we are in the process of taking. In an effort to make sure that we have addressed both the health concerns and the needs of farmers, we did establish an advisory committee. We are extremely disappointed that the environmentalists, as this committee was concluding its work, decided that they would rather simply pull out and make these kind of attacks.

We will comply with the law. We will meet the deadlines but we are going to do it in a way that is responsive to the needs of all, and that requires a thoughtful and an inclusive process and we are on track. The first deadlines come up in August. We are on track to make those deadlines. We tried to encourage the environmentalists to stay at the table so that they could be a part of the final round of process decisions we will make. They thought it was better to issue a press release and walk away. It is a disappointment to us and we will continue to work——

Senator MIKULSKI. I note my time is up. I just want to conclude by just saying that they pulled out because they accused EPA of endless dithering. Now I am also from the school of thought of sound science. We have encountered many issues on premature science, and that has resulted in very prickly debates on air quality and so on. So I think there is a difference between dithering and pursuing a solid course of action using the best science and the

best minds available in the scientific community to advise us before we go off. I am looking for a balance here, a streamlined process based on sound science, and I think you would have bipartisan support.

Senator CRAIG. Would the Senator yield?

Senator MIKULSKI. Yes. My time is up.

Senator BOND. I would say, let me agree with my ranking member, sound science should be driving this. I am deeply disappointed by the efforts which indicate that we are going to have more hysterical anti-science attacks. We banned alar based on hysteria, not on sound science. We bankrupted apple growers, raised the cost of apples and contributed to more health problems by raising the cost of apples than we benefited by banning alar.

You had a—I defer to the Senator from Idaho, Senator Craig.

Senator CRAIG. Very briefly. The Senator from Maryland is absolutely right. And I must say on behalf of EPA, and I do not oftentimes find areas to praise them in——

Senator BOND. That is why I deferred to you briefly, Senator Craig. I thought this would be a good opportunity. [Laughter.]

Senator MIKULSKI. This is great.

Senator CRAIG. They were approaching it cautiously and responsibly and they were listening to Agriculture and Agriculture was really trying to find the right answers in working with them in demonstrating how all of this works and does not work. And EPA was listening. And I am disappointed that other stakeholders in this would walk out hoping they can gain ground politically by lawsuits and by press releases. It does not work that way. We will ultimately have a nonproductive agriculture and, as the Chairman said, one that does not produce our food quality in the way we would like it. So on this one, EPA gets some kudos. Stay the course.

Ms. BROWNER. Thank you.

Senator BOND. Thank you, Senator. Right now I turn to Senator Byrd.

TRANSPORTATION PARTNERS PROGRAM

Senator BYRD. Mr. Chairman, as I indicated earlier, I am interested in knowing more about the Transportation Partners program. Can anyone, Mrs. Browner, tell us specifically how this funding is being spent?

Ms. BROWNER. The Transportation Partners is an effort to work on a voluntary basis with local, State, public, and private organizations to look at what is right for those communities at their behest in terms of reducing vehicle miles traveled. This is not about highway construction. It is not about telling people how they should live their lives. There are a number of communities and businesses, for example, some of the business partners include Wal-Mart, Kaiser Permanente, and Bank of America who on behalf of their employees, want to look at alternative modes of transportation which work for the business, the employees and ultimately may work to benefit air quality in the communities.

It is not a required program. It is a voluntary partnership. I think we have over 300 partners now, project partners across the country.

Senator BYRD. My question was can anyone tell us specifically how this funding is being spent?

Ms. BROWNER. It is spent through grants. We are more than happy to give you a detailed explanation of each of the grant awards if that would be helpful. There are nine projects and I can give you some examples. But if you would like each one of them, we would be happy to provide that. Would you like some of the examples?

Senator BYRD. I would suggest you have all of those put in the record and then I will select a few, perhaps, that I may wish to visit with you further on.

Ms. BROWNER. Okay.

[The information follows:]

TRANSPORTATION PARTNERS GRANTS

Association for Commuter Transportation.—No Transportation Partners funds.

Bicycle Federation of America.—No Transportation Partners funds.

Business for Social Responsibility Education Fund (BSR).—Transportation Partners is providing support to BSR to work with at least ten member companies to implement commuter and fleet transportation efficiency measures and to measure the greenhouse gas emissions reductions that results.

Center for Clean Air Policy (CCAP).—Fosters dialogue amongst governmental and private policy makers to help promote innovative, market-based policy approaches to develop effective transportation and environmental policies. Transportation Partners supports CCAP's ongoing dialogue to develop more effective strategies to increase ridership for metropolitan transit systems.

International Council for Local Environmental Initiatives (ICLEI).—By supporting ICLEI's Cities for Climate Protection U.S. Sustainable Transportation Program, Transportation Partners is facilitating an expansion of ICLEI's network of local governments and their private sector allies working on strategies to reduce vehicle miles traveled. ICLEI is focusing most heavily on public-private partnerships through EPA's Climate Wise Program corporate partners to reduce commuter travel through incentives such as parking cash out and to improve fleet efficiency. ICLEI is also developing a menu of options for local governments to reduce their transportation emissions, and quantifying the greenhouse gas emissions reductions resulting from its work.

Environmental Defense Fund (EDF).—Transportation Partners is funding EDF to support education and technical assistance for innovative regional transportation policy alternatives. The analysis and technical assistance provided by EDF to Metropolitan Planning Organizations, State Departments of Transportation, local governments and community groups improves the awareness of policy approaches that can both ease traffic congestion and reduce emissions through demand management and more efficient use of existing transportation systems. Such policies include: commuter choice for employee transportation benefits (aka parking cash-out), time-of-day pricing of roads and parking, and single occupant car buy-in options to more effectively use high-occupancy vehicle lanes.

Local Government Commission (LGC).—EPA is supporting LGC's efforts to provide tools and information to local governments to enhance community livability and reduce vehicle miles traveled. LGC focuses on providing assistance with public participation, administering community image surveys, and developing and distributing an array of technical resources to local governments to encourage transit-oriented and infill development and livable downtowns. LGC assembles teams for on-site visits. LGC is measuring the greenhouse gas emissions reductions attributable to its work.

Renew America.—Transportation Partners is supporting Renew America in its mission to identify, recognize, and promote environmental success stories within the U.S. By co-sponsoring Renew America's Way to Go transportation and the environment awards, EPA is demonstrating that success in reducing vehicle miles traveled is achievable. This program disseminates information about award winners, helps pair winners with others interested in implementing similar programs, and works with the media to ensure appropriate public attention to exemplary transportation efficiency achievements.

Surface Transportation Policy Project (STPP).—STPP promotes transportation policy and investments that help conserve energy, protect environmental qual-

ity,strengthen the economy, promote social equity, and make communities more livable. Transportation Partners provides funds to STPP to: support community involvement in the transportation planning process; assist with the planning of the national Railvolution conference; maintain its TransAct web site; provide outreach to automobile insurance companies to encourage them to price insurance by the mile; and, to document the greenhouse gas reductions of its work with Transportation Partners.

Railvolution.—EPA is supporting this quintessential national conference on enhancing community livability and reduced vehicle miles traveled through the provision of transportation alternatives and supportive community designs. Approximately 1,000 public and private sector leaders throughout the nation are anticipated to gather in Dallas in September 1999 for this important conference.

Senator BYRD. So what are you saying to me when I say can anyone tell us specifically how this funding is being spent?

Ms. BROWNER. Yes.

Senator BYRD. You are saying the answer is yes?

Ms. BROWNER. Absolutely. As I said, I can provide examples today and we can provide the rest. One, for example, is in Howard County, Maryland, that I would be happy to talk about.

Senator BYRD. I would be happy to talk about some that may be in West Virginia.

Ms. BROWNER. Okay.

Senator BYRD. I understand that to become a partner a group must make an application to the agency. What kind of scrutiny does the EPA undertake to select its so-called partners?

Ms. BROWNER. You are correct. They do make an application for a grant award. They come through the traditional grant application process and they are required to comply with all the grant application processes.

TRANSPORTATION PARTNERS: GRANT AWARDS

Senator BYRD. But the question is what kind of scrutiny does the EPA undertake to select its so-called partners?

Ms. BROWNER. They have to have an organization that is capable of doing the work that they are suggesting or are asking to do. They must have the ability to manage the resources that would be provided to them.

If you are concerned that some organization made an application and perhaps was not as forthcoming in terms of their qualifications or their financial management, we would appreciate having that brought to our attention immediately. We will fully investigate the matter. The organizations are required to meet certain requirements.

Senator BYRD. Does anyone at the agency conduct any reviews of these groups?

Ms. BROWNER. Yes. The grant officers are required to ascertain whether or not the groups are capable of the work that they are committing to do.

Senator BYRD. Can the EPA provide this subcommittee with information as to how many of the partners are involved in litigation against highway construction?

Ms. BROWNER. Yes. In fact, we have just recently provided to another committee information on all grant recipients and their litigation records against the agency. I believe that probably the group you are interested in would be a part of that submission. So we

would be happy to provide it. We have provided it to the EPW Committee.

Senator BYRD. Mr. Chairman, I would like to ask that the EPA provide this Committee with information of how many of the partners are involved in litigation against highway construction and what that litigation is about. What the cases are, by number. What the status is of the litigation.

Senator BOND. That will be a request of the committee and it will be made available to all members of the committee.

Ms. BROWNER. We should be able to make that available this week. We have also provided it to the EPW.

Senator Byrd, if I might, I think we may be familiar with—someone here may be familiar with the particular organization you may be concerned with in West Virginia. Just so we give you all of the information, the litigation may be against other Federal agencies that you are concerned about, or against perhaps State agencies. So we will do our best to also determine that. That is not what we were asked to do in the other committee. That may be what you are interested in, in part.

[The information follows:]

GRANT RECIPIENTS AND THEIR LITIGATION RECORDS AGAINST THE AGENCY

Attached are the two charts concerning litigation by EPA grant recipients that EPA submitted to the Senate Environment and Public Works Committee.

Non-Governmental Individuals and Organizations That Received EPA Grants From January 1, 1989-March 31, 1999 and also Sued EPA During That Period

[Lawsuit information]

Case number and court	*Date lawsuit was filed*
ALABAMA RIVERS ALLIANCE, INC.:	
No. 97–2518 (N.D. Ala.)	09/22/97
No. 97–0714 (N.D. Ala.) (lead plaintiff is Mudd)	03/21/97
ALASKA CENTER FOR THE ENVIRONMENT:	
No. 96–245 (D. Alaska)	07/18/96
No. 95–35109 and 95–35065 (W.D. Wash.)	04/24/90
No. 96–1762 (W.D. Wash.) (lead plaintiff is Alaska Clean Water Alliance)	11/08/96
No. 95–1153 and 95–107 (D. Alaska) (lead plaintiff is Alyeska Seafood, Inc.)	03/21/95
No. 97–60042 (5th Cir.) (lead petitioner is Texas Mid-Continent Oil & Gas)	01/22/97
ALASKA CLEAN WATER ALLIANCE:	
No. 96–1762 (W.D. Wash.)	11/08/96
No. 97–60042 (5th Cir.) (lead petitioner is Texas Mid-Continent Oil & Gas)	01/22/97
AMERICAN FOREST AND PAPER ASSOCIATION, INC.:	
No. 97–1448 (D.C. Cir.)	07/22/97
No. 97–1210 (D.C. Cir.)	03/31/97
No. 97–1209 (D.C. Cir.)	03/31/97
No. 97–1208 (D.C. Cir.)	03/31/97
No. 97–1206 (D.C. Cir.)	03/30/97
No. 96–60874 (5th Cir.)	12/21/96
No. 97–9506 (10th Cir.)	03/03/97
No. 97–1212 (D.C. Cir.)	03/31/97
No. 97–1211 (D.C. Cir.)	03/31/97
No. 98–1427 (D.C. Cir.)	09/16/98
No. 99–1053 (D.C. Cir.)	02/16/99
No. 98–1543 (D.C. Cir.)	11/16/98
No. 96–5324 and 93–0694 (D.D.C.)	04/05/93
No. 95–1360 (D.C. Cir.)	07/19/95
No. 93–1347 (D.C. Cir.)	05/24/93
No. 94–1395 (D.C. Cir.)	05/16/94

Case number and court	*Date lawsuit was filed*
No.95–1007 (D.D.C.)	05/26/95
No. 95–70025 (9th Cir.)	01/06/95
No. 95–70027 (9th Cir.)	01/06/95
No. 98–1203 and 98–1196 (D.C. Cir.) (lead petitioner is National Association of Manufacturers)	04/10/98
No. 97–1130 (D.C. Cir.) (lead petitioner is American Automobile Manufacturers)	03/13/97
AMERICAN LITTORAL SOCIETY:	
No. 98–979 (E.D. Va.) (lead plaintiff is American Canoe Association, Inc.)	07/09/98
No. 96–489 (E.D. Pa.)	01/24/96
No. 96–339 (D.N.J.)	01/24/96
No. 96–5920 (E.D. Pa.)	08/28/96
No. 96–330 (D. Del.)	06/19/96
No. 98–927 (D. Md.)(lead plaintiff is Sierra Club)	04/01/98
No. 97–3838 (D. Md.) (lead plaintiff is Sierra Club)	11/13/97
No. 96–5772 and 96–5105 (D.N.J.) (lead plaintiff is Clean Ocean Action)	06/01/93
No. 96–591 (D. Del.)	08/28/96
AMERICAN LUNG ASSOCIATION:	
No. 93–1305 (D.C. Cir.) (national association)	05/10/93
No. 94–1284 (D.C. Cir.) (national association)	04/01/94
No. 94–2166 (4th Cir.) (national association)	09/12/94
No. 92–6060 and 91–4144 (E.D.N.Y.) (national association and American Lung Associations of Nassau, Suffolk, Queens, and Brooklyn)	10/21/91
No. 92–5316 (E.D.N.Y.) (national association)	11/12/92
No. 93–643 (D. Ariz.) (national association and American Lung Association of Arizona)	10/13/93
No. 94–2140 (D.D.C.) (national association)	10/05/94
No. 96–1251 (D.C. Cir.) (national association)	07/19/96
No. 96–1388 (D.D.C.) (American Lung Association of Northern Virginia)	06/18/96
No. 96–1856 (D. Ariz.) (American Lung Association of Arizona)	08/13/96
No. 95–4000 (6th Cir.) (lead plaintiff is Citizens for a Better Environment) (American Lung Association of Michigan)	09/18/95
AMERICAN PUBLIC POWER ASSOCIATION:	
No. 97–1513 (D.C. Cir.)	08/15/97
No. 97–1564 (D.C. Cir.)	09/15/97
No. 97–1562 (D.C. Cir.)	09/15/97
No. 98–1394 (D.C. Cir.) (lead petitioner is Edison Electric Institute)	08/21/98
No. 97–1125 (D.C. Cir.) (lead petitioner is Appalachian Power Co.)	03/17/97
AMERICAN RIVERS, INC.:	
No. 97–70365 (9th Cir.)	04/04/97
No. 94–70613 (9th Cir.)	09/28/94
No. 96–3208 (E.D. La.) (lead plaintiff is Mississippi River Basin Alliance)	10/02/96
AMERICAN WATER WORKS ASSOCIATION:	
No. 96–1208 (D.C. Cir.)	06/21/96
No. 89–1489 (D.C. Cir.)	08/10/89
No. 91–1149 (D.C. Cir.)	03/28/91
No. 97–2 111 (D.D.C.) (lead plaintiff is Association of Metropolitan Sewage Authorities)	.....
ANACOSTIA WATERSHED SOCIETY: No. 98–758 (D.D.C.) (lead plaintiff is Kingman Park Civic Association)	03/25/98
ARIZONA TOXICS INFORMATION: No. 99–389 (D.D.C.) (lead plaintiff is Greenpeace International)	02/18/99
ATLANTIC STATES LEGAL FOUNDATION:	
No. 95–1788 (N.D.N.Y.)	12/15/95
No. 97–378 and 95–9525 (lOth Cir.) (lead plaintiff is Maier)	06/02/95
BABCOCK & WILCOX: No. 90–1509 (DC Cir.)	10/29/90
CITIZENS FOR A BETTER ENVIRONMENT:	
No. 95 4000 (6th Cir.)	09/18/95
No. 91–15108 (N. D. Cal.)	04/17/90
No. 91–70056 (9th Cir.)	01/25/91

Case number and court	*Date lawsuit was filed*
No. 90–15455 and 89–2044 (N. D Cal.)	06/12/89
CITIZENS FOR A HEALTHY BAY: No. C99–0375Z (W.D. Wash.)	03/17/99
CLEAN OCEAN ACTION:	
No. 96–5772 (3rd Cir.) and 96–5105 (D.N.J.)	06/01/93
No. 94–5490 (3rd Cir.) and 94–2614 (D.N.J.)	06/01/94
COLORADO ENVIRONMENTAL ACTION: No. 97–1841 (D. Colo.)	08/14/97
CONCERNED CITIZENS OF AGRICULTURE STREET: No. 98–124 (E.D. La.)	01/15/98
CONSERVATION LAW FOUNDATION:	
No. 91–1269 and 89–2325 (D. Mass.)	10/17/89
No. 95–1047 and 95–1020 (D. N.H.)	03/26/92
No. 92–1335 (1st Cir)	03/26/92
No. 94–1062 (D.C. Cir.)	01/28/94
No. 94–1692 (D.C. Cir.)	10/31/94
No. 91–12222 (D. Mass)	08/21/91
No. 92–278 and 92–156 (D. N.H.)	03/26/92
COOK INLET KEEPER: No. 97–60042 (5th Cir.) (lead petitioner is Texas Mid-Continent Oil & Gas)	01/22/97
DELAWARE VALLEY CITIZENS COUNCIL FOR CLEAN AIR:	
No. 95–3318 (3rd Cir.)	06/30/95
No. 95–3363 (3rd Cir.)	06/30/95
No. 95 3494 (3rd Cir.)	09/14/95
No. 96–3086 (3rd Cir.)	02/09/96
No. 95–1241 (D.C. Cir.)	05/01/95
No. 97–3428 (3rd Cir.)	08/11/97
No. 96–1316 (D.C. Cir.)	09/06/96
No. 95–3318 (D. D.C.)	06/18/96
No. 94–3180 (M.D. Pa.)	04/19/94
No. 96–3086 and 95–2533 (E.D. Pa.)	05/01/95
No. 90–1309 and 89–2592 (E.D. Pa.)	04/17/89
No. 94–1692 (D.C. Cir.) (lead petitioner is Conservation Law Foundation)	10/31/94
EARTH ISLAND INSTITUTE: No. 96–1457 (D.C. Cir.)	12/02/96
EDISON ELECTRIC INSTITUTE:	
1No. 95–1378 (D.C. Cir.)	07/26/95
No. 96–1062 (D.C. Cir.)	02/20/96
No. 95–1393 (D.C. Cir.)	08/04/95
No. 8–1394 (D.C. Cir.)	08/21/98
No. 94–2346 (D.D.C.) .	10/28/94
No. 91–1586 (D.C. Cir.)	11/27/91
No. 92–1638 (D.C. Cir.)	12/09/92
No. 93–1474 (D.C. Cir.)	07/27/93
No. 95–1144 (D.C. Cir.)	03/06/95
No. 97–1125 (D.C. Cir.) (lead petitioner is Appalachian Power Company)	03/17/97
No. 91–2435 (D.D.C.) (lead plaintiff is Gearhart)	09/26/91
ENVIRONMENTAL DEFENSE FUND:	
No. 92–2520 and 3–91–00058 (E.D. Va.)	01/29/91
(E.D. Va.)[1]	10/09/90
No. 93–91–00165 (E.D. Va.)	03/29/91
No. 93–0532 (D.D.C.)	03/15/93
No. 95–15574 (N.D. Cal.)	04/30/92
No. 90–1074 (D.C. Cir.)	02/13/90
No. 92–1082 (Cir.)[2]	02/24/92
No. 93–1203 (D.C. Cir.)	03/12/93
No. 94–1044 (D.C. Cir.)	01/21/94
No. 89–0598 (D.D.C.)	03/08/89
No. 91–0429 (D.D.C.)	02/26/91
No. 90–1387 (D.C. Cir.)	07/25/90
No. 91–1296 (D.C. Cir.)	06/24/91
No. 97–1562 and 97–467–5 (E.D.N.C.)	07/22/91
No. 98–1363 (D.C. Cir.)	02/12/99
No. 99–1048 (D.C. Cir.)	02/12/99
No. 93–1316 (D.C. Cir.)	05/14/93
No. 93–1830 and 93–1789 (D.C. Cir.) (lead petitioner is American Road & Transportation Builders Association)	11/17/93

Case number and court	*Date lawsuit was filed*
FRIENDS OF THE EARTH:	
No. 92–1761 (W.D. Wash.)	11/16/92
No. 91–3013 and 91–1109 (4th Cir.)	01/18/91
No. 94–1079 (D.C. Cir.) (lead petitioner is Natural Resources Defense Council)	02/08/94
No. 98–758 (D.D.C.) (lead plaintiff is Kingman Park Civic Association)	03/25/98
No. 97–1518 (D.D.C.) (lead plaintiff is Friends of Mount Aventine)	07/02/97
GENERAL ELECTRIC COMPANY:	
No. 95–2818 (7th Cir.)	08/02/95
No. 97–1695 [3]	11/04/97
No. 97–2738 (7th Cir.)	07/11/97
No. 98–60642 (D.C. Cir.)	10/21/98
No. 93–1251 (D.C. Cir.)	04/01/93
No. 95–1165 (D.C. Cir.)	03/16/95
No. 90–1297 (D.C. Cir.)	06/06/90
No. 94–0457 (D.D.C.)	03/08/94
No. 93–1272 (D.C. Cir.)	04/16/93
No. 93–1807 (D.C. Cir.)	11/30/93
No. 94–1274 (D.C. Cir.)	03/29/94
No. (D.C. cir.) [4]	05/16/94
No. 91–1645 (D.C. Cir.)	12/24/91
No. 94–1163 (1st Cir.)	02/25/94
GEORGIA ENVIRONMENTAL ORGANIZATION: No. 97–8680 and 96–9327 (N.D. Ga.) (lead plaintiff is Sierra Club)	09/22/94
HEAL THE BAY: No. 98–4825 (N.D. Cal.)	12/17/98
HORSEHEAD RESOURCE DEVELOPMENT CO.:	
No. 96–3475 and 95–1785 (W.D. Pa.)	11/01/95
No. 95–1286 (D.C. Cir.)	06/01/95
No. 90–1413 (D.C. Cir.)	08/06/90
No. 94–1764 (D.C. Cir.)	12/16/94
No. 94–1709 (D.C. Cir.)	11/21/94
No. 91–1221 (D.C. Cir.)	05/14/91
No. 98–1397 (D.C. Cir.) (lead petitioner is Zinc Corporation of America)	08/24/98
No. 91–1538 (D.C. Cir.) (lead petitioner is Steel Manufacturers Association)	11/12/91
IDAHO CONSERVATION LEAGUE:	
No. 97–35336 and 96–807 (W.D. Wash.)	05/24/96
No. 96–829 (W.D. Wash.) (lead plaintiff is Idaho Sporting Congress)	05/29/96
LAND AND WATER FUND OF THE ROCKIES: No. 97–35336 and 96–807 (W.D.Wash.) (lead plaintiff is Idaho Conservation League)	05/24/96
MAINE ORGANIC FARMERS & GARDENERS: No. 99–389 (D.D.C.) (lead plaintiff is Greenpeace International)	02/18/99
MOTHERS AND OTHERS FOR A LIVABLE PLANET: No. 99–389 (D.D.C.) (lead plaintiff is Greenpeace International)	02/18/99
NATIONAL ASSOCIATION OF HOMEBUILDERS:	
No. 97–1588 (D.C. Cir.)	09/16/97
No. 4–99–11 (E.D. Va.)	01/27/99
NATIONAL WILDLIFE FEDERATION:	
No. 4–95–131 (W.D. Mich.)	07/19/95
No. 95–1811 (D.D.C.)	09/21/95
No. 95–1363 (D.C. Cir.)	07/19/95
No. 97–1504 (D.D.C.)	07/01/97
No. 93–0331 (D.D.C.)	02/17/93
No. (S.D. Fla.) [5]	01/14/91
No. (S.D. Tex.) [6]	05/09/91
No. 94–3309 (6th Cir.)	03/24/94
No. 96–3208 (E.D. La.) (lead plaintiff is Mississippi River Basin Alliance)	10/02/96
No. 96–1680 (D.D.C.) (lead plaintiff is Sierra Club)	07/18/96
No. 97–60042 (5th Cir.) (lead petitioner is —Texas Mid-Continent Oil & Gas)	01/22/97
NATURAL HERITAGE INSTITUTE: No. 97–3997 (N.D. Cal.) (lead plaintiff is Defend the Bay, Inc.)	07/19/96

Case number and court	*Date lawsuit was filed*
NATURAL RESOURCES DEFENSE COUNCIL:	
No. (D.D.C.)[7]	11/26/90
No. 92–2520 and 3–91–00058 (E.D. Va.)	01/29/91
No. 91–5235 (D.N.J.)	11/25/91
No. 92–122 (N.D. Okla.)	02/10/92
No. 94–8424 (S.D.N.Y.)	11/18/94
No. 95–634 (D.D.C.)	04/03/95
No. 89–2980 (D.D.C.)	10/30/89
No. 90–70671 (9th Cir.)	12/10/90
No. 91–70200 (9th Cir.)	03/27/91
No. 91–1343 (D.C. Cir.)	07/22/91
No. 92–70020 (9th Cir.)	01/03/92
No. (9th Cir.)[8]	01/08/92
No. 92–70543 (9th Cir.)	07/29/92
No. 92–3756 (3rd Cir.)	12/31/92
No. 93–3293 and 93–3066 (3rd Cir.)	02/11/93
No. 93–70313 (9th Cir.)	03/23/93
No. 93–3131 (3rd Cir.)	03/25/93
No. 93–3130 (3rd Cir.)	03/25/93
No. 92–1534 (E.D. Va.)	01/24/92
No. 92–1494(E.D.N.Y.)	03/30/92
No. 92–2225 (D.D.C.)	10/01/92
No. 90–1068 (D.C. Cir.)	02/13/90
No. 90–3439 and 90–2447 (3rd Cir.)	07/17/90
No. 90–1464 (D.C. Cir.)	09/24/90
No. 91–1170 (D.C. Cir.)	04/10/91
No. 91–1294 (D.C. Cir.)	06/21/91
No. 92–1137 (D.C. Cir.)	04/02/92
No. 92–1197 (D.C. Cir.)	05/04/92
No. 92–1353 (D.C. Cir.)	08/11/92
No. 92–1415 (D.C. Cir.)	09/14/92
No. 92–1409 (D.C. Cir.)	09/11/92
No. 92–1535 (D.C. Cir.)	10/09/92
No. 92–1596 (D.C. Cir.)	11/16/92
No. 92–1630 (D.C. Cir.)	12/04/92
No. 93–1204 (D.C. Cir.)	03/12/93
No. (D.C. Cir.)[9]	03/12/93
No. 94–1079 (D.C. Cir.)	02/08/94
No. 94–1398 (D.C. Cir.)	05/18/94
No. 94–1647 (D.C. Cir.)	09/27/94
No. 92–2093 (E.D.N.Y.)	05/29/92
No. 92–2196 (D.D.C.)	09/25/92
No. 93–1946 (D.D.C.)	09/21/93
No. 90–0694 (D.D.C.)	03/26/90
No. (D.D.C.)[10]	03/14/91
No. 91–1105 (D.D.C.)	05/15/91
No. 90–1245 (D.C. Cir.)	05/10/90
No. 90–1322 (D.C. Cir.)	06/27/90
No. 90–1497 (D.C. Cir.)	10/19/90
No. 92–1005 (D.C. Cir.)	01/06/92
No. 92–1371 (D.C. Cir.)	08/18/92
No. 92–1639 (D.C. Cir)	12/09/92
No. 98–1431 (D.C. Cir.)	09/16/98
No. 98–1363 (D.C. Cir.) (lead petitioner is Environmental Defense Fund)	06/05/98
No. 97–1686 (D.C. Cir.) (lead petitioner is Sierra Club)	07/15/97
No. 96–1316 (D.C. Cir.) (lead petitioner is Delaware Valley Citizens Council)	09/06/96
No. 98–1379 (D.C. Cir.)	06/08/92
No. 92–2369 (D.N.J.)	06/08/92
No. 97–60042 (5th Cir.) (lead petitioner is Texas Mid-Continent Oil & Gas)	01/22/97
NEW YORK CITY ENVIRONMENTAL JUSTICE ALLIANCE: No. 98–4404 (S.D.N.Y.) (lead plaintiff is South Bronx Coalition for Clean Air, Inc.)	07/20/98
NORTH CAROLINA COASTAL FEDERATION: No. 97–1562 and 97–467–5 (E.D.N.C.) (lead plaintiff is Environmental Defense Fund)	07/22/91

Case number and court	*Date lawsuit was filed*
NORTHWEST COALITION FOR ALTERNATIVES:	
No. 90–70262 (9th Cir.)	06/05/90
No. 91–70426 (9th Cir.)	07/12/91
No. 97–1135 (W.D. Wash.) (lead plaintiff is Pineros y Campesinos Unidos del Nordeste)	07/10/97
OKLAHOMA WILDLIFE FEDERATION:	
No. 99–0020 (N.D. Okla.)	01/07/99
No. 98–145 (N.D. Okla.)	02/23/98
No. 97–1090 (N.D. Okla.) (lead plaintiff is Hayes)	12/11/97
PEOPLE FOR PUGET SOUND:	
No. 93–70301 (9th Cir.)	03/19/93
No. C99–0375Z (W.D. Wash.) (lead plaintiff is Citizens for a Healthy Bay)	03/17/99
SANTA NIONICA BAYKEEPER: No. 98–4825 (N.D. Cal.) (lead plaintiff is Heal the Bay)	12/17/98
SCENIC HUDSON: No. 94–4105 and 93–4011 (2d Cir.)	01/29/93
SERVICE EMPLOYEES INTERNATIONAL UNION:	
No. 89–0851 (D.D.C.)	03/31/89
No. 89–1228 (D.C. Cir.)	04/03/89
SIERRA CLUB:	
No. 98–1195 (W.D. Mo.) (lead plaintiff is American Canoe Association, Inc.)	11/12/98
No. 96–5920 (E.D. Pa.) (lead plaintiff is American Littoral Society)	08/28/96
No. 96–330 (D. Del.) (lead plaintiff is American Littoral Society)	06/19/96
No. 97–1562 and 91–467–5 (E.D.N.C.) (lead plaintiff is Environmental Defense Fund)	07/22/91
No. 96–245 (D. Alaska) (lead plaintiff is Alaska Center for the Environment)	07/18/96
No. 99–30 (N.D. Iowa)	02/25/99
No. 99–114 (E.D. Ark.)	02/18/99
No. 96–527 (E.D. La.)	02/12/96
No. 98–927 (D. Md.)	04/01/98
No. 97–3838 (D. Md.)	11/13/97
No. 97–3683 (N.D. Ga.)	12/11/97
No. 98–71120 and 98–60804 (9th Cir.)	09/24/98
No. 99–60015 (5th Cir.)	02/08/99
No. 96–70223 (9th Cir.)	03/27/96
No. 98–1270 (D.C. Cir.)	06/09/98
No. 95–9541 (10th Cir.)	09/15/95
No. 96–1007 (D.C. Cir.)	01/12/96
No. 95–1562 (D.C. Cir.)	11/03/95
No. 97–1686 (D.C. Cir.)	07/15/97
No. 97–2119 (4th Cir.)	08/22/97
No. 98–1610 (D.D.C.)	06/24/98
No. 98–2733 (D.D.C.)	11/12/98
No. 95–1747 (D.D.C.)	09/13/95
No. 96–672 (S.D. Ala.)	07/16/96
No. 99–388 (D.D.C.)	02/18/99
No. 96–436 (D.D.C.)	03/07/96
No. 96–1680 (D.D.C.)	07/18/96
No. 97–675 (D.D.C.)	04/04/97
No. 96–2431 (D. Md.) (lead plaintiff is Audubon Naturalist Society)	10/31/95
No. 95–24901 (D. Kan.) (lead plaintiff is Kansas Natural Resources Council)	10/31/95
No. 98–1379 (D.C. Cir.) (lead plaintiff is Natural Resources Defense Council)	08/18/98
No. 98–1431 (D.C. Cir.) (lead petitioner is Natural Resources Defense Council)	09/16/98
No. 97–3004 (D.D.C.)	12/16/97
No. 97–3888 (N.D. Cal.)	10/23/97
No. 98–5366 and 97–1984 (D.D.C.)	08/29/97
No. 98–1564 (D.C. Cir)	11/30/98
No. (N.D. Ga.)[11]	04/24/91
No. 4–92–970 (D. Minn.)	10/07/92
No. 90–1674 (D. Ariz.)	10/29/90
No. 97–8680 (N.D. Ga.)	09/22/94

Case number and court	*Date lawsuit was filed*
No. 93–2644 (D.D.C.)	12/30/93
No. 1:94–CV–2501 (N.D. Ga.)	09/22/94
No. 89–2064 (N.D. Cal.)	06/13/89
No. 89–3408 (D.D.C.)	12/20/89
No. 91–10898 (D. Mass.)	03/25/91
No. 92–1749 (D.D.C.)	07/27/92
No. 93–5245 and 93–0124 (D.D.C.)	01/19/93
No. 92–2282 (1st Cir.)	11/05/92
No. 93–0125 (D.D.C.)	01/19/93
No. 93–0284 (E.D.N. Y)	01/21/93
No. 93–0197 (D.D.C.)	02/01/93
No. 93–0564 (D.D.C.)	03/19/93
No. 94–0553 (D.D.C.)	03/17/94
No. 94–0954 (D.D.C.)	04/29/94
No. 95–0627 (D.D.C.)	03/21/95
No. 93–2167 (D.D.C.)	10/21/93
No. 92–1003 (D.C. Cir.)	01/06/92
No. 94–1692 (D.C. Cir.) (lead petitioner is Conservation Law Foundation)	10/31/94
No. 96–1316 (D.C. Cir.) (lead petitioner is Delaware Valley Citizens Council)	09/06/96
No. 95–15574 and 92–1636 (N.D. Cal.) (lead plaintiff is Environmental Defense Fund)	04/30/92
No. 92–2227 and 91–10898 (D. Mass.)	03/25/91
No. 98–927 (D. Md.)	04/01/91
No. 94–920 (S.D. Cal.) (San Diego chapter)	06/09/94
SOUTHERN ENVIRONMENTAL LAW CENTERS: No. 97–1562 and 91–467–5 (E.D.N.C.) (lead plaintiff is Environmental Defense Fund)	07/22/91
SOUTHWEST RESEARCH AND INFORMATION CENTER [12]:	
No. 98–1323 (D.C. Cir.)	06/17/98
No. 96–1109 and 96–1108 (D.C. Cir.) (lead plaintiff is State of New Mexico)	04/08/96
SUSTAINABLE COTTON PROJECT: No.99–389 (D.D.C.) (lead plaintiff is Greenpeace International)	02/18/99
TEXACO INC.:	
No.98–1428(D.C. Cir.)	09/16/98
No.94–1143(D.C. Cir.)	02/25/94
No.94–1686(D.C. Cir.)	10/25/94
No.92–9569 (10th Cir.) (Texaco Exploration & Production, Inc.)	11/23/92
No.90–1321 (D.C. Cir.) (Texaco Refining)	06/27/90
TIDES CENTER: No.97–1342 (D.C. Cir.)	04/30/97
TIDES FOUNDATION: No.94–2663 (D.D.C.)	12/12/94
WASHINGTON ENVIRONMENTAL COUNCIL: No.C99–0375Z (W.D. Wash.) (lead plaintiff is Citizens for a Healthy Bay)	03/17/99
WASHINGTON PARK LEAD COMMITTEE: No.2–98–421 (E.D. Va.)	04/17/98
WASHINGTON TOXICS COALITION:	
No.98–1564 (D.C. Cir.) (lead petitioner is Sierra Club)	11/30/98
No.C99–0375Z (W.D. Wash.) (lead plaintiff is Citizens for a Healthy Bay)	03/17/99
WYOMING OUTDOOR COUNCIL: No 97–140 and 96–2831 (D. Colo.)	12/09/96

[1] Case number not readily available.
[2] Case number not readily available.
[3] Court not readily available.
[4] Case number not readily available.
[5] Case number not readily available.
[6] Case number not readily available.
[7] Case number not readily available.
[8] Case number not readily available.
[9] Case number not readily available.
[10] Case number not readily available.
[11] Case number not readily available.
[12] We are uncertain whether Southern Environmental Law Center is the same entity as grantee Southern Environmental. In the interest of inclusiveness, however, we have included Southern Environmental Law Center on this list.

Litigant	FY	Region	Grant#	Recipient	Amount	Award Date	Project Start	Project End	Description
ALABAMA RIVERS ALLIANCE INC									
	99	4	984824-99-0	ALABAMA RIVERS ALLIANCE INC	$20,000	11/18/98	11/15/98	03/31/99	SOURCE WATER ASSESSMENT PROGRAM (SWAP)
ALASKA CENTER FOR THE ENVIRONMENT									
	95	10	990397-01-0	ALASKA CENTER FOR THE ENVIRONMENT	$20,000	04/11/95	07/01/95	06/30/96	GREEN STAR in the Schools Experiential Learning Project
ALASKA CLEAN WATER ALLIANCE									
	96	10	990693-01-0	ALASKA CLEAN WATER ALLIANCE	$5,000	08/29/96	09/01/96	06/01/97	SCOPING FOR COPPER RIVER DELTA DEMONSTRATION PROJECT
AMERICAN FOREST & PAPER ASSOCIATION									
	96	HQ	825079-01-0	AMERICAN FOREST & PAPER ASSOC	$46,251	08/29/96	10/01/96	11/30/98	DEVELOPMENT OF OUTREACH MATERIALS FOR LOGGERS AND LANDOWNERS--To pro duce hands-on materials to use in explaining to landowners and logge rs the best management practices for protecting water quality.
AMERICAN LITTORAL SOCIETY									
	90	HQ	817595-01-0	AMERICAN LITTORAL SOCIETY	$61,200	06/26/90	06/26/90	09/30/91	"New Jersey Beach Clean-Ups" To clean up New Jersey beaches and to identify the types of debris found, its sources, + whether steps can be taken to prevent such debris from entering the marine environment and littering beaches.
	93	2	002923-01-0	AMERICAN LITTORAL SOCIETY	$26,000	09/22/93	10/01/93	09/30/94	NY/NJ HARBOR ESTUARY PROGRAM
	94	2	992025-01-0	AMERICAN LITTORAL SOCIETY	$18,500	04/15/94	05/01/94	11/01/94	ENVIRONMENTAL EDUCATION PROGRAM
	94	HQ	823006-01-0	AMERICAN LITTORAL SOCIETY	$10,000	09/02/94	09/05/94	12/04/94	'1994 COALITION TO RESTORE URBAN WATERS SECOND FRIENDS OF TRASHED RI VERS NATIONAL CONFERENCE' - The purpose of this project is to bring together members of grassroots organizations to share experiences an d knowledge related to efforts to restoring and
	96	HQ	824937-01-0	AMERICAN LITTORAL SOCIETY	$25,000	02/07/96	02/12/96	10/31/96	'AMERICORPS' THE SECOND RIVER RESTORATION PROJECT' - The purpose of this project is to help residents of an urban low income neighborho od achieve a greater degree of environmental equity by providing env ironmental education and protection services in
	97	2	992720-01-0	AMERICAN LITTORAL SOCIETY	$1,000	09/26/97	10/01/97	08/30/98	NEAR COSTAL WATERS
AMERICAN LUNG ASSOCIATION									
	90	HQ	816764-01-0	AMERICAN LUNG ASSOCIATION	$2,639,449	01/11/90	12/21/89	06/30/94	'RADON PUBLIC INFORMATION PROGRAM AND INDOOR AIR QUALITY PROJECTS' - To educate the public about health risks associated with radon and indoor air quality issues through major public awareness campaigns.
	91	HQ	817771-01-0	AMERICAN LUNG ASSOCIATION	$200,315	10/12/90	10/01/90	12/31/94	'PHYSICIANS GUIDE TO INDOOR AIR POLLUTION' - The Guide will inform p racticing physicians and others in the medical profession about majo r indoor air pollutants, their sources and health effects, and appro priate control strategies.
	91	HQ	818718-01-0	AMERICAN LUNG ASSOCIATION	$238,663	08/15/91	10/01/91	09/30/96	COMPREHENSIVE OUTREACH CAMPAIGN MOTOR VEHICLE EMMISIONS CONTROL SYST EM TAMPERING - - To inform affected audiences about their rights and responsibilities under the Clean Air Act in relation to the tamperi ng of motor vehicle emissions control systems.
	92	2	002083-01-0	AMERICAN LUNG ASSOCIATION OF NYS	$20,000	02/24/92	02/01/92	01/31/93	INDOOR AIR QUALITY
	92	4	994305-92-0	AMERICAN LUNG ASSOCIATION	$38,058	09/10/92	09/10/92	09/30/93	INDOOR AIR OUTREACH PROJECT
	93	2	002851-01-0	AMERICAN LUNG ASSOCIATION OF NYS.	$12,555	08/20/93	08/31/93	12/31/95	INDOOR AIR QUALITY
	94	2	992027-01-0	AMERICAN LUNG ASSOCIATION OF NASSAU-SUFFOLK	$10,289	04/15/94	05/01/94	04/30/95	ENVIRONMENTAL EDUCATION PROGRAM

Litigant	FY	Region	Grant#	Recipient	Amount	Award Date	Project Start	Project End	Description
	94	2	002851-02-0	AMERICAN LUNG ASSOCIATION OF NYS	$14,523	06/29/94	07/01/94	12/31/96	INDOOR AIR QUALITY SCHOOL PROGRAM
	94	5	995490-01-0	AMERICAN LUNG ASSOCIATION OF MICHIGAN	$30,000	08/24/94	09/01/94	04/30/96	INDOOR AIR PROGRAM
	94	7	997098-01-0	AMERICAN LUNG ASSOCIATION	$8,500	09/30/94	10/01/94	09/30/95	CLEAN AIR ACT STUDY ENTITLED - ENVIRONMENTAL COMPONENT TO OPEN AIRWAYS FOR SCHOOLS
	94	HQ	822807-01-0	AMERICAN LUNG ASSOCIATION	$2,747,669	05/18/94	07/01/94	06/30/99	INDOOR AIR QUALITY PUBLIC OUTREACH PROGRAM--To reduce public exposur e to radon and indoor air quality in local communities and nationwid e.
	94	HQ	822831-01-0	AMERICAN LUNG ASSOCIATION	$85,910	09/30/94	10/17/94	03/31/96	HEALTH EFFECTS OF OUTDOOR AIR POLLUTION DOCUMENT - To develop a re ference that reviews recent scientific information on the health eff ects of the criteria air pollutants.
	94	HQ	823595-01-0	AMERICAN LUNG ASSOCIATION	$239,392	08/31/94	10/01/94	06/30/99	'SCHOOL-BASED COMMUNITY MOBILIZATION PROJECT FOR ASTHMA CONTROL IN A T-RISK COMMUNITIES' - The purpose of this project is to train and em power volunteers indigenous to the respective communities to impleme nt the school-based asthma program and to encou
	94	HQ	823722-01-0	AMERICAN LUNG ASSOCIATION. OF MID-NY	$6,440	09/20/94	10/01/94	09/30/95	REDUCTION OF GREENHOUSE GASES IN UTICA/ROME AND BINGHAMTON, NY THROU GH CAR CARE - The objective of this project will be to reduce the am ount of greenhouse gases emitted by automobiles in these two non-att ainment communities by convincing the owners of
	95	2	002407-01-0	AMERICAN LUNG ASSOCIATION OF NYS	$4,990	01/18/95	08/01/92	12/31/92	ENVIRONMENTAL EDUCATION-HEALTH/ENVIRONMENTAL HAZARDS IN THE RESIDENTAL HOME ENVIRONMENT
	95	2	992123-01-0	AMERICAN LUNG ASSOCIATION	$2,000	02/24/95	02/15/95	07/01/95	EDUCATION/MEDIA OUTREACH-ENHANCED INSPECTION/ MAINTENANCE
	95	2	992385-01-0	AMERICAN LUNG ASSOCIATION OF N/Y/S	$9,924	09/08/95	10/01/95	06/30/98	OPEN AIRWAYS/IAQ TOOLS
	95	3	993327-01-0	AMERICAN LUNG ASSOCIATION OF VA	$5,050	06/12/95	07/01/95	10/31/96	ENVIRONMENTAL JUSTICE SMALL GRANTS PROGRAM
	95	7	997172-01-0	AMERICAN LUNG ASSOCIATION	$8,500	06/20/95	06/30/95	05/31/96	INDOOR AIR QUALITY TEEN INFORMATIONAL CAMPAIGN
	95	7	997189-01-0	AMERICAN LUNG ASSOCIATION	$29,000	06/28/95	07/01/95	09/30/95	INDOOR AIR QUALITY TRAINING
	95	7	997211-01-0	AMERICAN LUNG ASSOCIATION	$34,474	09/15/95	09/30/95	08/01/98	TOOLS FOR SCHOOLS WORKSHOP INDOOR AIR QUALITY - Amendment to Extend the Budget & Project Periods
	95	HQ	824408-01-0	AMERICAN LUNG ASSOCIATION	$17,860	09/25/95	10/01/95	05/15/97	ADDING AN ENVIRONMENTAL TOBACCO SMOKE COMPONENT TO A CULTURALLY-DIVE RSE GROUPS-BASED SMOKING CESSATION PROJECT - This project is to reac h out to culturally diverse groups with health education and disease management programs and activities designed at
	95	HQ	824501-01-0	AMERICAN LUNG ASSOCIATION	$20,000	09/20/95	10/01/95	09/30/96	ACHIEVING HEALTHY INDOOR AIR WORKSHOP - Proposal to conduct a worksh op to bring together a multi-disciplinary group of architects, clini cians, engineers, and indoor air quality researchers and professiona ls to assess the current state-of-the-art in ke
	96	2	992553-01-0	AMERICAN LUNG ASSOCIATION OF NYS	$10,000	09/25/96	10/01/96	06/30/99	AIR QUALITY
	96	2	992556-01-0	AMERICAN LUNG ASSOCIATION OF NEW YORK	$25,000	09/19/96	01/01/97	05/30/99	REGIONAL MULTIMEDIA PROGRAM
	96	3	993446-01-0	AMERICAN LUNG ASSOCIATION OF VIRGINIA	$6,739	08/28/96	09/01/98	11/30/97	ENVIRONMENTAL JUSTICE TOOLS AND OPEN AIRWAYS FOR SCHOOLS
	96	5	985250-01-0	AMERICAN LUNG ASSOCIATION	$4,696	08/23/96	10/01/96	11/10/97	ASTHMA TRAIN THE TRAINER PROGRAM
	96	7	997310-01-0	AMERICAN LUNG ASSOCIATION	$7,000	08/28/96	09/01/96	06/30/98	OPEN AIRWAYS FOR SCHOOLS
	96	9	999528-01-0	AMERICAN LUNG ASSOCIATION OF AZ	$4,000	09/20/96	09/20/96	12/15/97	ENVIRONMENTAL EDUCATION PROGRAM

Litigant	FY	Region	Grant#	Recipient	Amount	Award Date	Project Start	Project End	Description
	96	HQ	825053-01-0	AMERICAN LUNG ASSOCIATION	$33,055	08/29/96	10/01/96	09/30/98	HEALTHY SCHOOL INITIATIVE: BUILD AN INNER CITY SCHOOL IN MINNEAPOLI S WITH ENHANCED INDOOR AIR QUALITY. Demonstration Project to assist Minneapolis Public Schools build a new inner city school with HHS e nhanced indoor air quality.
	97	2	992684-01-0	AMERICAN LUNG ASSOCIATION	$40,000	08/21/97	10/01/97	09/30/98	MULTI-MEDIA PROGRAM
	97	5	985609-01-0	AMERICAN LUNG ASSOCIATION	$19,425	09/03/97	09/15/97	12/31/97	OPENBURING IN THE GATEWAY INITIATIVE AREA
	97	7	997439-01-0	AMERICAN LUNG ASSOCIATION	$48,392	09/12/97	10/01/97	09/30/99	INDOOR AIR QUALITY AND ASTHMA TRIGGERS VIDEO EXTEND BUDGET AND PROJECT PERIOD
	97	HQ	824949-01-0	AMERICAN LUNG ASSOCIATION	$76,172	01/10/97	05/01/96	07/24/96	AIR POLLUTION, MOTOR VEHICLES AND PUBLIC HEALTH OUTREACH CAMPAIGN - Provide educational tools to the public on ways they can assist to i mprove air quality in nonattainment areas in which they live.
	97	HQ	825483-01-0	AMERICAN LUNG ASSOCIATION	$300,000	01/29/97	02/10/97	01/31/00	AIR POLLUTION, MOTOR VEHICLES AND PUBLIC HEALTH OUTREACH CAMPAIGN To reduce air pollution through raising awareness of the health effe cts of emissions from mobile sources.
	98	3	993750-01-0	AMERICAN LUNG ASSOCIATION OF VA	$25,000	05/27/98	07/01/98	06/30/99	ENVIRONMENTAL EDUCATION
	98	7	997556-01-0	AMERICAN LUNG ASSOCIATION	$5,000	07/07/98	07/01/98	06/30/99	OPEN AIRWAYS FOR SCHOOLS, ASTHMA MANAGEMENT
	98	7	997596-01-0	AMERICAN LUNG ASSOCIATION	$9,200	08/28/98	09/01/98	09/30/99	LUNGS UNDEER CONSTRUCTION ENVIORNMENTAL TOBACCO SMOKE EDUCATION FOR PREGNANT/ PARENTING WOMEN
AMERICAN PUBLIC POWER ASSOCIATION									
	98	HQ	827041-01-0	AMERICAN PUBLIC POWER ASSOCIATION	$82,500	09/29/98	10/26/98	10/25/01	THE POWER TO MARKET LANDFILL GAS ENERGY -- To determine how to bes t market landfile gas-to-energy (LFGTE) as a green power resource, a nd to assist communities and municipal utilities in attaining the mu ltiple benefits available to them through parti
AMERICAN RIVERS									
	93	HQ	821949-01-0	AMERICAN RIVERS	$20,500	08/13/93	08/15/93	12/31/93	'THE FUTURE OF AMERICA'S RIVERS' - To organize and host a national r iver policy conference, to review current national river policy and shape future river protection directions and to celebrate the 25th A nniversary of the National Wild and Scenic River
	94	HQ	822914-01-0	AMERICAN RIVERS	$10,000	06/02/94	06/03/94	11/30/94	THE STATE OF AMERICA'S WATERSHEDS AND RIPARIAN AREAS FORUM AND RIPAR IAN PROTECTION INITIATIVE MEETING -- To organize and host two consec utive one-day workshops.
	97	5	985599-01-0	AMERICAN RIVERS	$20,000	08/14/97	08/15/97	03/31/99	UPPER MISSISSIPPI FLOODPLAIN DEMONSTRATION PROJECT
	97	HQ	825989-01-0	AMERICAN RIVERS	$7,500	09/29/97	10/06/97	10/05/02	URBAN RIVERS CASEBOOK AND SYMPOSIUM -- To produce educational mate rial that informs communities about how to start successful urban ri ver restoration partnerships to further river revitalization and pro tection.
	98	10	980087-01-0	AMERICAN RIVERS	$10,000	12/17/97	12/17/97	09/30/99	YAKIMA BASIN OPERATING PLAN AND WASHINGTON STATE FORESTRY MODULE
AMERICAN WATER WORKS ASSOCIATION									
	89	8	008598-01-0	AMERICAN WATER WORKS ASSOCIATION	$35,000	06/30/89	07/01/89	06/30/90	To fund a circuit rider (person) to provide technical assistance to North and South Dakota for the tribal water systems

Litigant	FY	Region	Grant#	Recipient	Amount	Award Date	Project Start	Project End	Description
	89	8	008617-01-0	AMERICAN WATER WORKS ASSOCIATION	$13,699	09/28/89	10/01/89	09/30/91	To fund a circuit rider (person) to provide technical assistance to North and South Dakota for the tribal water systems
	90	8	008673-01-0	AMERICAN WATER WORKS ASSOCIATION	$55,000	06/27/90	07/01/90	06/30/92	To fund a circuit rider (person) to provide technical assistance to North and South Dakota for the tribal water systems
	90	9	009561-01-0	AMERICAN WATER WORKS ASSOCIATION	$10,000	05/18/90	05/18/90	05/31/92	PUBLIC WATER SYSTEM SUPERVISION PROGRAM (PWSS)
	90	10	000509-01-0	AMERICAN WATER WORKS ASSOCIATION	$10,000	09/24/90	10/01/90	04/30/91	Alaska's regulatory drinking water programs survey of study report
	90	HQ	901875-01-0	AMERICAN WATER WORKS ASSOCIATION	$310,450	09/28/90	10/15/90	09/30/93	DEVELOPMENT OF A PILOT NATIONAL TRAINING PROGRAM FOR STATES AND UTI LITIES0
	90	HQ	817626-01-0	AMERICAN WATER WORKS ASSOCIATION	$105,000	07/26/90	08/01/90	09/30/93	'WATER CONSERVATION BENEFIT/COST ANALYSIS SOFTWARE AND SUPPORTING DO CUMENTATION PROJECT' - The objective of the project is to develop na tionally-applicable PC-based software to allow water quality manager s to evaluate cost and benefits of water conser
	91	10	000576-01-0	AMERICAN WATER WORKS ASSOCIATION	$49,938	07/30/91	08/01/91	09/27/93	Water Conservation Handbook for Small and Medium-sized Utilities
	91	HQ	818244-01-0	AMERICAN WATER WORKS ASSOCIATION	$95,833	09/16/91	10/01/91	06/30/94	PACKAGE WATER TREATMENT PLANT OPERATION AND FIELD DATA DOCUMENT PRO JECT0
	92	8	008989-01-0	AMERICAN WATER WORKS ASSOCIATION	$35,000	04/20/92	04/20/92	12/31/92	To fund a circuit rider (person) to provide technical assistance to North and South Dakota for the tribal water systems
	92	10	000688-01-0	AMERICAN WATER WORKS ASSOCIATION	$22,910	04/29/92	04/29/92	04/28/93	PROPOSAL TO IMPLEMENT A PUBLIC OUTREACH PROGRAM FOR ALASKA'S REGULATORY DRINKING WATER PROGRAM
	92	HQ	820412-01-0	AMERICAN WATER WORKS ASSOCIATION	$45,000	08/28/92	09/10/92	12/15/93	THIRD U. S. JAPAN GOVERNMENTAL CONFERENCE ON DRINKING WATER QUALITY MANAGEMENT 0
	92	HQ	819540-01-0	AMERICAN WATER WORKS ASSOCIATION	$3,132,000	06/16/92	08/17/92	12/16/99	COOPERATIVE AGREEMENT FOR DRINKING WATER PROJECT: The purpose for th is project is to provide assistance to manage specific initiatives f or the general public benefit regarding water.
	93	8	998073-01-0	AMERICAN WATER WORKS ASSOCIATION	$127,382	02/18/93	02/16/93	06/30/95	WATER PLANT OPERATOR TRAINING ON INDIAN RESERVATIONS IN NORTH AND SOUTH DAKOTA
	93	10	000948-01-0	AMERICAN WATER WORKS ASSOCIATION	$19,735	09/28/93	10/01/93	09/30/95	PROPOSAL FOR CONTINUED PUBLIC OUTREACH PROGRAM FOR ALASKA'S REGULATORY DRINKING WATER PROGRAM
	93	HQ	821079-01-0	AMERICAN WATER WORKS ASSOCIATION	$675,000	09/30/93	10/15/93	10/14/98	COOPERATIVE AGREEMENT FOR DRINKING WATER RESEARCH - To provide both the water supply community and EPA with information on the best ways to implement and integrate water treatment process changes to compl y with current and anticipated regulations.
	93	HQ	822023-01-0	AMERICAN WATER WORKS ASSOCIATION	$200,000	09/17/93	10/01/93	12/31/95	WATER EFFICIENCY CLEARINGHOUSE - To initiate and develop a comprehe nsive national clearinghouse of water efficiency information and sup port its operation for a period of one year.
	94	10	000960-01-0	AMERICAN WATER WORKS ASSOCIATION	$36,000	09/28/94	10/01/94	09/30/98	PROPOSAL FOR CONTINUED PUBLIC OUTREACH PROGRAMS FOR ALASKA'S REGULATORY DRINKING WATER PROGRAM
	94	HQ	822945-01-0	AMERICAN WATER WORKS ASSOCIATION	$457,500	09/21/94	10/01/94	09/30/99	WATER EFFICIENCY CLEARINGHOUSE - The special purpose of this project is to operate a national water efficiency clearinghouse which will assist water and wastewater utilities as well as other major users.

Litigant	FY	Region	Grant#	Recipient	Amount	Award Date	Project Start	Project End	Description
	94	HQ	823816-01-0	AMERICAN WATER WORKS ASSOCIATION	$32,000	09/21/94	10/01/94	09/30/97	WELLHEAD PROTECTION PLAN AWARDS - The purpose of this project is to develop and implement an award program for communities which have de veloped and implemented Wellhead Protection Plans.
	95	HQ	824190-01-0	AMERICAN WATER WORKS ASSOCIATION	$1,666,000	03/22/95	03/23/95	03/21/00	COOPERATIVE AGREEMENT FOR DRINKING WATER RESEARCH - The purpose of t his project is to provide both the water supply communiy and EPA wi th information on the best ways to implement and integrate water tre atment process changes to comply with current a
	96	HQ	824962-01-0	AMERICAN WATER WORKS ASSOCIATION	$2,450,000	09/26/96	10/12/96	10/11/01	DRINKING WATER RESEARCH: The purpose of this project is to jointly work with and assist the American Water Works Association Research F oundation to sponsor projects which provide the drinking water commu nity with practical information on the best ways
	97	HQ	825625-01-0	AMERICAN WATER WORKS ASSOCIATION	$1,625,000	09/12/97	10/01/97	09/30/02	THE MICROBIAL PATHOGENS/DISINFECTION BYPRODUCTS COUNCIL: The purpose of this project is to assist the American Water Works Research Asso ciation Foundation in its mission to develop control strategies for reducing risk from pathogens in drinking water s
	97	HQ	826288-01-0	AMERICAN WATER WORKS ASSOCIATION	$2,437,500	09/29/97	10/01/97	09/30/02	DRINKING WATER RESEARCH: The primary purpose of this project is to perform Congressionally mandated drinking water research with the Am erican Water Works Association Research Foundation (AWAARF). This p roject will also help to further eleven research
	97	HQ	825938-01-0	AMERICAN WATER WORKS ASSOCIATION	$30,000	09/30/97	10/01/97	03/31/99	CAPACITY DEVELOPMENT VIDEO FOR SMALL DRINKING WATER SYSTEMS-- To dev elop an informational video for small water systems about the import ance of technical, financial, and managerial capacity.
	98	HQ	826432-01-0	AMERICAN WATER WORKS ASSOCIATION	$3,900,000	09/17/98	09/01/98	08/31/03	DRINKING WATER RESEARCH: The primary purpose of this project is to p erform congressionally mandated drinking water research with the Ame rican Water Works Association Research Foundation (AWWARF). This pr oject will also help to further eleven research
	98	HQ	826468-01-0	AMERICAN WATER WORKS ASSOCIATION	$88,175	04/08/98	05/01/98	04/30/99	SOURCE WATER PROTECTION SEMINARS FOR DRINKING WATER UTILITIES: The p urpose of this project is to suoport the American Water Works Associ ation in its effort to develop conferences on issues pertaining to w ater protection for the benefit of the general
	98	HQ	826691-01-0	AMERICAN WATER WORKS ASSOCIATION	$5,000	07/22/98	08/01/98	03/30/99	SOURCE WATER PROTECTION SYMPOSIUM: A FOCUS ON WATERBORNE PATHOGENS: The purpose of this training project is to provide assistance to th e recipient for the symposium for October 28-31, 1998. The objectiv e is to provide information on source protectio
ANACOSTIA WATERSHED SOCIETY									
	95	3	993348-01-0	ANACOSTIA WATERSHED SOCIETY	$20,000	06/12/95	07/01/95	06/30/96	ENVIRONMENTAL JUSTICE SMALL GRANTS PROGRAM
	96	3	993450-01-0	ANACOSTIA WATERSHED SOCIETY	$20,000	08/28/96	09/01/96	08/31/97	ENVIRONMENTAL JUSTICE ANACOSTIA ENVIRONMENTAL JUSTICE PROJECT
	97	3	993816-01-0	ANACOSTIA WATERSHED SOCIETY	$10,000	07/14/97	08/01/97	07/31/98	CHESAPEAKE BAY PROGRAM_ A DAY ON THE RIVER
	97	3	993808-01-0	ANACOSTIA WATERSHED SOCIETY	$20,000	07/30/97	08/01/97	07/31/98	ENVIRONMENTAL JUSTICE
ARIZONA TOXICS INFORMATION									

Litigant	FY	Region	Grant#	Recipient	Amount	Award Date	Project Start	Project End	Description
	95	HQ	824434-01-0	ARIZONA TOXICS INFORMATION	$35,000	08/31/95	09/11/95	10/30/96	NORTHEASTERN SONORA-COCHISE COUNTY PLANNING PROJECT - To support a p ublic northeastern Sonora/Cochise County environmental planning proj ect. The project will stress public outreach and involvement in the identification of the area's most pressing env
	95	HQ	824438-01-0	ARIZONA TOXICS INFORMATION	$35,000	09/01/95	09/11/95	10/30/96	TIJUANA RIVER WATERSHED TOXICS DATA PROJECT - To enable AZ Toxics In formation and Proyecto Fronterizo de Educacion Ambiental (both Non-p rofit environmental policy organizations with considerable experienc e on the US-Mexico border), to participate with
ATLANTIC STATES LEGAL FOUNDATION									
	92	2	002730-01-0	ATLANTIC STATES LEGAL FOUNDATION	$24,168	09/30/92	10/01/92	04/30/94	LAKE ONTARIO ECOSYSTEM STEWARDSHIP PROJECT
	95	2	992367-95-0	ATLANTIC STATES LEGAL FOUNDATION	$50,000	09/29/95	10/01/95	03/31/99	TECHNICAL ASSISTANCE GRANT - ONONDAGA LAKE SITE
	98	2	992917-01-0	ATLANTIC STATES LEGAL FOUNDATION	$20,000	09/29/98	10/01/98	03/31/99	WETLANDS CONSTRUCTION/RESTORATION PROJECT
BABCOCK & WILCOX									
	89	HQ	815800-01-0	BABCOCK & WILCOX	$149,992	08/29/89	10/01/89	02/28/91	"Cyclone Furnace for Wastes + Treatment of Contaminated Soils" Investigate the effectiveness of a cyclone furnace in treating soils contaminated with metals and organic chemicals.
	92	HQ	819288-01-0	BABCOCK & WILCOX	$0	10/25/91	11/04/91	11/03/92	MINI-DEMO OF CYCLONE VITRIFICATION TECHNOLOGY-
CITIZENS FOR A BETTER ENVIRONMENT									
	95	9	999231-01-0	CITIZENS FOR A BETTER ENVIRONMENT	$22,800	04/11/95	04/17/95	06/30/96	ENVIRONMENTAL EDUCATION PROGRAM
	96	5	985298-01-0	CITIZENS FOR A BETTER ENVIRONMENT	$7,500	08/23/96	09/01/96	08/31/97	BASSETT CREEK WATERSHED PROJECT
	96	5	985275-01-0	CITIZENS FOR A BETTER ENVIRONMENT	$35,985	07/12/96	07/15/96	07/14/97	POLLUTION PREVENTION - PRINTER CUSTOMIZED QUERY SYSTEM FOR WISCONSIN'S 1996 CONSOLIDATED REPORTING
	96	HQ	825314-01-0	CITIZENS FOR A BETTER ENVIRONMENT	$148,987	09/27/96	10/01/96	06/30/98	COMMUNITY POLLUTION PREVENTION - Will provide technical and financia l support to local grassroots organizations as they work to foster p ollution prevention in their communities.
	98	5	985806-01-0	CITIZENS FOR A BETTER ENVIRONMENT	$5,000	05/12/98	09/01/98	06/30/99	EDUCATING GIRLS AND YOUNG WOMEN ABOUT RISKS ASSOCIATED WITH ENDOCRINE DISRUPTERS
	98	5	985893-01-0	CITIZENS FOR A BETTER ENVIRONMENT	$74,000	08/06/98	10/01/98	09/30/99	DEVELOPMENT OF CAA SECTION 112(R) RISK MANAGEMENT PLANS / EJP2 GRANT PROGRAM
CITIZENS FOR A HEALTHY BAY									
	91	10	000822-01-0	CITIZENS FOR A HEALTHY BAY	$16,929	09/30/91	10/01/91	09/30/94	Technical Assistance at Commencement Bay Nearshore Tideflats
	95	10	000822-02-0	CITIZENS FOR A HEALTHY BAY	$32,390	10/19/94	10/01/94	12/31/95	Technical Assistance at Commencement Bay Nearshore Tideflats
	96	10	000822-03-0	CITIZENS FOR A HEALTHY BAY	$50,681	02/01/96	01/01/96	12/31/98	Technical Assistance at Commencement Bay Nearshore Tideflats
	98	10	000822-04-0	CITIZENS FOR A HEALTHY BAY	$50,000	11/04/97	11/01/97	12/31/99	Technical Assistance at Commencement Bay Nearshore Tideflats
CLEAN OCEAN ACTION									
	90	HQ	817596-01-0	CLEAN OCEAN ACTION	$74,405	06/26/90	06/26/90	09/30/91	"New Jersey Shore Beach Clean-Ups - New Jersey Beach Sweeps" Involve local citizens in cleaning up debris from New Jersey shores.
COLORADO ENVIRONMENTAL COALITION									
	92	8	998058-01-0	COLORADO ENVIRONMENTAL COALITION	$8,500	09/18/92	09/18/92	01/31/93	SUBTITLE D - CONDUCT A NEEDS ASSESSMENT SURVEY FORA COMPREHENSIVE ENVIRONMENTAL MUSEUM.

Litigant	FY	Region	Grant#	Recipient	Amount	Award Date	Project Start	Project End	Description
CONCERNED CITIZENS OF AGRICULTURE STREET									
	94	6	996385-01-0	CONCERNED CITIZENS OF AGRICULTURE	$23,590	09/27/94	09/27/94	09/26/97	TECHNICAL ASSISTANCE GRANT AT THE AGRICULTURE STREET LANDFILL SITE
	96	6	996385-02-0	CONCERNED CITIZENS OF AGRICULTURE	$26,372	02/11/98	09/27/97	09/26/00	TECHNICAL ASSISTANCE GRANT AT THE AGRICULTURE STREET LANDFILL SITE
CONSERVATION LAW FOUNDATION									
	95	HQ	825318-01-0	CONSERVATION LAW FOUNDATION OF NEW ENGLAND	$87,791	09/28/95	10/15/96	05/31/98	BUILDING A BETTER URBAN ENVIRONMENT WITH TRANSPORTATION - A public e ducation project aimed at assisting community groups reduce the envi ronmental impact of transportation in urban neighborhoods using poll ution prevention activities as the proposed sol
	99	1	991599-01-0	CONSERVATION LAW FOUNDATION	$50,000	03/12/99	03/01/99	03/31/00	Brownfields Showcase Communities.
COOK INLET KEEPER									
	96	10	990758-01-0	COOK INLET KEEPER	$25,000	09/20/96	09/20/96	03/01/98	COOK INLET WATERSHED NETWORK PROJECT
	98	10	980328-01-0	COOK INLET KEEPER	$12,000	08/12/98	08/12/98	07/31/99	COOK INLET WATERSHED OUTREACH PROJECT(USING GIS CD ROM)
DELAWARE VALLEY CITIZENS COUNCIL FOR CLEAN AIR									
	91	HQ	819362-01-0	DELAWARE VALLEY CITIZENS COUNCIL FOR CLEAN AIR	$25,368	09/10/91	10/01/91	09/30/92	'EDUCATIONAL OUTREACH AND TRAINING PROGRAM ON CHLOROFLUOROCARBON S (CFC'S)'0
	93	3	993112-01-0	DELAWARE VALLEY CITIZENS COUNCIL FOR CLEAN AIR	$25,000	09/30/93	10/01/93	09/30/94	ENVIRONMENTAL EDUCATION PROGRAM - TRANSPORTATION EDUCATIONAL OUTREACH
	95	3	993362-01-0	DELAWARE VALLEY CITIZENS COUNCIL FOR CLEAN AIR	$46,200	09/12/95	10/01/95	09/30/96	ENVIRONMENTAL JUSTICE THROUGH POLLUTION PREVENTION PROGRAM
	95	3	993236-01-0	DELAWARE VALLEY CITIZENS COUNCIL FOR CLEAN AIR	$25,000	05/01/95	05/01/95	09/30/95	HOLISTIC EDUCATION CAMPAIGN ON OZONE
	96	HQ	825320-01-0	DELAWARE VALLEY CITIZENS COUNCIL FOR CLEAN AIR	$195,090	09/27/96	10/01/96	03/31/99	ENVIRONMENTAL JUSTICE THROUGH POLLUTION PREVENTION GRANT PROGRAM: Pe er Outreach Team Program on Community Waste Reduction. The objecti ve of this project will be to provide financial assistance to commun ity groups and tribal governments for projects
	98	3	993913-01-0	DELAWARE VALLEY CITIZENS COUNCIL/CLEAN AIR	$91,000	06/24/98	06/10/98	09/30/99	REGULATORY COMPLIANCE GUIDELAWARE FOR SMALL BUSINESSES
EARTH ISLAND INSTITUTE									
	96	9	999553-01-0	EARTH ISLAND INSTITUTE	$5,000	08/13/96	09/01/96	12/31/97	ENVIRONMENTAL EDUCATION
EDISON ELECTRIC INSTITUTE									
	92	HQ	820846-01-0	EDISON ELECTRIC INSTITUTE	$25,000	09/21/92	10/01/92	06/30/93	ASSESSMENT OF THE TECHNICAL AND MARKET POTENTIAL FOR ELECTROTECHNOLO GIES TO REDUCE EMISSIONS OF NON-0
	95	HQ	824667-01-0	EDISON ELECTRIC INSTITUTE	$73,500	09/26/95	10/09/95	12/15/96	ETI -- A PC-BASED PROGRAM TO SIZE DISTRIBUTION TRANSFORMERS -- To collect loading data, perform analysis on the critical determinants of transformer sizing decisions, design software, and beta test the software with utility users.
ENVIRONMENTAL DEFENSE FUND									
	91	HQ	815563-02-0	ENVIRONMENTAL DEFENSE FUND	$200,000	05/31/91	09/30/88	09/29/93	NATIONAL RECYCLING PROMOTION THROUGH PUBLIC SERVICE ANNOUNCEME NTS0

Litigant	FY	Region	Grant#	Recipient	Amount	Award Date	Project Start	Project End	Description
	91	HQ	819164-01-0	ENVIRONMENTAL DEFENSE FUND	$65,000	09/27/91	10/01/91	09/30/93	TRADABLE DISCHARGE PERMITS: A POTENTIAL TOOL FOR THE EFFECTIVE MANA GEMENT OF DRAINAGE FROM IRRIGATED AGRICULTURE IN THE SAN JOAQUIN VAL LEY - This study will address the technical, economic and policy as pects of designing and implementing a system of
	92	HQ	815563-03-0	ENVIRONMENTAL DEFENSE FUND	$250,000	12/18/91	09/30/88	09/29/93	NATIONAL PUBLIC SERVICE RECYCLING CAMPAIGN-
	93	HQ	821868-01-0	ENVIRONMENTAL DEFENSE FUND	$259,093	09/30/93	10/01/93	09/30/96	'ESTABLISHMENT OF INSTITUTIONAL INFRASTRUCTURE TO IMPLEMENT CO2 OFFS ET FORESTRY PROJECTS IN RUSSIA' - The purpose of this project is to assess institutional mechanisms necessary to stimulate investment in forest management projects in Russia.
	93	HQ	815563-04-0	ENVIRONMENTAL DEFENSE FUND	$560,000	06/24/93	09/30/88	04/01/95	NATIONAL PUBLIC SERVICE RECYCLING CAMPAIGN. To assist EDF in promot ing and increasing public awareness of recycling as a viable solid w aste management option.
	94	6	996349-01-0	ENVIRONMENTAL DEFENSE FUND	$75,000	09/27/94	10/01/94	09/30/96	U.S. MEXICO BORDER PROJECT - AIR POLLUTION CONTROL
	94	HQ	822775-01-0	ENVIRONMENTAL DEFENSE FUND	$125,000	07/20/94	07/25/94	07/24/95	TRANSPORTATION EQUITY POLICY - To analyze the distribution of costs and benefits in the transportation system, and investigate case Stud ies in Transportation Equity Policy.
	94	HQ	823635-01-0	ENVIRONMENTAL DEFENSE FUND	$235,289	09/14/94	09/15/94	07/14/99	'THE ALLIANCE FOR ENVIRONMENTAL INNOVATION: A PROJECT OF THE ENVIRON MENTAL DEFENSE FUND AND THE PEW CHARITABLE TRUSTS' The purpose of th is project is to support in-depth studies of business waste reductio n practices.
	95	2	992405-01-0	ENVIRONMENTAL DEFENSE FUND	$390,000	09/22/95	10/01/95	09/30/98	SOLID WASTE MANAGEMENT ASSISTANCE
	95	9	999388-01-0	ENVIRONMENTAL DEFENSE FUND	$50,000	09/06/95	09/15/95	10/31/99	SECTION 104(B)(3) - IMPROVE WATER QUALITY & HABITAT IN AGRICULTURAL REGIONS
	95	HQ	824261-01-0	ENVIRONMENTAL DEFENSE FUND	$580,000	08/21/95	09/01/95	09/30/99	COOPERATIVE AGREEMENT ON EFFICIENCY AND EQUITY - This project will i mprove transportation equity in the Los Angeles/South Coast region.0
	95	HQ	824339-01-0	ENVIRONMENTAL DEFENSE FUND	$15,000	08/21/95	07/01/95	06/30/96	REVIEW AND CASE STUDY OF THE ELECTRICAL UTILITY IRP CAPABLILITIES OF THE WASP MODEL USED BY THE WORLD BANK - This study will review the capabilities of the WASP model used for Integrated Resource Planning .
	95	HQ	824395-01-0	ENVIRONMENTAL DEFENSE FUND	$125,000	07/28/95	08/28/95	08/27/97	'EMISSIONS TRADING PROGRAM TO CONTROL ATMOSPHERIC DEPOSITION OF NITR OGEN TO THE CHESAPEAKE BAY' - The purpose of this project is to asse ss the feasibility of developing a trading program that will facilit ate greater reductions in nitrogen loadings to
	96	6	996702-01-0	ENVIRONMENTAL DEFENSE FUND	$70,000	09/26/96	10/01/96	09/30/97	EL PASO CD. JUAREZ - SUNLAND PARK REGION PROJECTS - TECHNICAL TRAINING AND REDUCING AIR EMISSIONS
	96	HQ	824989-01-0	ENVIRONMENTAL DEFENSE FUND	$650,000	09/25/96	10/01/96	03/31/99	DESIGN AND IMPLEMENTATION OF MARKET-BASED TRANSPORTATION REFORMS IN CALIFORNIA AND NEW YORK - This project supports research on, outrea ch about, and implementation of sound transportation planning, provi sion, and pricing.

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	96	HQ	825126-01-0	ENVIRONMENTAL DEFENSE FUND	$100,000	09/30/96	10/01/96	09/30/99	'INCREASING THE SUPPLY OF ENVIRONMENTALLY PREFERABLE PAPER BY IMPLEM ENTING THE RECOMMENDATIONS OF THE PAPER TASK FORCE' - The purpose of this project is to get paper purchasers to buy paper made by suppli ers that employ environmentally preferable fore
	97	HQ	825546-01-0	ENVIRONMENTAL DEFENSE FUND	$475,000	04/22/97	05/01/97	04/30/00	WASTE PREVENTION PUBLIC EDUCATION CAMPAIGN - This project is to educ ate and motivate consumers to reduce, reuse, recycle, and buy recycl ed.
	97	HQ	826142-01-0	ENVIRONMENTAL DEFENSE FUND	$40,000	09/25/97	10/01/97	09/30/98	A BI-NATIONAL PROJECT TO RESTORE WETLANDS IN THE COLORADO RIVER DELT A. - The objective for this project is to address the water quality issues that affect the delta region.
	98	6	986165-01-0	ENVIRONMENTAL DEFENSE FUND	$40,000	09/24/98	10/01/98	09/30/99	AIR POLLUTION CONTROL PROGRAM SUPPORT: EL PASO-CD. JUAREZ PROJECTS
	98	9	989077-01-0	ENVIRONMENTAL DEFENSE FUND	$10,000	08/20/98	08/20/98	05/30/99	TSCA 10(A)
FRIENDS OF THE EARTH									
	92	3	003785-01-0	FRIENDS OF THE EARTH	$9,682	06/22/92	07/01/92	04/30/94	THE DISTRICT OF COLUMBIA ENVIRONMENTAL EDUCATION RESOURCE GUIDE
	93	HQ	821996-01-0	FRIENDS OF THE EARTH	$79,000	09/23/93	10/20/93	12/31/96	HALON BANK OUTREACH PROJECT - To promote the recovery of halon from schools, universities and colleges in Maryland, Pennsylvania and New Jersey and engage students in ozone protection efforts.
	95	HQ	824127-01-0	FRIENDS OF THE EARTH	$40,000	03/31/95	04/14/95	12/31/96	AN ASSESSMENT OF THE ECONOMIC COSTS OF A METHYL BROMIDE PHASEOUT IN DEVELOPING COUNTRIES -- Surveying the current use of methyl bromid e in developing countries, studying the availability of potential al ternatives, and examining potential constraints
	97	HQ	825883-01-0	FRIENDS OF THE EARTH	$30,000	05/22/97	06/09/97	03/31/99	TO IMPLEMENT A HALON COLLECTION PROGRAM AND TO RAISE PUBLIC AWARENES S ABOUT OZONE DEPLETION -- To expand a pilot program for collectin g fire extinguishers containing halon and arranging for environmenta lly responsible recycling and reuse of the halo
GENERAL ELECTRIC CO.									
	89	HQ	815550-01-0	GENERAL ELECTRIC COMPANY RESEARCH & DEVELOP. CENTER	$171,931	06/20/89	07/17/89	12/31/92	"Bacterial Degradation of PCBs in Soil - Year 1" Describe future studies on the biodegradation of soil-borend PCBs by GE's genetically-engineered bacteria.
GEORGIA ENVIRONMENTAL ORGANIZATION									
	97	HQ	826042-01-0	GEORGIA ENVIRONMENTAL ORGANIZATION	$31,900	09/16/97	10/01/97	07/31/99	SUSTAINABLE ENVIRONMENTAL JUSTICE PROJECT--A historical analysis of land use within the Proctor Creek Watershed. An inventory and categ orization of all businesses and housing complexes. An outreach and education program aimed at informing businesses a
	98	4	984463-98-0	GEORGIA ENVIRONMENTAL ORGANIZATION	$18,000	06/05/98	05/22/98	08/31/99	ENVIRONMENTAL JUSTICE CMTY/UNIV. PARTNERSHIP
	98	4	984317-98-0	GEORGIA ENVIRONMENTAL ORGANIZATION	$10,000	11/14/97	11/15/97	09/15/98	WATER QUALITY PROGRAM - SEC.104(B)(3)
HEAL THE BAY									
	93	9	009953-01-0	HEAL THE BAY	$25,000	06/22/93	06/22/93	06/30/94	SANTA MONICA BAY NATIONAL ESTUARY PROGRAM.
	93	9	999038-01-0	HEAL THE BAY	$205,000	09/28/93	04/01/94	12/31/96	STORM DRAIN POLLUTION PROJECT-SECTION 104(B)(3) OF THE CWA.
	95	9	999395-01-0	HEAL THE BAY	$5,000	09/12/95	09/18/95	12/30/95	WATERSHED MANAGEMENT PROJECT 104(B)(3) OF THE CLEAN WATER ACT.

Litigant	FY	Region	Grant#	Recipient	Amount	Award Date	Project Start	Project End	Description
	98	9	999944-01-0	HEAL THE BAY	$20,000	06/01/98	06/01/98	10/30/99	SECTION 104(B)(3) BEACH MODEL
HORSEHEAD RESOURCE DEVELOPMENT COMPANY, INC									
	93	HQ	821559-01-0	HORSEHEAD RESOURCE DEVELOPMENT COMPANY, INC	$0	09/02/93	09/10/93	09/09/94	SITE DEMONSTRATION OF HRD FLAME REACTOR TECHNOLOGY, A HTMR PROCESS - The destruction of organics and the removal of the metals in a recy clable oxide product or a nonleachable slag.
IDAHO CONSERVATION LEAGUE									
	92	10	990206-92-0	IDAHO CONSERVATION LEAGUE	$4,809	06/18/92	06/18/92	06/30/93	WATER WATCH_PROJECT
LAND AND WATER FUND									
	97	HQ	825777-01-0	LAND AND WATER FUND OF THE ROCKIES	$80,000	09/18/97	07/01/97	06/30/99	USING RENEWABLE RESOURCES TO REDUCE GHG EMISSIONS - To encourage uti lity customers in Colorado to purchase wind-generated electricity.0
MAINE ORGANIC FARMERS & GARDNERS									
	92	1	991090-01-0	MAINE ORGANIC FARMERS & GARDENERS	$5,000	06/23/92	07/01/92	01/31/94	SEED TO TABLE FARM STEWARDSHIP EXHIBITION
MOTHERS & OTHERS FOR A LIVABLE PLANET									
	98	9	989087-01-0	MOTHERS & OTHERS FOR A LIVABLE PLANET	$25,000	09/03/98	09/08/98	10/31/99	AGRICULTURE INITIATIVE-PROMOTING SUSTAINABLE COTTON PRODUCTION
NATIONAL ASSOCIATION OF HOMEBUILDERS									
	99	HQ	826961-01-0	NATIONAL ASSOCIATION OF HOME BUILDERS RES. CTR.	$282,522	10/14/98	10/14/98	09/30/00	VENTILATION AND DUCT STUDIES - The objective of this project is to support demonstration/application efforts by the recipient in evaluat ing energy-conserving, indoor-air-quality (IAQ)-enhancing active ven tilation, and energy-conserving duct distributi
NATIONAL WILDLIFE FEDERATION									
	94	7	997120-01-0	NATIONAL WILDLIFE FEDERATION	$16,000	09/30/94	10/01/94	09/30/95	1ESIGN AND PRODUCTION OF A SERIES OF PRAIRIE ECOS YSTEM EDUCATIONAL TRUNKS FOR USE IN SCHOOLS
	94	HQ	823016-01-0	NATIONAL WILDLIFE FOUNDATION	$15,000	09/23/94	10/01/94	03/31/95	LEAD SHOT AND THE UPLAND ENVIRONMENT: A SURVEY OF SCIENTIFIC STUDIE S--Determine the toxicity of lead shot to upland game species and ot her wildlife.
	95	5	985135-01-0	NATIONAL WILDLIFE FEDERATION	$41,350	09/27/95	09/25/95	06/30/97	MERCURY REDUCTION AND POLLUTION PREVENTION IN HOSPITALS. BUDJET AND PROJECT PERIOD EXTENSION
	96	10	990705-01-0	NATIONAL WILDLIFE FEDERATION	$19,085	09/17/96	10/01/96	10/31/97	SCHOOLYARD WILDLIFE HABITAT
	96	HQ	824877-01-0	NATIONAL WILDLIFE FEDERATION	$15,000	03/13/96	04/01/96	05/31/96	WILDLIFE AND WETLANDS WEEK ON THE AIR -- To provide educational and outreach materials to elementary school classrooms nationwide regard ing wetland resources and conservation practices.
	97	5	985596-01-0	NATIONAL WILDLIFE FEDERATION	$140,000	09/30/97	09/30/97	09/29/99	NGO INVOLVEMENT IN IMPLEMENTING VIRTUAL ELMINATION
NATURAL HERITAGE INSTITUTE									
	90	9	009619-01-0	NATURAL HERITAGE INSTITUTE	$82,663	09/28/90	10/01/90	12/31/95	SAN FRANCISCO ESTUARY PROJECT - SECTION 320(G)
	91	HQ	818038-01-0	NATURAL HERITAGE INSTITUTE	$76,785	04/08/91	04/22/91	07/01/93	A PRELIMINARY EXAMINATION OF THE RELATIONSHIP BETWEEN THE MANAGEMENT OF GROUND-WATER QUALITY0
	96	9	999546-01-0	NATURAL HERITAGE INSTITUTE	$30,000	09/06/96	09/06/96	04/30/98	SECTION 104(B)(3) GEOGRAPHIC INITIATIVE
NATURAL RESOURCES DEFENSE COUNCIL, INC.									

Litigant	FY	Region	Grant#	Recipient	Amount	Award Date	Project Start	Project End	Description
	91	HQ	818137-01-0	NATURAL RESOURCES DEFENSE COUNCIL	$7,500	02/27/91	03/01/91	03/31/92	CONTROL OF URBAN AND AGRICULTURAL RUNOFF--PUBLIC EDUCATION
	93	HQ	822174-01-0	NATURAL RESOURCES DEFENSE COUNCIL	$550,000	08/12/93	08/13/93	12/31/98	NRDC/AD COUNCIL CLEAN WATER CAMPAIGN - To raise public awareness abo ut the value of clean water and to motivate individuals to take spec ific actions to protect and restore water resources.
	94	HQ	823741-01-0	NATURAL RESOURCES DEFENSE COUNCIL	$19,424	09/30/94	10/01/94	09/30/95	CLEAN AIR NETWORK--Establish a new vehicle for public participation in EPA policy decisons which will engage interested environmental a dvocacy organizations from around the country in a constructive dial ogue on important clean air policy issues.
	94	HQ	823820-01-0	NATURAL RESOURCES DEFENSE COUNCIL	$85,000	09/27/94	10/01/94	12/31/96	POLLUTION PREVENTION DEMONSTRATION (PILOT) PROJECT - The objective o f this project is to provide support for a pollution prevention demo nstration project involving a range of stakeholder participants. Th is project is aimed at identifying, at a specif
	94	HQ	823855-01-0	NATURAL RESOURCES DEFENSE COUNCIL	$390,000	09/27/94	10/01/94	09/30/97	PROMOTE ENERGY EFFICIENCY IN RUSSIAN BUILDINGS--Assess current build ing practices, develop recommendations for improving energy efficien cy in buildings, and begin to create an institutional and commercial framework capable of implementing energy effic
	95	HQ	824685-01-0	NATURAL RESOURCES DEFENSE COUNCIL	$141,002	09/21/95	10/01/95	09/30/96	ACCELERATE THE DEPLOYMENT OF ENERGY EFFICIENT TECHNOLOGIES THROUGH M ARKET TRANSFORMATION PROGRAMS - The objective of this proposal is to analyze and implement projects that will help encourage the develop ment of energy-efficient equipment.
	95	HQ	824691-01-0	NATURAL RESOURCES DEFENSE COUNCIL	$50,000	09/27/95	10/01/95	09/30/96	CLEAN AIR NETWORK'S PUBLIC EDUCATION AND OUTREACH ON TOXIC AIR AND P ARTICULATE MATTER POLLUTION ISSUES - To reach out and educate lead c itizen organizations in targeted regions of the country and through them inform the public about the health threats
	96	HQ	825030-01-0	NATURAL RESOURCES DEFENSE COUNCIL	$40,000	09/27/96	10/01/96	09/30/97	'POLLUTION PREVENTION PROJECT' - The purpose of this project is to s tudy corporate barriers to Pollution Prevention and mechanisms to ov ercome them.
	96	HQ	825078-01-0	NATURAL RESOURCES DEFENSE COUNCIL	$729,251	08/28/96	09/01/96	01/31/99	FUNDING TO SUPPORT NRDC'S EFFORTS TO ACCELERATE THE DEPLOYMENT OF EN ERGY EFFICIENT TECHNOLOGIES THROUGH MARKET TRANSFORMATION PROGRAMS - The objective of this project is to analyze, support, and impleme nt projects that will help encourage the develo
	96	HQ	825317-01-0	NATURAL RESOURCES DEFENSE COUNCIL	$200,000	09/30/96	10/01/96	11/30/97	'NRDC/WE ACT NORTHERN MANHATTAN ENVIRONMENTAL JUSTICE THROUGH POLLUT ION PREVENTION CAMPAIGN' - The purpose of this project is to address significant environmental issues impacting the Northern Manhattan c ommunities.
	97	HQ	825764-01-0	NATURAL RESOURCES DEFENSE COUNCIL	$70,000	09/04/97	10/01/97	09/30/98	LIVESTOCK WASTE EDUCATION - The objective for this project is to edu cate the public about the impacts and possible solutions to pollutio n from livestock waste.

Litigant	FY	Region	Grant#	Recipient	Amount	Award Date	Project Start	Project End	Description
	97	HQ	826018-01-0	NATURAL RESOURCES DEFENSE COUNCIL	$113,419	08/29/97	10/01/97	05/31/99	IMPLEMENTATION OF REGIONAL ENERGY-EFFIENCY STANDARDS FOR BUILDINGS I N THE RUSSIAN FEDERATION - The objective of this project is to devel op and promote a model regional energy-efficiency code for buildings in the Russian Federation.
	98	HQ	826751-01-0	NATURAL RESOURCES DEFENSE COUNCIL	$440,882	08/24/98	09/01/98	08/31/01	ACCELERATE THE DEPLOYMENT OF ENERGY-EFFICIENT TECHNOLOGIES THROUGH M ARKET TRANSFORMATION PROGRAMS - The objective of this project is to analyze, support, and implement projects that encourage the developm ent and purchase of energy-efficient equipment,
	98	HQ	826983-01-0	NATURAL RESOURCES DEFENSE COUNCIL	$50,000	08/07/98	08/12/98	08/11/01	POLLUTION PREVENTION STRATEGY PROJECT - The objective for this proje ct is to develop collaborative efforts with some of the nation's mos t significant industrial facilities to deliver improvements in envir onmental protection by reducing the levels of w
NEW YORK CITY ENVIRONMENTAL JUSTICE									
	97	2	992688-01-0	NEW YORK CITY ENVIR. JUSTICE ALLIANCE	$21,600	09/26/97	10/01/97	09/30/98	COMMON SENSE INITIATIVE
NORTH CAROLINA COASTAL FEDERATION									
	94	HQ	822734-01-0	NORTH CAROLINA COASTAL FEDERATION	$20,000	08/09/94	08/10/94	08/09/95	NATIONAL CONFERENCE: INNOVATIONS IN COASTAL RESOURCE MANAGEMENT - Th e conference will be addressing educational data, such as management strategies for the protection of our estuaries, barrier islands, ma rshes, and coastal forests.
NORTHWEST COALITION FOR ALTERNATIVES									
	98	10	980344-01-0	NORTHWEST COALITION FOR ALTERNATIVES	$10,000	09/24/98	10/01/98	09/30/99	NATURAL LANDSCAPING TRAINING FOR NORTHWEST SCHOOL DISTRICTS
OKLAHOMA WILDLIFE FEDERATION									
	95	6	996436-01-0	OKLAHOMA WILDLIFE FEDERATION	$7,000	05/02/95	06/01/95	05/31/96	OKLAHOMA WATER WATCH COMMUNITY OUTREACH PROJECT
PEOPLE FOR PUGET SOUND									
	94	10	990258-01-0	PEOPLE FOR PUGET SOUND	$10,000	05/10/94	05/10/94	06/30/95	GREEN-DUWAMISH WATERSHED ALLIANCE: SUPPORT ACTIVITIES OF A BROAD-BASED COALITION OF CITIZEN GROUPS,
	95	10	990442-01-0	PEOPLE FOR PUGET SOUND	$20,000	07/27/95	08/01/95	01/20/97	COMMUNITY COALITION FOR ENVIRONMENTAL JUSTICE OUTREACH AND EDUCATION
	95	10	990426-01-0	PEOPLE FOR PUGET SOUND	$4,000	03/23/95	04/01/95	06/30/95	REGIONAL ACTIVITIES TO RECOGNIZE THE 25TH ANNIVERSARY OF EARTH DAY
	95	10	990528-01-0	PEOPLE FOR PUGET SOUND	$2,225	08/01/95	08/01/95	09/30/95	GREEN/DUWAMISH WATERSHED ALLIANCE
SANTA MONICA BAYKEEPER, INC									
	98	9	989001-01-0	SANTA MONICA BAYKEEPER	$10,000	07/24/98	08/01/98	07/31/99	BEACHKEEPERS STORMWATER POLLUTION EDUCATION AND CITIZEN BEACH MONITORING - ENVIRONMENTAL EDUCATION
SCENIC HUDSON									
	95	2	992373-95-0	SCENIC HUDSON	$50,000	09/29/95	10/01/95	09/30/98	TECHNICAL ASSISTANCE GRANT- HUDSON RIVER PCBS
SERVICE EMPLOYEES									

Litigant	FY	Region	Grant#	Recipient	Amount	Award Date	Project Start	Project End	Description
	91	HQ	819136-01-0	SERVICE EMPLOYEES INTERNATIONAL UNION	$60,000	09/10/91	10/01/91	03/30/93	ASBESTOS OPERATIONS AND MAINTENANCE AWARENESS TRAINING PROGRAM-
SIERRA CLUB									
	90	5	995089-01-0	SIERRA CLUB	$42,829	09/29/90	10/01/90	08/01/92	DECREASE BASED ON FINAL FSR RECONCILIATION
	92	6	006923-01-0	SIERRA CLUB FOUNDATION	$5,000	06/23/92	06/23/92	06/22/93	ENVIRONMENTAL EDUCATION VIDEO PROJECT
	93	3	993056-01-0	SIERRA CLUB	$4,332	06/28/93	07/01/93	11/30/94	REGIONAL PUBLIC EDUCATION PROGRAM IN CONSERVATION & RESTORATION OF BIODIVERSITY
	93	6	996112-01-0	SIERRA CLUB FOUNDATION	$5,000	06/28/93	08/01/93	07/31/94	TEACHES OUTDOOR EDUCATION SKILLS TO INNER CITY PARTICIPANTS WHO WOULD OTHERWISE LACK OPPORTUNITY
	95	5	985026-01-0	SIERRA CLUB FOUNDATION	$24,300	04/21/95	06/01/95	05/31/96	TEACHER/FACILITATOR TRAINING FOR WETLANDS CURRICULUM
	95	9	999301-01-0	SIERRA CLUB	$20,000	06/14/95	06/14/95	11/29/96	ENVIRONMENTAL JUSTICE PROGRAM
SOUTHERN ENVIRONMENTAL LAW CENTER									
	90	4	004794-90-0	SOUTHERN ENVIRONMENTAL	$15,000	02/28/90	03/01/90	12/30/90	Wetlands Law Education Project
SOUTHWEST RESEARCH AND INFORMATION									
	91	HQ	818919-01-0	SOUTHWEST RESEARCH AND INFOR. CENTER	$200,000	09/30/91	10/01/91	06/30/93	ENVIRONMENTAL MINING NETWORK - To establish and maintain regular com munication on mining issues with environmental groups.0
	91	HQ	819231-01-0	SOUTHWEST RESEARCH & INFORMATION CTR.	$407,723	09/29/91	10/14/91	01/31/95	CITIZEN PARTICIPATION IN EPA-FUNDED, IOGCC REVIEW OF STATE OILFIELD WASTE PROGRAMS - To encourage the participation of citizens' groups and environmental organizations in the IOGCC state review process, a nd to provide environmental training seminars to
	93	HQ	821521-01-0	SOUTHWEST RESEARCH & INFORMATION CTR.	$105,000	08/23/93	08/23/93	08/22/95	CITIZENS' MINING INFORMATION NETWORK - To assist state and local pub lic interest groups to obtain information related to the environment al effects of mining.
	95	HQ	823931-01-0	SOUTHWEST RESEARCH & INFORM. CTR.	$144,000	03/30/95	04/01/95	03/31/99	CITIZEN PARTICIPATION IN THE REVIEW AND EVALUATION OF STATE OIL-FIEL D WASTE REGULATORY PROGRAMS - To encourage the participation of citi zens' groups and environmental organizations in the IOGCC state revi ew process, and to provide environmental traini
SUSTAINABLE COTTON PROJECT									
	95	9	999378-01-0	SUSTAINABLE COTTON PROJECT	$75,000	09/21/95	10/01/95	01/31/97	CLEAN WATER ACT 104(B)(3)-AGRICULTURE INITIATIVE
	97	9	999772-01-0	SUSTAINABLE COTTON PROJECT	$219,218	08/13/97	08/13/97	06/30/99	AGRICULTURE INITIATIVE-BIOLOGICAL AGRICULTURE SYSTEMS IN COTTON
TEXACO, INC									
	92	HQ	820440-01-0	TEXACO, INC.	$0	09/01/92	09/10/92	06/30/95	SUPERFUND INNOVATIVE TECHNOLOGY EVALUATION - DEMONSTRATION OF HZARDO US WASTE CLEANUP BY TEXACO GASIFICATION PROCESS - To entail a high-t emperature, high-pressure treatment of a waste stream for the destru ction of the organic contaminants and removal i
TIDES CENTER AND THE MILITARY									
	93	6	996217-01-0	TIDES CENTER	$50,000	09/03/93	09/15/93	03/15/97	CITIZEN'S GUIDE TO THE RIO GRANDE WATERSHED
	94	4	994555-94-0	TIDES CENTER	$7,000	05/31/94	06/06/94	09/30/96	ENVIRONMENTAL EQUITY PROGRAM
	96	9	999248-02-0	TIDES CENTER	$0	03/29/96	04/17/95	12/31/96	ENVIRONMENTAL EDUCATION PROGRAM
	96	9	999467-01-0	TIDES CENTER	$8,000	09/06/96	09/06/96	11/30/96	HAWAII WATER REUSE WORKSHOP
	96	9	999574-01-0	TIDES CENTER	$70,000	09/27/96	09/27/96	10/31/97	TOXIC SUBSTANCES CONTROL ACT - TSCA 10(A)

Litigant	FY	Region	Grant#	Recipient	Amount	Award Date	Project Start	Project End	Description
	97	6	996874-01-0	TIDES CENTER	$40,000	08/18/97	08/06/97	03/15/99	RIO GRANDE WATERSHED SUSTAINABLE DEVELOPMENT CURRICULUM
	97	9	999689-01-0	TIDES CENTER	$19,500	09/05/97	09/15/97	10/15/98	ENVIRONMENAL JUSTICE PROGRAM
	97	9	999690-01-0	TIDES CENTER	$20,000	09/15/97	09/15/97	10/31/98	ENVIRONMENTAL JUSTICE PROGRAM
	97	9	999888-01-0	TIDES CENTER	$20,000	09/23/97	09/23/97	04/30/99	ENVIRONMENTAL JUSTICE PROGRAM
	98	2	992897-98-0	TIDES CENTER	$3,017	08/24/98	07/01/98	06/30/99	ENVIRONMENTAL EDUCATION PROGRAM
	98	9	989005-01-0	TIDES CENTER	$3,017	07/24/98	08/01/98	07/31/99	ENVIRONMENTAL EDUCATION PROGRAM
	98	HQ	826969-01-0	TIDES CENTER/CSBE	$75,000	09/08/98	08/01/98	07/31/01	CENTER FOR SMALL BUSINESS AND THE ENVIRONMENT - - To improve the un derstanding, dialogue and productive collaboration between the leade rship of the small business advocacy, trade and professional communi ty and that of the energy efficiency industry a
TIDES FOUNDATION									
	94	9	999127-01-0	TIDES FOUNDATION	$133,201	07/22/94	07/22/94	06/30/95	TOXIC SUBSTANCES CONTROL ACT (TSCA)
	95	9	999127-02-0	TIDES FOUNDATION	$100,000	06/30/95	07/01/95	06/30/97	TOXIC SUBSTANCES CONTROL ACT (TSCA)
	95	9	999248-01-0	TIDES FOUNDATION	$5,000	04/10/95	04/17/95	06/30/96	ENVIRONMENTAL EDUCATION PROGRAM
	95	9	999270-01-0	TIDES FOUNDATION	$15,000	04/27/95	04/27/95	10/15/95	SECTION 104(B)(3) - WETLANDS PROTECTION PROGRAM
	95	HQ	824075-01-0	TIDES FOUNDATION	$9,494	02/24/95	03/01/95	02/28/96	INVENTORY AND ANALYSIS OF FEDERAL ENERGY EFFICIENCY AND RENEWABLE EN ERGY TECHNOLOGY EXPORT PROGRAMS AND ACTIVITIES - To identify, descn be and evaluate the performance of US Department and Agency efforts to promote the export of energy efficient and re
WASHINGTON ENVIRONMENTAL COUNCIL									
	98	10	980282-01-0	WASHINGTON ENVIRONMENTAL COUNCIL	$0	08/06/98	10/01/98	12/18/98	WORKING THROUGH TIMBER, FISH & WILDLIFE FORUM TO DEVELOP IMPROVED WASHINGTON STATE FOREST PRACTICES
WASHINGTON PARK LEAD COMMITTEE									
	97	3	993611-01-0	WASHINGTON PARK LEAD COMMITTEE	$32,650	09/22/97	10/01/97	09/30/00	TAG - ABEX SUPERFUND SITE
WASHINGTON TOXICS COALITION									
	92	10	000808-01-0	WASHINGTON TOXICS COALITION	$36,570	09/22/92	10/01/92	12/30/93	PROMOTING GROUNDWATER PROTECTION THROUGH EDUCATION
	95	10	990567-01-0	WASHINGTON TOXICS COALITION	$7,500	09/22/95	10/01/95	09/30/97	IPM IN SCHOOLS OUTREACH AND COORDINATION
	95	10	990568-01-0	WASHINGTON TOXICS COALITION	$17,487	09/22/95	10/01/95	04/01/97	REDUCING PESTICIDE EXPOSURE BY PROMOTING ALTERNATIVES
	97	10	980069-01-0	WASHINGTON TOXICS COALITION	$5,000	09/30/97	10/01/97	09/30/98	OUTREACH FOR IPM IN SCHOOLS
	97	10	980070-01-0	WASHINGTON TOXICS COALITION	$17,500	09/30/97	10/01/97	12/31/98	FARM IMPROVEMENT CLUBS AND COMMUNITY SUPPORT CLUBS
WYOMING OUTDOOR COUNCIL									
	91	8	008714-01-0	WYOMING OUTDOOR COUNCIL	$10,000	04/19/91	04/19/91	04/18/92	ASSISTS STATE IN DEVELOPMENT OF EDUCATION PROGRAM TO PROMOTE PUBLIC AWARENESS FOR WASTE REDUCTION.
	91	8	990528-01-0	WYOMING OUTDOOR COUNCIL	$10,000	04/19/91	04/19/91	04/18/92	ASSISTS STATE IN DEVELOPMENT OF EDUCATION PROGRAM TO PROMOTE PUBLIC AWARENESS FOR WASTE REDUCTION.

EPA has entered into cooperative agreements with groups that have expertise in various aspects of the transportation and environmental issues. In some cases, groups which have received Federal funds are also engaged in litigation with the Federal government. EPA has strict guidelines that prevent groups from using EPA funds to pay for these legal actions. Every EPA grant agreement is conditioned on compliance with OMB Circulars that prohibit the use of grant funds for suits against the Government. Specifically, they prohibit "costs of legal, accounting, and consultant services, and related costs, incurred in connection with * * * the prosecution of claims or appeals against the Federal Government" (OMB Circular No. A–122, Attachment B, Section 10.g, which applies to nonprofit organizations; same provision in Circular No. A–21, Section J.11.g, which applies to educational institutions) and "legal expenses for prosecution of claims against the Federal Government" (Circular No. A–87, Attachment B, Section 14.b, which applies to State, local, and tribal governments). In addition, EPA's appropriation acts provide that grant funds may not be used to pay the expenses of, or otherwise compensate, non-Federal parties intervening in regulatory or adjudicatory proceedings.

EPA's Transportation Partners (TP) Program is a voluntary program that promotes and supports innovative, local, voluntary efforts to reduce vehicle miles traveled (VMT). The TP program is comprised of a team of national, non- governmental organizations, called Principal Partners, that receive EPA funding to foster innovative transportation solutions nationwide. Transportation Partners has funded nine Principal Partners organizations since 1995.

Funds received by the Principal Partners are used to assist over 350 Project Partners, which include State and local government officials, businesses, communities, and organizations that are engaged in VMT reduction strategies. Project Partners receive no funds from EPA's Transportation Partners Program, nor do they receive any funds or technical assistance from the Principle Partners for litigation.

We are aware of one lawsuit brought by a Principle Partner that is related to highway projects:

Environmental Defense Fund, Inc. v. *Environmental Protection Agency,* 167 F.3d 641 (D.C. Cir. 1999). This case does not involve a challenge to a particular highway project but to EPA's national conformity rules under the Clean Air Act. (These rules implement the Act's prohibition on metropolitan transportation projects unless they are part of a regional transportation plan that conforms to applicable state air quality standards.) EDF brought the suit to require states to conduct a more extensive and timely analysis of a plan's conformity with air quality standards than was required by EPA's rules. In a decision issued on March 2, 1999, the court held that various parts of EPA's conformity regulations were inconsistent with requirements of the Act.

We are also aware of three lawsuits that appear to have been brought by Project Partners [1] and that are related to highway projects:

Corridor H Alternatives, Inc. v. *Slater,* 982 F.Supp. 24 (D.D.C.), aff'd in part and rev'd in part, 166 F.3d 368 (D.C. Cir. 1999). This is a case alleging that the U.S. Department of Transportation (DOT) violated the Department of Transportation Act, DOT's regulations, and the National Environmental Policy Act in approving the Corridor H highway project. In an opinion issued on February 9, 999, the D.C. Circuit halted further construction of Corridor H pending DOT's evaluation of historic sites along the corridor.

Georgians for Transportation Alternatives and Sierra Club v. *Shakelford,* No. 99–CV–0160. This is a case against DOT (not EPA) relating to numerous grand fathered projects in Atlanta. The case is pending.

Conservation Law Foundation v. *Federal Highway Administration,* 827 F.Supp. 871 (D. R.I.), aff'd 24 F.3d 1465 (1st Cir. 1994). This is a suit against DOT (not EPA) to stop the Jamestown Connector highway project. The district court denied the plaintiffs' motion for a preliminary injunction against the project; this decision was upheld on appeal.

We are also aware that the Sierra Club and the Conservation Law Foundation have filed three lawsuits related to highway construction in Massachusetts, Connecticut, and Missouri. Although these groups' national offices are not Principle or Project Partners, a number of their local chapters are Project Partners. However, in the states affected by the three lawsuits we are aware of, the local chapters of Sierra Club or the Conservation Law Foundation are not Project Partners. In addition, two of these cases were filed in the early 1990's, long before EPA started its Transportation Partners program.

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[1] Conservation Law Foundation of Rhode Island is a Project Partner. We do not know, however, whether this is the chapter of Conservation Law Foundation that instituted this lawsuit.

Lawsuits concerning highway construction are generally brought against the U.S. Department of Transportation (DOT) and/or State or local agencies, not EPA. Because EPA is not a party, we generally do not know about the cases unless they involve the interpretation of EPA's statutes or regulations, and the Department of Justice asks us to review the Government's brief. The Department of Justice or DOT would likely have more complete information than EPA on these lawsuits.

Senator BYRD. Let me state again, Mr. Chairman, what I stated earlier out of order. The EPA program known as Transportation Partners has recently come to my attention through some published reports that make some rather disconcerting charges. Primary among those charges are that this program is the source of funding for some purely anti-road initiatives.

I can certainly see the merit in a program that helps local communities to develop voluntary strategies for transportation-related emissions reduction and that assist them in developing transportation alternatives that reduce traffic volume and congestion. It seems to me that if EPA is actually helping to underwrite activities designed to block construction of authorized and desired safe and more modern highways, a critical name is being built and I would like to know if EPA is doing that. I have no doubt that the public would be dismayed to hear it if, in fact—these are the only reports that I have had—one Federal agency was spending millions of taxpayer dollars to build modern infrastructure and another agency was spending additional taxpayer money to help prevent such construction.

The logical result of this kind of mess is that the taxpayers end up paying several times over, including footing the bill to fight court battles to defend the projects and covering the costs of inflation resulting from lengthy construction delays. The only beneficiaries from this kind of scheme, it would seem, are the lawyers. This scenario simply defies fiscal logic.

I am not saying that these reports are true but that is what we need to find out. And I thank the Chairman and I thank you the Administrator.

Ms. BROWNER. Mr. Chairman, may I just respond very quickly.

Senator BOND. Please.

Ms. BROWNER. Senator Byrd, I am also familiar with a report. The one I am familiar with was the Washington Times that raised this question. When it was brought to my attention, I did ask the people in the Agency questions about it. I do not know if that is the report that you saw.

What I do want this committee to know is that there are Federal rules prohibiting grant moneys from being used in litigation, and we abide by all of those rules. We are sued by everybody from environmental groups to Fortune 500 companies. The Home Builders sue us and they receive grants from us. If any of these organizations were to use their grant monies to litigate against us, that would be inappropriate and we would take action and we do monitor for that.

I appreciate the fact that there have been these news reports. It does raise questions and we are more than happy to answer them.

Senator BYRD. Mr. Chairman, I thank the Administrator for making that statement.

Senator BOND. That was the question I was going to ask. Madam Administrator, I would only note that money is fungible. That is

one of the problems we will get into when I come back to ask questions.

We will ask you about the EPA Region 1 Regional Administrator's statement about the agency's, "unwavering commitment to use the full force of environmental law to oppose or seek modification of those transportation projects which by their very nature contribute to sprawl." We will give you an opportunity to respond to that.

Ms. BROWNER. I did not make the statement. I want to be very clear.

Senator BOND. That is the administrator in Region 1. He got our attention.

Senator Burns.

NONPOINT SOURCE POLLUTION

Senator BURNS. Do you know what we are supposed to be doing? Senator Byrd, you raise a very interesting point and I am very interested in what the Administrator said. We could expand this way beyond the Transportation Partnership because we have been trying to deal with this situation in other areas.

Ms. Browner, thank you for coming this morning. And I wanted to talk to you a little bit about what we find ourselves in, as far as an issue that you brought up yourself this morning and that is nonpoint source pollution in the clean water and what we feel is sort of—we are worried about livestock operations.

Let me preface this by saying, clean water is not a luxury. It is essential. We not only think—I know we think principally here in this 17 square miles of logic-free environment that it is for people alone. It is not. It is essential for any kind of production of livestock. I would say that we probably take as much pains and procedures to make sure that we have clean water. So that becomes very important to us.

As you know we, in this country, especially in the agriculture production, there is no commodity making any money now, not one commodity being produced on the farm is making any money. The oil patch is dead; timber, precious metals. The spread between the raw product and the end product is greater now than it has ever been. And yet we proceed under a trade act that opens our markets to those commodities that are not produced under the same rules and regulations that we find ourselves trying to operate under. We cannot compete. We have eaten our seed corn. We are now into the equity of—losing equity very, very quickly.

It is not that we do not want to comply. But we cannot comply. The money is not there. We cannot redo a feeding operation. We just do not have the money. In fact, we are closing them up, in my country anyway. And it is market conditions.

It is hard to talk to my constituents when you have about 250 loads of live cattle a day coming from Canada. Whenever we look at the profitability of banks, improved grocery stores that pack every single item of the food chain, their profitability has improved. Yet we see hardly any increase in food prices, but a drastic decrease in farm funds. It is not the fact that we do not want to cooperate in giving out the money.

I would ask that in your thinking, whenever we start going out and trying to enforce some of these situations that we have, that you take into consideration the situation that we find ourselves in.

Where in the world did I put my questions? I had a whole bunch. That will teach him to give me the gavel. We will have to just adjourn and go home.

You might want to respond to that statement.

Ms. BROWNER. I recognize and the administration certainly recognizes the plight of the farmer in the country today. I know you have worked closely with my colleague Dan Glickman and others to provide very, very much needed support. One suggestion I would make to you——

Senator BURNS. Ms. Browner, that does not do us a damn bit of good.

Ms. BROWNER. I think the problem is quite large.

Senator BURNS. It is market. Ain't nothing wrong on the farm except the product. What they do down there, they might as well go out and go to the golf course with the rest of them. And I am serious about that. I am dead serious. I do not know how we confront that. But go ahead. I'm sorry. I get very emotional about this because they are my people.

Ms. BROWNER. I would not want to suggest that this is the answer. However, I think there may be some opportunity in addressing the environmental concerns of farmers through the funding flexibility that we are asking Congress to provide each State. The flexibility would allow the States to set aside 20 percent of the money for direct grants to communities and combine that with some of the other resources you have been willing to provide.

I do not want to suggest this solves the problem but for a State like Montana, for example polluted runoff, I think that some of the flexibilities and the funding flexibilities we are asking you to provide could be helpful.

BUDGET PRIORITIES FOR FISCAL YEAR 2000

Senator BURNS. We want to work with you and we want to take this thing head on if we possibly can. Keeping in mind that the funds that an individual has are very much limited right now. And it is not that they do not want to. And it is not that they have not done a pretty good job up to this point. Now there are changing conditions out there that would sort of hold some of this up, but nonetheless we know that it is just not there.

Give me some kind of an idea, like, you had a $383 million reduction for the existing programs in the 2000 budget. If you wanted to come before this committee, what are your primary priorities? What do you see where you will be placing your emphasis in this budget as we move forward into next year?

Ms. BROWNER. Twofold. One is strengthening the protections we provide the American people, air, water——

Senator BURNS. I know. In those areas.

Ms. BROWNER. For example, within the clean water efforts, fully funding the Clean Water Action Plan, $651 million. Within drinking water, fully funding the request. And I would like to note that there was a statement made earlier that we had cut our drinking water request. We have not. We did not carry forward a congres-

sional earmark. In fact, we have increased funding for that program, not a large amount. But there is no cut to that program.

So within our air pollution efforts, to continue the partnership with the states in terms of the funding we provide to them and the technology.

The second large area of focus will be to give both States and local communities greater abilities to access resources for those things they want to do. For example, the Clean Air Partnership Fund, the President's Better America Bonds Program, really provide tools and resources for those communities who want to take a certain approach to addressing environmental issues. No one is required to participate.

The third area, as important as the others, is ensuring that we have the kind of science, the kind of data analysis, data management that are important to providing both the American people with information but also to the decisions that we, the states and industry, all make in terms of continuing our efforts to reduce pollution challenges.

FOOD QUALITY AND SAFETY

Senator BURNS. You are moving into an area of regulating health care. You are moving into an area where I do not think you are needed, most of it in food quality and safety. I think the USDA has done a pretty good job up to this point.

Ms. BROWNER. USDA has never regulated pesticides. We have done that for 28 years.

Senator BURNS. I know. Now, when we had a meeting, I met with members of Parliament in Canada just this last week in Great Falls. As you know, we have got to standardize one way or the other our regulatory regime between Canada and the United States because Canada continues to have, it seems like, access to pesticides and herbicides and fungicides that we do not down here in the production of some of our crops. Have you had made any efforts to work with Canada to harmonize those standards?

Ms. BROWNER. Yes. In fact, we have a significant effort underway with Canada to look at environmental standards broadly. I meet with the Environment Minister, Christine Stewart, regularly and talk to her even more frequently. Canada, as you well know, their government is set up completely differently. Their Federal level has much less authority in terms of setting environmental standards than the individual provinces. Simple difference in terms of how their government is structured, has proven to be one of the challenges and one of the many challenges we face.

Yes. We recognize this issue and we are, in fact, working with Canada on these issues.

Senator BURNS. In other words, the rules and regulations we have to operate under down here. Yet we allow imports to come in and compete with us. They operate under a different rulebook.

Ms. BROWNER. I know you know this. But a food product cannot enter the United States that does not meet our pesticide tolerance requirements. It cannot be in exceedance. If it is a banned pesticide, for example, it cannot be used. The FDA is responsible for the border inspections to ensure compliance.

In terms of technical issues like the residual limits and data review, we do have differences that we are working on.

Senator BURNS. Are you ready over there, Senator?

Senator HARKIN. I am just getting my instructions.

Senator BURNS. I have got a couple of local issues that we can talk about in my office or your office.

Ms. BROWNER. I will come and see you.

REGIONAL HAZE

Senator BURNS. I feel like this is a place—I am concerned a little bit about regional haze. As you know, the commission was established and then what they recommended, that was made up of governors, with the Grand Canyon. And it seems as though after all was said and done nothing was—the recommendations of those people—of that study, not very many of those recommendations were put in place.

I continue to have those kind of concerns, concerns about we have no control on Federal lands as far as our air quality is concerned. I will talk to Mr. Frampton about that in a little bit in those areas. But a couple of areas that I think—this is more of a local thing with Montana.

Ms. BROWNER. We have worked very, very closely with WGA, and with Governor Leavitt who is their representative, on the regional haze rule. We did make changes in accordance with their recommendations and I think WGA issued a public statement of support for the final program which was announced last week.

Senator BURNS. On what they had recommended.

Ms. BROWNER. No. For the final program which we announced last week on Thursday, Earth Day. WGA is supporting that program and the Western Governors are supporting it. We would be happy to show you the changes we made. We have a very, very intense effort with them.

[The information follows:]

REGIONAL HAZE RULE
SUMMARY

PROPOSED RULE	FINAL RULE
SCOPE OF THE RULE	
All 50 States and Virgin Islands required to submit initial regional haze SIPs. (35 states and Virgin Islands have class I areas.)	Unchanged. All States are subject to program.
TIMETABLE FOR INITIAL SIP SUBMITTALS	
Within 12 months of promulgation: "planning" SIP, no control strategies. Later: "control strategy SIP" -- 2003 (for areas without PM-2.5 nonattainment) -- At time PM-2.5 nonattainment SIPs are due (2005 or later).	Takes into account TEA-21 After PM-2.5 designations, haze SIP due 1 year later for attainment & unclassifiable areas (about 2004-6), and 3 years later for nonattainment areas (about 2004-8) TEA-21 silent on combined SIPs for both attainment and nonattainment areas. Rule includes optional two-step process: -- Regional planning commitment due 1 year after 1st area designated attainment. -- Control strategy due at same time as nonattainment area SIPs due (3 years after last area designated nonattainment, no later than 2008). -- EPA strongly encourages regional planning. Effort should be led by States, but EPA is committed to active participation and early identification of issues to States.

PROPOSED RULE	FINAL RULE
REASONABLE PROGRESS GOALS	
State sets targets for best and worst visibility days in each Class I area. -- Presumptive target of 1 deciview improvement every 10 (or 15) years for the 20% worst days, no degradation for best days State could set alternate target based on analysis of statutory factors. Baseline conditions: minimum of 3 years, maximum of 9 years.	No presumptive target -- State flexibility to set reasonable progress goal based upon the statutory factors. State required to analyze one specific option-- the rate of improvement for period of the next long-term strategy which would reach natural conditions in 60 years (by 2064). If the State believes that the 60 year rate of improvement is not reasonable, then the State must provide a demonstration and appropriate documentation showing why it is not reasonable. - State must provide demonstration showing why any goal selected is reasonable in light of statutory factors.

Required an identification of potential BART sources in 12-month SIP. Required an evaluation of potential emission reductions and associated visibility improvement from BART sources by 2001 (in order to inform future Long Term Strategy and NAAQS implementation regional options). Required SIPs to address BART requirement - proposal requested comment on this issue broadly.	Timing: Address BART at same time as control strategy SIPs (about 2006-2008) Scope: BART applies under regional haze program -- All States submit list of BART-eligible sources (i.e., 1962-77, >250 PTE, 26 categories) --BART applies if emit any pollutant "reasonably anticipated to contribute" to impairment in any class I area. Implementation: -- States conduct regional analysis of cumulative emission reductions and visibility improvement, based on category-wide application of "best controls." "Best controls" level determined by taking into account statutory factors, and taking into account existing control technology at source. Rule affirms statutory exemption process. -- One statutory factor for BART is "degree of visibility improvement." Visibility improvement factor is addressed by regional analysis. -- Two basic options for addressing CAA BART provisions: (1) Source-specific BART-- determine BART level based on statutory factors for each BART-affected source. (2) Trading Program in Lieu of BART - Achieve greater reasonable progress than would be achieved under source-specific BART, include sources at a minimum all sources subject to BART, achieve emission reductions during period of first long-term strategy, ensure reductions from BART sources are surplus, include procedures for implementing program.

PROPOSED RULE	FINAL RULE
LONG-TERM STRATEGY	
Must include in SIP the enforceable emission reduction measures, from all source categories (mobile, stationary, area, fire) needed to meet visibility target.	Must include in SIP the enforceable emission reduction measures, from all source categories (mobile, stationary, area, fire) needed to meet reasonable progress goal for period of long-term strategy. Clarifications: Can take credit for visibility improvement resulting from reductions under other CAA programs (e.g., reductions to attain PM NAAQS, mobile source programs). Emission management strategies should be appropriate to address the principal sources contributing to impairment. Rule does not require one source category to make up for deficiency by another (e.g. stationary sources and fire).

PROPOSED RULE	FINAL RULE
GRAND CANYON VISIBILITY TRANSPORT COMMISSION STATES	
Preamble highlighted GCVTC recommendations and took comment on how to address them in final rule. In preamble, noted that national rule was flexible enough to incorporate GCVTC recommendations into SIPs. June 1998 - Letter from WGA (signed by Gov. Leavitt) based on stakeholder process. Included specific recommendations for incorporating GCVTC recommendations in regulatory form. Requested EPA take public comment on their suggested preamble and rule language as part of the EPA process in reaching decisions on a final regional haze rule. EPA issued Notice of Availability of Additional Information in Sept. 1998, taking comment on WGA letter and sample translation of letter into regulatory text.	Overview.. Separate section of the rule (section 51.309) -- Optional provision that 9 States in GCVTC transport region may choose to follow in addressing initial SIP requirements for 16 parks and wilderness areas on the Colorado Plateau. [If don't opt in, follow national rule] -- If States submit acceptable Annex in 2000 and SIPs in 2003 which incorporate the GCVTC recommendations, EPA agrees to accept the GCVTC assessments as the basis for its evaluations of the individual SIPs, and to provide 15 years before the next required SIP revision (i.e., future SIP review for these areas would be due in 2018). -- Conditional on State submittal in Oct. 2000 of backstop trading program and SO2 interim targets providing steady and continuous emission reductions. Specific Provisions of GCVTC strategy - Stationary Sources - SO_2: Set interim targets, cap and trade system if targets not met. Must identify BART sources. -- NO_X, PM: 2003 report, 2008 SIP to address BART for Nox and PM. - Mobile Sources: Determine areas making significant contribution to impairment. For these areas, set emission budgets. - Fire: Smoke management plans, emissions tracking, review alternatives to fire. -Areas Source (e.g., road dust) - further study. - Pollution Prevention - report on programs to meet regional renewable energy goals - Participating states must project visibility improvement (deciviews and other metrics) resulting from strategies

PROPOSED RULE	FINAL RULE
PERIODIC SIP REVISIONS AND PROGRESS REPORTS	
Revision every 3 years, took comment on every 5.	Comprehensive SIP revisions: Due every 10 years, progress reports every 5. Comprehensive revision -- in 2018 and every 10 years after - Revise goals and long-term strategies. If find that goal is not met, State must either revise goal or revise long-term strategy, based upon factors and analysis described above. Note: emission management strategies, not visibility goals, are enforceable. - BART is not revisited. Progress Reports: - Report deciview change (5 year averages) for each class I area - Report State emissions changes - "Negative declaration" if no revision needed. - Initiate regional planning process if progress not on track.
INTEGRATION WITH 1980 RULES FOR REASONABLY ATTRIBUTABLE IMPAIRMENT	
Proposed SIP reviews every 3 or 5 years for regional haze, and requested comment on coordinating review schedule for long-term strategies dealing with reasonably attributable impairment.	Change from 3 year long-term strategy review cycle to 5-year cycle consistent with regional haze 5-year progress reports. Savings provision for continuation of requirements already in place to address reasonably attributable impairment.

Senator BURNS. I better head over there and vote. The Honorable Senator from Iowa.

Senator HARKIN. I thank the Chairman.

Senator BURNS. You are going to be all by yourself.

Senator HARKIN. That is dangerous.

Senator BURNS. It certainly is.

Senator HARKIN. We can pass all kinds of things.

Senator BURNS. I wanted to adjourn.

Senator HARKIN. I want to vote.

Senator BURNS. If you can get a quorum.

AFO'S

Senator HARKIN. Thank you very much. I will just go ahead. Madam Secretary, I appreciate you being here. I have just two or three things I want to cover: Animal waste, radon and EPP, which is a shorthand for environmentally preferable products.

The administration's national strategy for animal feeding operations announced by EPA and USDA in March calls for upwards of 20,000 livestock operations to be permitted under the Clean Water Act. I have legislation pending myself calling for tighter environmental standards for large animal feeding operations. I, again, compliment and congratulate you for working with Secretary Glickman on this issue and joining forces together.

What I am concerned about is the fact that many States lack the personnel to make the regular inspections of these large animal feeding operations that would be required for meaningful environmental oversight under the Clean Water Act. Is EPA going to make additional funding available to the States? What do we need in order to get the personnel that we need for the inspections?

Ms. BROWNER. The national strategy for animal feeding operations EPA–USDA announcement—essentially requires States to demonstrate that they can run the program within their State. We provide money to the States and, in fact, this budget request continues a $20 million increase in section 106 grants for the States. States can make a decision to use some of these funds for this program.

Many of the States have told us that they think they are going to be able to address it through prioritization within their existing resources. One of EPA's roles is to make sure that the States are able to carry through on the commitments that they are making. If a State were to fail, then we can backstop the State. For example, we could help them with the permitting aspects.

It is a relatively new program and a large undertaking. I think we have managed to provide this national backstop, so you do not have all of these differences that were unfolding among States. The second phase will be working with the States to ensure full implementation.

ENVIRONMENTAL PREFERABLE PRODUCTS

Senator HARKIN. I may have a follow-up question on that. But let me get to the other two things I wanted to cover.

My main concern on that is the personnel required. I am really concerned about how much personnel. If you need additional personnel, what kind of funding is it going to take and what do we

need to do up here on the appropriations side? How much more money do we need for those personnel?

The second thing I wanted to cover is what I call the environmental preferable products, EPP. These are consumer and industrial products made from agriculturally based substances such as soy, corn oil, ag waste, wheat straw, things like that. If we do that, that is sort of taking care of the environment in the beginning rather than in the end. For example, the Federal Government can usually avoid having to pay a high disposal cost and can easily beat environmental compliance rules. For example, rather than buying standard industrial lubricants or solvents, Federal agencies can buy bio-based equivalents made from soy oil. They meet the same performance standards. They are less toxic and you do not have the disposal problem.

In fact, the Government can help by identifying environmentally preferable products in establishing common standards. I have a couple of things here, like, the Department of Interior, I guess, is testing starch-based plates and bowls and utensils to replace polystyrene in cafeterias throughout—I guess they are going to do it throughout the Park Service and things like that.

Ms. BROWNER. This starch-based product is also used in shipping peanuts.

Senator HARKIN. Exactly. That kind of stuff. The same thing. The Postal Service is testing building materials made from straw. Anyway, there is an executive order. President Clinton issued an executive order to do this, 13101, providing that Federal agencies should find ways of using more environmentally preferable products. And, I guess, EPA ought to be in the lead in this.

My question is what is the EPA doing in moving forward toward increasing the Government's purchase of bio-based EPPs as required by the Executive Order, number one. Number two, what are the barriers you see in implementing this Executive Order, not just for you but for the rest of the Government?

This committee—and the Chairman did this last year—added a million dollars in the budget this year. And how are those funds being used?

Ms. BROWNER. The Environmentally Preferable Purchasing [EPP] program has been in existence for several years. The bio-based products are a new focus of this program. EPA, on behalf of the entire Federal Government, reviews products either through our own volition or products brought to us by manufacturers to ascertain whether or not they are environmentally preferable.

We do that in accordance with a set of protocols. Once we make that decision, the rest of the Government is informed and there is a list of products that have been certified with EPP status. One of EPP's challenges is the reviewing of the products. There can be a lot of controversy in weighing. For instance, how much energy went into making two otherwise seemingly comparable bars of soap, rather than just looking at the environmental "friendliness" of the final product.

Once we actually make the EPP these determinations, the next step is to get the other Federal agencies and departments to use the products. The example you give of the Department of Interior [DOI] is encouraging. It shows that this is not simply EPA pro-

ducing a list and then begging people to review and make use of the list. Other agencies are formulating these ideas on their own. We can work with DOI to see whether or not the starch-based plate, bowls and utensils can be certified.

Senator HARKIN. My time is up. If you cannot tell me now, maybe you can just supply to me, Ms. Browner, what the million dollars you put—what you have used that million dollars for.

[The information follows:]

ENVIRONMENTALLY PREFERABLE PRODUCTS: $1 MILLION CONGRESSIONAL ADD

The fiscal year 1999 $1 million Congressional Add-On for Environmentally Preferable Products is being used primarily to build infrastructure for green procurement. Approximately 75 percent of these funds will go toward engaging voluntary standard setting organizations to develop environmental standards and tools to train and provide environmental information to federal procurement officials.

SPECIFIC RESOURCE BREAKOUT

Pilots—$405K

—pilots with third party, standards organizations
—other pilots

Tools—$310K

—training and information tools for federal purchasers
—life cycle based decision support tool (NIST software tool)
—measurement

Outreach—$235K

—case studies, EPP updates, outreach to federal agencies, website

Coordination—$50K

—funds for Office of Federal Environmental Executive—support for "summit" of state/local/federal green purchasing programs

Total: $1.0 million

Senator BOND. Thank you very much, Senator Harkin. Thank you for keeping the hearing going and now we turn back to Senator Craig.

REGIONAL HAZE: WESTERN GOVERNORS CONFERENCE

Senator CRAIG. Mr. Chairman, thank you very much. Director Browner, thank you for being with us today.

My colleague from Montana broached a couple of questions with you as it related to regional haze which remains of great concern to our Governors in the West. And I know that you had mentioned to him that one of the Governors thought that the way this was developing under your agency might be okay. Let me read a quote from an April 6 letter you got from the chairman of the Western Governors Conference in which—it does not sound like things are okay.

I will ultimately ask you why you did not follow the congressional intent last year that we established in the budget process recommending that you go back and deal with this issue.

I quote from Governor Geringer of Wyoming:

Given the rapidity with which the air frequently moves through Wyoming, we are acutely aware that air does not respect political boundaries. We believe that the regional haze and visibility can only be addressed through a cooperative and a collaborative process involving a number of States. We are committed to a regional process. Through the regional haze rules we are about to embark on a process that may drastically affect the way we do business. It is imperative that when we take the

bold steps required in addressing visibility we do it with the best set of rules possible. I must, therefore, once again urge you—

I cannot read the print here. It is a fax letter—

to repropose the rules to allow a full public process to resolve the concerns and the confusion in the currently circulated rules.

That is the chairman of the Western Governors Conference. I think that is respectful also of my Governor's concerns that we are out there dealing with something that we have not dealt with in an up-front manner. You talk about developing a cooperative relationship with States and local entities. Approximately 15 Governors from throughout the country have requested that EPA now repropose the rules. What are you doing?

Ms. BROWNER. We have finalized the rule on Thursday.

Senator CRAIG. In other words, you are not going to do it?

Ms. BROWNER. I can explain why. We worked very closely with all of the Governors who expressed interest in this. We had numerous meetings, telephone calls with Governors. We made changes in the original proposal. This effort of protecting air quality in our natural parks and wilderness areas has been underway for almost 20 years.

Senator CRAIG. I know it well. I have been with it longer than you, Carol. So what happened to last year's appropriation conference report where we encouraged EPA to repropose the regional haze rules?

Ms. BROWNER. We have worked closely with all of the interested parties to see if we could resolve differences. We believe that we have struck the appropriate balance——

Senator CRAIG. Well, I am still waiting for the call because I helped put that language in. I am one of those interested parties. I am not at all happy. We are going to come at you aggressively on this. Fifteen Governors have a right to be heard and we do not believe——

Ms. BROWNER. They were heard.

Senator CRAIG. No. They do not think so.

Ms. BROWNER. With all due respect, we have spoken to Governors. Bob Perciasepe has been on the phone with Governors including Governor Geringer and I am sure he would be happy to explain the nature of those calls in the last several weeks.

Senator CRAIG. I visited with the Governors, too. I am sure there are always two sides to a story. I am one that will accept that reality. But what I hear from the Governors is that it puts them, they find, in a very difficult situation and they do not believe that the effort was as full as you suggest it is.

Ms. BROWNER. We did repropose the western portion of the rule so that we could engage in further dialogue. I am not suggesting that every single Governor was made absolutely happy.

Senator CRAIG. And I do not believe you could probably do that.

Ms. BROWNER. It was my understanding that Governor Leavitt who was one of the leading governors——

Senator CRAIG. I am aware of the Governor's position and I visited with him on it.

Ms. BROWNER. Per our conversation with Governor Leavitt, we were under the impression that the Governor believes we were responsive to his concerns in the final rule.

REGIONAL HAZE: STATUTORY AUTHORITY

Senator CRAIG. What is the statutory authority for a regional BART in view of the specific resource requirements? How can you do that best available retrofit technology in light of what we are trying to do here?

Ms. BROWNER. The Clean Air Act provided for the best available retrofit technology. We have added to that opportunity, embodied in the Clean Air Act, a trading program, so that we could further assist the utilities and the other 26 industrial sources who will be required to retrofit, the commonly referred to grandfather sources and do it in the most cost-effective manner.

So we did go beyond simply stating the technology and looked to some of the kind of market mechanisms that we have used in other sections of the Clean Air Act.

Senator CRAIG. Carol, I think you know why I asked the question. Because when we talk about regional problems and air moving within a region, BART statutes require a specific attribution of haze to a specific source and knowledge of environmental benefits anticipated from BART controls. That is how Congress intended it, and yet you appear to be kind of spreading a broad net not specific to the intent of the law or the regulations.

Ms. BROWNER. The States have to do an inventory and they will, in accordance with the law, look at the 26 categories and make determinations in terms of sources. But rather than simply stopping there and stating what the reductions are going to be, we added to that, per a lot of input from Governors and others, a trading mechanism so that as you look across the problem you can find the most cost-effective and the cheapest reductions, rather than simply stating every single facility that shows up in the survey has to do this.

We worked very hard to strike that balance between the issues for the national parks and the wilderness areas, the economics of these older or these grandfathered facilities, and the regional component of this problem. I think this is why many of the Governors feel like we spoke to their issues.

REGIONAL HAZE: SELECTIVE BURNING

Senator CRAIG. In this instance, let me ask you, do the right hand and the left hand communicate? The right hand being EPA and these regional haze rules and Interior. Now Interior doesn't have anything to do with the Forest Service. But, as we know, Bruce Babbitt has been out recently talking about selective burns in a rather sizable manner. He was recently flying over the mountains of Idaho saying we are going to burn several hundred thousand acres here this year. Simple logic, because I was born and raised in the West, the West gets kind of hazy in the fall with burning and, that is, now the right hand and the left hand are trying to do this. So we're going to compensate on one hand by squeezing the private sector and the public sector is going to do selective burning.

Are you communicating and is there a plan where that begins to fit together?

Ms. BROWNER. Yes. Whether it be a regional haze or any of the other air pollution programs of this administration, we have continued to support selective burning.

Senator CRAIG. You should.

Ms. BROWNER. We think it provides important fire protections for the communities and for wildlife habitat. We have been very, very clear that when States look at their pollution data, the burn days, when you can monitor for the effect, are taken out of the database. We do not want people going through the expense of reducing air pollution that is attributable to burns. In no way is that what this is about. We have worked hard.

Many of the States have come to us. We have pulled data for them to segregate out those days where either there was a forest fire happening or a prescribed burn happening. We are not hearing from States complaining that this is not the case in the air quality database. If your State thinks there is something in the air quality database that was attributable to a burn, we are happy to work with them.

Senator BOND. Madam Administrator, we appreciate that particularly, since I burned my native warm season grasses this weekend and only burned one section of the fence. [Laughter.]

Senator CRAIG. You were a contributor to a regional haze and I will bet you were not in their database.

Ms. BROWNER. We are taking it out today.

Senator CRAIG. Thank you, Mr. Chairman, I will come back with another——

Senator BOND. We do have lots of questions.

Senator CRAIG. Let me conclude that your rhetoric is fine. I will tell you that not all is well with 15 Governors in the West. Thank you.

CLEAN WATER: UNMET CAPITAL NEEDS

Senator BOND. The Association of Metropolitan Sewerage Agencies has told us that the capital needs for waste water treatment are $10 billion per year and replacement needs are $6.2 billion per year and the annual, local and Federal expenditures are $10.5 billion a year. That means there is a difference of $5.7 billion, almost $6 billion in annual unmet needs for capital in clean water. I would ask that as you develop your information that you are going to submit us on the unmet capital needs that you comment on that.

Let me turn back to the questions that my colleague from West Virginia was asking. You have stated that Federal funds cannot be used for litigation against the Federal Government; is that correct?

Ms. BROWNER. Yes.

GRANT AUDITS

Senator BOND. Okay. How many financial audits of grantees does EPA conduct each——

Ms. BROWNER. Through the IG's office?

Senator BOND. Through the grants office.

Ms. BROWNER. All grants are subject to audit review.

Senator BOND. How many audits did EPA do of grantees last year?

Ms. BROWNER. Of the grantees or of the grants?

Senator BOND. Of the grants. You do audits of the grants. Where the money went. Do you audit where the money goes?

Ms. BROWNER. Yes.

Senator BOND. And how it is used?

Ms. BROWNER. Yes. We have what are referred to as post-award management reviews, 333 last year.

Senator BOND. Out of how many? What is the universe? How many are out there, roughly?

Ms. BROWNER. The problem with this is it is apples and oranges. In terms of the number of grant awards that we made last year, we have——

Senator BOND. You can submit that for the record.

Ms. BROWNER. We will submit that.

[The information follows:]

COMPLETING FINANCIAL AUDITS

Financial audits of grantees are audits performed by either the Inspector General (IG) or by CPA firms under the auspices of OMB Circular A–133 or the Single Audit Act.[1] Grant Offices are not permitted to perform "financial audits."

As applied in EPA, in addition to the audits performed under the Single Audit Act requirements, financial audits include the IG's financial statement audits of the State Revolving Funds Trust Funds and financial management audits performed of grantees (examples of financial management audits include audits of accounting systems, procurement systems, internal controls, cash management procedures or expenditures under a given grant or grants). During fiscal year 1998, the IG or its representative, performed six financial audits of EPA grantees. Additionally, there were 91 single audits with findings impacting EPA. During fiscal year 1999, the IG has performed four financial audits and three audits of the SRF Trust Fund. Additionally, there have been 76 single audits issued with findings impacting EPA.

ENSURING GRANT PROGRAMMATIC AND ADMINISTRATIVE REQUIREMENTS ARE MET

The Agency is responsible for monitoring and overseeing grantees. EPA officials must perform the following certifications and steps before the grant can be formally accepted and closed out:

Role of the Program Office.—The program office's responsibilities are to certify that the deliverables of the grant have been received and are acceptable and that the grantee has met all the programmatic terms and conditions of the grant.

Role of the Grants Management Office.—The grants management office's responsibilities are to certify that the grantee has met all administrative requirements of the grant; reconcile grantee payments to EPA financial management system records to grantee's financial status report and; deobligate any unliquidated obligations.

Role of the Finance Office.—The finance office is responsible for deobligating funds and setting up and collecting any accounts receivable, if necessary.

During fiscal year 1998, EPA formally closed out over 9,000 nonconstruction grants and over 4,000 grants through April 30 for fiscal year 1999.

OUTREACH AND REVIEW OF GRANTEES

The eleven Grants Management Offices in EPA perform outreach to and review of grantees through several mechanisms such as workshops and training, technical assistance visits, evaluative onsite reviews (e.g. evaluating grantee financial management system and cost sharing documentation and validating data on financial reports) and desk reviews.

During fiscal year 1998, the Grants Management Offices performed about 468 such outreach and reviews of grantees. The number to date for fiscal year 1999 is about 480.

[1] The Single Audit Act and A–133 are intended to cover the financial audits of State and local governments and institutions of higher education and nonprofit organizations expending $300,000 or more in grants or cost reimbursable contracts per year; that is, requires grantees to obtain audits in accordance with these requirements to determine the effectiveness of its financial management systems and internal control procedures (neither the IG or the Federal Agencies are allowed to duplicate what was done under the Single Audit Act). The Office of the Inspector General, receives notification of the all single audits with findings impacting EPA.

EPA has developed websites on the Internet, including a tutorial, providing many basic types of information for the public, including step-by-step instructions for preparing a grant application.

Senator BOND. Were these financial audits to see how the money was used or did somebody just go out and look at the——

Ms. BROWNER. No. They have to spend the money in accordance with the grant award.

Senator BOND. You did make the determination they spent the money and complied, so you could give an opinion that those were done adequately?

Ms. BROWNER. The grants that we review, the 333, are subject to the full review that every Federal agency engages in terms of grant awards.

Senator BYRD. Mr. Chairman, would you allow for a question without it being taking out of your time?

Madam Administrator, can you trace this money from the source of the grant to the expenditure of it?

Ms. BROWNER. Yes. They are required to provide us with that information. And if someone were to fail to provide us with that information, then they can be required to return the funds.

GRANT MONEY USED FOR LITIGATION

Senator BYRD. Supposed they used some other money to carry out what they purportedly are to do, that used this money which is fungible. How do you know if this money is actually being spent in accordance with your regulations and the laws?

Ms. BROWNER. We review and audit the grants to ensure that it is occurring.

I think the issue perhaps—if I might, just so we can all make sure we're understanding each other.

Senator BYRD. I do not mean to take Mr. Chairman's time.

Senator BOND. I am going to reclaim it. Don't worry about that. If you give a brief answer on that, then I have a hypothetical and maybe it will help get to the question that Senator Byrd and I want to address.

Ms. BROWNER. As a hypothetical, we'll just say it is a million-dollar organization that does any number of things. They make an application to EPA to do a specific project. When we grant that award, we make that grant, they are required to do the work under that project. They are not allowed to use grant funds to lobby. And we have withdrawn funds for that reason. They are not allowed to use it in litigation.

I think the question we are all struggling with here is because of that grant award, do they now have resources in that million dollars that they used to do something else? I think that is the question that is before us.

I think a more specific question that is before us is, do organizations get grants from EPA and then turn around, using other moneys, and sue EPA? And the answer to that is yes, everybody from the National Home Builders Association to environmental organizations. However, they cannot use those grant funds to sue us, and we have rules in place. If you are under the impression that someone has done that, we will take immediate action.

Senator BOND. Let me pose to you a hypothetical. An organization that has an annual operating budget of three quarters of a million dollars and they do lots of good things. They educate school children and they have offices. They get a grant from EPA to educate school children. The grant is $500,000. They have the existing three quarters of a million dollars. They then spend a half million dollars on legal fees to sue EPA or the Department of Transportation or the State and the city combined and use the Federal grant money plus $250,000 left over to run their educational programs. Is this acceptable?

Ms. BROWNER. If they make an application to do specific public education and they are awarded a grant per that application, that is all they can spend that money on. They cannot——

Senator BOND. And it is not—you think it is not EPA's concern that they used—that the $500,000 freed up enables them to sue EPA or Department of Transportation?

Ms. BROWNER. Rest assured. We do not like being sued. I do not like being the named respondent in these lawsuits. What the law allows us to do is to make a solicitation for grants and to review them. They are earmarks. There are grants that function as earmarks that go to organizations that turn around and sue us.

If I might give you a statistic that I think might bring this into focus. I think it is something that deserves attention. We were asked to look at this by another committee. We were actually asked in that committee to look at it over a 10-year period. Over a 10-year period there were over 6,000 grant recipients who got EPA grants, 6,200. During this same period of time there were approximately 2,000 lawsuits filed against EPA representing something on the order of 4,000 parties, 2,000 actual lawsuits. We can give you the case numbers and everything. Of that, in this 10-year review, 250 of the litigants in those lawsuits, their organizations had also received grants. This is over 10 years, a universe of 6,200 grants, 2,000 lawsuits of which 250 received grant funds.

They include people like General Electric, the Home Builders Association, and the Environmental Defense Fund. One of the largest recipients of grant money from EPA and one of the litigants, and one of the organizations who love to take us to court, is the American Lung Association. In community after community your local American Lung chapters are receiving funds to work with schools on asthma, and on radon. So, yes, as grant recipients, their organizations have sued us. There are rules against using our money to sue us.

GRANT AUDITS: IG'S REPORT

Senator BOND. Madam Administrator, we have the Inspector General's report. This one was 1998. He said that EPA did not fulfill its obligations to adequately monitor assistance agreement activities. The staff did not always negotiate work plans with well-defined commitments, adequately document costs.

In prior audits, they said material weaknesses: Failed to review grant applications, perform site visits, provide complete certifications. And we continue to get assurances that EPA will correct the problems. We do not see an item in the budget request that EPA is developing a policy addressing post-award management of

grants, even though it has been committed to issue this policy since 1997.

I might just ask a quick question. I believe the Inspector General Ms. Tinsley is here. On the basis of your work, can you tell us whether EPA has an understanding and a knowledge of whether any of their grant money is used for—has been used either directly or indirectly for litigation against the Government? Is EPA able to ascertain that based on your work?

Ms. TINSLEY. Our work has not shown that to date. We are developing a much broader strategy to look at how the EPA distributes funds.

Senator BOND. You continue to believe this is a material weakness?

Ms. BROWNER. I want to be clear——

Senator BOND. Let Ms. Tinsley finish. Is there anything else you want to add on that?

Ms. TINSLEY. I can add that the agency is aware that there are problems. They have recently issued a policy to do this grant oversight and to do reviews as grants are delivered to make sure that the grants identify what the grantee is going to do specifically. It is a major part of EPA's budget. It's a difficult problem. There are a lot of grantees.

Senator BOND. If you have further comments on the policy or the status of the program, we would invite you to submit it to the committee because I am getting a sense that we may not have gone far enough in ensuring that we are not using taxpayer dollars indirectly to finance lawsuits which challenge pilot policies and programs established by the Congress.

Now, Madam Administrator, you wish to comment.

Ms. BROWNER. The Inspector General I know will correct me if I am wrong, but I do not believe that the Inspector General who also looks at grant awards and does tell us when they find problems on specific grants has ever come to us and said one of your grants was used to sue you. I do not believe they have ever found one and I think she is indicating no.

Senator BOND. I think our question is, it is not whether the money is used directly. It is the fact that funds are fungible and that it is a potential to displace and utilize those resources, freeing up other funds for litigation.

Ms. BROWNER. Mr. Chairman, as I said, I don't like being sued any more than any one else likes being sued. I believe this is an issue Government-wide and I believe there are obviously constitutional issues. Organizations, simply because they receive a grant to do specific work, do not give up their right to publicly disagree with us and drag us into court.

Senator BOND. Exactly. But we, as taxpayers, do not have any obligation to keep funding. Let me turn to Senator Byrd——

CONSENT DECREES

Senator CRAIG. Mr. Chairman, could I ask that the director submit us a list that goes directly to this and that, could we find out from you, since 1993, which organizations have brought suits against EPA that have resulted in, very important here, consent

decrees which led to new requirements on the agency or the public at large?

Ms. BROWNER. That is a different question than the one we have——

Senator CRAIG. Not really.

Ms. BROWNER. I am happy to answer it. We have provided this before. I think we provided it, if not to this committee last year, a different committee. We will be happy to provide it again.

[The information follows:]

ORGANIZATIONS THAT HAVE BROUGHT LAWSUITS AGAINST EPA THAT HAVE RESULTED IN CONSENT ORDERS THAT LED TO NEW REQUIREMENTS

Attached is a chart listing all of EPA's consent orders in defensive judicial litigation since 1989. For each consent order, the chart provides the case caption, a list of the parties to the lawsuit, the allegations in the complaint (including, for lawsuits alleging that EPA failed to carry out a non-discretionary duty by a statutory deadline, the statutory deadline), a brief description of the order, and a list of the parties that were involved in negotiation of the order.

Because some of the EPA attorneys who worked on older consent orders are no longer employed by the Agency and because some of our older litigation files contain limited information, we had some difficulty assembling this chart for some cases. However, we believe that the attached chart is reasonably accurate and complete.

Please note that virtually all the consent orders in the chart merely establish court deadlines for EPA actions that are required by statute and do not dictate the content of those actions. Where they involve a commitment to undertake rulemaking, EPA's actions would be subject to the notice-and-comment provisions of the Administrative Procedure Act. Like all consent orders, each of these orders was reviewed at a high level within the Department of Justice and by a court to ensure that it was fair, reasonable, and in the public interest. In addition, it is the policy of the Department of Justice that the United States not consent to court orders which contain provisions for injunctive relief which could not be ordered by a court unilaterally. Finally, you should be aware that Section 113(g) of the Clean Air Act requires EPA to provide notice of and opportunity to comment on defensive consent orders under the Clean Air Act before they are final or filed with a court, a practice to which EPA carefully adheres.

CONSENT ORDERS RESOLVING DEFENSIVE JUDICIAL LITIGATION BETWEEN EPA AND OTHER PARTIES

[January 1, 1989-March 31, 1999 [1]]

Case	Parties to consent order (other than EPA)	Allegations in complaint against EPA, including original statutory deadline	Description of consent order	Parties present in negotiations
Alabama Rivers Alliance v. *Hankinson,* No. CV–97–S–2518–M (N.D.Ala.) and *Edward Mudd, II* v. *Hankinson,* No. CV–97–S–0714–M (N.D.Ala.).	Alabama Rivers Association, Edward Mudd II, Ouida Fritschi, and the Homewood Citizens Association.	Failure to establish total maximum daily loads (TMDLs) by statutory deadline (30 days from alleged constructive submission of no TMDLs) and failure to undertake monitoring necessary to identify all water quality limited segments (WQLs) in Alabama. CWA § 303(d).	EPA agreed to establish TMDLs for all WQLs on Alabama's 1996 CWA § 303(d) list by 2005 if Alabama does not do so. EPA will also develop a report evaluating and making recommendations regarding Alabama's water quality monitoring and assessment program and CWA § 303(d) listing process.	Parties to the consent order.
American Littoral Society v. *EPA,* No. 96–489 (E.D.Pa.).	American Littoral Society and Public Interest Research Group of Pennsylvania.	Failure to establish total maximum daily loads (TMDLs) and lists of impaired waters by statutory deadline (30 days from alleged constructive submission of no TMDLs or lists—7/79, as alleged by plaintiffs). CWA § 303(d). Failure to approve Pennsylvania's continuing planning process by statutory deadline (30 days from submission) and review it from time to time thereafter. CWA § 303(e). Failure to consult under ESA on list and TMDL approvals.	EPA agreed, among other things, to establish TMDLs for Pennsylvania waters not meeting water quality standards by 2009 if Pennsylvania does not do so, take final action regarding Pennsylvania's CWA § 303(d) list, develop report on Pennsylvania's monitoring and listing program, review Pennsylvania's continuing planning process, and request comment on TMDLs and lists from Fish & Wildlife Service and National Marine Fisheries Service.	Parties to the consent order and State of Pennsylvania (non-party).

American Littoral Society v. *EPA,* No. 96–591 (SLR) (D.Del.).	American Littoral Society and Sierra Club.	Failure to comply with mandatory duties, including establishment of total maximum daily loads (TMDLs) by statutory deadline (30 days from alleged constructive submission of no TMDLs or lists—7/79, as alleged by plaintiffs). CWA § 303(d). Failure to approve Delaware's continuing planning process by statutory deadline (30 days from submission) and review it from time to time thereafter. CWA § 303(e). Failure to consult under ESA on list and TMDL approvals.	EPA agreed, among other things, to establish TMDLs for Delaware waters not meeting water quality standards by 2006 if Delaware does not do so, consider basis for Delaware's 1998 listing decision and take appropriate action, develop report on Delaware's monitoring and listing program, review Delaware's continuing planning process, and request comment on TMDLs and lists from Fish & Wildlife Service and National Marine Fisheries Service.	Parties to the consent order and State of Delaware (non-party).
American Lung Association of Arizona v. *Browner,* No. Civ. 96–1856 PHX ROS (D. Ariz.).	American Lung Association of Arizona, Carolyn Aspegren, and William Grimm.	Failure to promulgate Federal implementation plan (FIP) for non-attainment area by statutory deadline (2 years after finding of failure of State implementation plan (SIP)). CAA § 110(c).	EPA agreed to a schedule for issuance of a FIP for Phoenix, Arizona ozone nonattainment area for reductions of volatile organic compounds (VOCs) under CAA § 182(b)(1).	Parties to the consent order.
American Lung Association of Northern Virginia v. *Browner,* Civ. No. 1:96 CVO 1388 (and consolidated cases Civ. No. 1:96 CVO 1392 and Civ. No. 1:96 CVO 1393) (D.D.C.).	American Lung Association, Urban Protectors, Sierra Club, Friends of the Earth, Delaware Valley Citizens Council for Clean Air, Chester Residents Concerned for Quality Living, Communities Organized to Improve Life, Odette McDonald, and Katherine Nueslein.	Failure to promulgate Federal implementation plan (FIP) for non-attainment area by statutory deadline (2 years after finding of failure of State implementation plan (SIP)). CAA § 110(c).	EPA agreed to a schedule regarding issuance of a FIP for ozone nonattainment areas in Washington, D.C., Baltimore, MD, and Philadelphia, PA for reductions of volatile organic compounds (VOCs) under CAA § 182(b)(1).	Parties to the consent order.
American Lung Association v. Browner, No. 92–5316 (E.D.N.Y.).	American Lung Association (ALA); ALA of Nassau (NY), Queens (NY), and Brooklyn (NY); States of Maine and New Jersey; Paul Henry, Noberto Cabballery, Alexandra Cabballery, and Howard Hills.	Failure to review criteria under CAA § 108 and national ambient air quality standard (NAAQS) for sulfur oxides by statutory deadline (5 years after completion of previous NAAQS review for sulfur oxides). CAA § 109(d).	EPA agreed to a schedule for review of NAAQS for sulfur oxides.	Parties to the consent order.
Atlantic States Legal Foundation v. *EPA,* No. 95–CV–1788 (N.D.N.Y.).	Atlantic States Legal Foundation	Failure to promulgate regulations identifying dangerous levels of lead in paint, dust and soil by statutory deadline of 4/28/94. TSCA § 403.	EPA agreed to schedule for promulgating regulations identifying dangerous levels of lead.	Parties to the consent order.

CONSENT ORDERS RESOLVING DEFENSIVE JUDICIAL LITIGATION BETWEEN EPA AND OTHER PARTIES—Continued

[January 1, 1989-March 31, 1999 [1]]

Case	Parties to consent order (other than EPA)	Allegations in complaint against EPA, including original statutory deadline	Description of consent order	Parties present in negotiations
Brewster v. *Reilly,* No. 90–6367–HO (D.Or.)	William L. Brewster	Failure to promulgate drinking water regulations by statutory deadline of 6/89. SDWA § 1412(b).	EPA agreed to schedules for issuing drinking water regulations.	Parties to the consent order.
Bull Run Coalition v. *EPA,* No. 88–6097 (D.Or.)	Bull Run Coalition, Citizens Interested in Bull Run, Inc., Frank Gearhart, Joseph L. Miller, Kathy Williams, Lucia N. Skov, Vera Defoe, Mark Wigg, Samuel E. Sargent, Frances Price Cook, and William L. Brewster.	Failure to promulgate drinking water regulations by statutory deadline of 12/87. SDWA § 1412(b).	EPA agreed to schedules for issuing drinking water regulations.	Bull Run Coalition.
Bull Run Coalition v. *EPA,* No. 88–6444 (D.Or.)	Bull Run Coalition, Citizens Interested in Bull Run, Inc., Frank Gearhart, Joseph L. Miller, Kathy Williams, Lucia N. Skov, Mark Wigg, Samuel E. Sargent, Frances Price Cook, William L. Brewster, Cherie Holenstein, Ralph Frohwerk, Georgia Frohwerk, and Margaret H. Thomas.	Failure to promulgate drinking water regulations by statutory deadline of 6/88. SDWA § 1412(b).	EPA agreed to schedules for issuing drinking water regulations.	Bull Run Coalition.
Citizens for Balanced Transportation v. EPA, No. 96–W–645 (D. Colo.).	Citizens for Balanced Transportation, Bob Yuhnke, and Earth Law.	Failure to promulgate federal implementation plan (FIP) for carbon monoxide and particulate matter (PM–10) for Denver within 2 years of EPA finding of SIP failure. CAA § 110(k).	EPA agreed to a schedule regarding action on SIP measures for carbon monoxide (CO) and particulate matter (PM–10) for Denver.	Parties to consent order and Colorado Air Quality Control Commission (non-party).
Citizens Interested in Bull Run, Inc. v. *EPA,* No. CIV 92–1587 (D.Or.).	Citizens Interested in Bull Run, Inc	Failure to promulgate drinking water regulations by statutory deadline of 6/91. SDWA § 1412(b).	EPA agreed to schedules for issuing drinking water regulations.	Parties to consent order.
Citizens Interested in Bull Run, Inc. v. *Reilly,* No 92–6258 (D.Or.).	Citizens Interested in Bull Run, Inc	Failure to promulgate regulations requiring federal agencies to conform their procurement regulations with title VI of the CAA by statutory deadline of 5/15/92. CAA § 613.	EPA agreed to a schedule for issuing regulations requiring federal agencies to conform their procurement regulations with Title VI of the CAA.	Parties to the consent order.

Citizens to Preserve the Ojai v. *EPA,* No. CV 88–0982 HLH (C.D.Cal.).	Citizens to Preserve the Ojai	Failure to promulgate Federal implementation plan (FIP) for non-attainment area by statutory deadline (4–10 months from SIP disapproval). CAA § 110(c).	EPA agreed to schedules regarding issuance of a FIP for ozone for the Ventura Air Quality Management District.	Parties to the consent order.
Clinton County Commissioners v. *EPA,* No. 4:CV–96–00181 (M.D.Pa.).	Clinton County Commissioners and Arrest the Incinerator Remediation, Inc.	Response action at Drake Chemical Superfund Site violated CERCLA and RCRA and threatened human health and the environment.	EPA agreed to discontinue soil excavation and incinerator test operations at Drake Chemical Superfund Site until further risk analysis was completed by EPA and the court issued a ruling with respect to plaintiffs' 2/96 motion for a preliminary injunction.	Parties to the consent order.
Clinton County Commissioners v. *EPA,* No. 4:CV–96–00181 (M.D.Pa.).	Clinton County Commissioners and Arrest the Incinerator Remediation, Inc.	Response action at Drake Chemical Superfund Site violated CERCLA and RCRA and threatened human health and the environment.	Upon plaintiffs' motion for injunctive relief pending appeal, EPA agreed not to commence full-scale operation of the incinerator before 5/15/97 or before Court of Appeals for the Third Circuit issued decision (in exchange for plaintiffs' agreement that EPA could proceed with test operations).	Parties to the consent order.
Coalition for Clean Air, Inc. v. *EPA,* No. CV 88–4414 HLH (C.D. Cal.).	Coalition for Clean Air, Inc., and Sierra Club.	Failure to promulgate Federal implementation plan (FIP) for non-attainment area by statutory deadline (4–10 months from SIP disapproval). CAA § 110(c).	EPA agreed to schedules regarding issuance of FIPs for carbon monoxide (CO) and ozone for the South Coast Air Quality Management District.	Parties to the consent order.
Coalition for Clean Air, Inc. v. *EPA,* No. 97–6916 (C.D.Cal.).	Coalition for Clean Air, Inc., Natural Resources Defense Council, Inc., and Communities for a Better Environment.	Failure to fulfill commitment in approved California ozone State implementation plan (SIP) approval to make certain determinations by 12/31/97 as part of a public consultative process on Federal and State measures. Complaint was amended in 1998 to include this claim.	EPA agreed to a schedule to conclude the public consultative process on the California ozone SIP.	Parties to the consent order.
Cook v. *Reilly,* No. 89–6307E (D.Or.)	Frances P. Cook and Citizens Interested in Bull Run, Inc.	Failure to issue standards of performance for stationary source by statutory deadline (4 years after the category is listed under CAA § 111(b)). CAA § 111.	EPA agreed to a schedule for regulation of emissions of volatile organic compounds (VOCs) from dry cleaners under CAA § 111.	Parties to the consent order.

CONSENT ORDERS RESOLVING DEFENSIVE JUDICIAL LITIGATION BETWEEN EPA AND OTHER PARTIES—Continued

[January 1, 1989-March 31, 1999 [1]]

Case	Parties to consent order (other than EPA)	Allegations in complaint against EPA, including original statutory deadline	Description of consent order	Parties present in negotiations
Cronin v. *Browner,* No. 93–0314 (AGS) (S.D. N.Y.).	John J. Cronin, the Hudson Riverkeeper, Cynthia E. Poten, the Delaware Riverkeeper, The Hudson Riverkeeper Fund, Inc., The New York Coastal Fishermen's Association, Inc., The American Littoral Society, Inc., Michael Lozeau, the San Francisco BayKeeper, BJ Cummings, the Puget Soundkeeper, Terrance E. Backer, the Soundkeeper, The Long Island Soundkeeper Fund, Inc., Andrew Willner, the Baykeeper for the New York and New Jersey Harbor Estuary, Joseph E. Payne, the Casco BayKeeper, Terrance Tamminen, the Santa Monica BayKeeper, John Torgan, the Narragansett BayKeeper, Save the Bay, Inc.	Failure to promulgate regulations for cooling water intake structures by statutory deadline of 2/15/74 for new sources and 7/1/77 for existing sources. CWA §§ 301(b), 306, and 316(b).	EPA agreed to propose regulations for cooling water intake structures by 7/2/99 and take final action by 8/13/01.	Parties to the consent order.
Defend the Bay, Inc. v. *Marcus,* No. 97–3997 MMC (N.D.Cal.).	Defend the Bay, Inc	Failure to establish total maximum daily loads (TMDLs) for Newport Bay by statutory deadline (30 days from alleged constructive submission of no TMDLs—6/79, as alleged by plaintiffs). CWA § 303(d). Failure to disapprove California's 1994 CWA § 303(d) list for impaired waters despite omission of Newport Bay.	EPA agreed to establish TMDLs for Newport Bay by 2001 if California does not do so.	Parties to the consent order.

Defenders of Wildlife v. *Browner,* No. CIV 93–234 TUC ACM (D.Ariz.).	Defenders of Wildlife, George Marsik, Jerry Van Gasse, and James Slingluff.	Failure to act on Arizona's submission of water quality standards by statutory deadline of 5/92; failure to propose federal water quality standards by statutory deadlines of 12/9/93 and 7/29/94; failure to establish total maximum daily loads (TMDLs) by statutory deadline (30 days from alleged constructive submission of no TMDLs). CWA § 303 (c) and (d).	EPA agreed to take final action on water quality standards submitted by Arizona under CWA § 303(c) by 4/30/94; EPA agreed to establish TMDLs for mercury in certain waters in Arizona by 2001 if Arizona does not do so.	Parties to the consent order.
DiSimone v. *Browner,* No. 97–1987 (D.Ariz.)	Barry DiSimone and Donald Steuter (represented by Arizona Center for Law in the Public Interest).	Failure to implement Federal implementation plan (FIP) commitments that came due at various times in mid-1990's. CAA § 110(c).	EPA agreed to a schedule for rulemaking to implement the FIP for carbon monoxide in Phoenix, Arizona.	Parties to the consent order.
Donison v. *Browner,* No. CIV 92–6280–HO (D.Or.).	Clare Donison, Ralph Frowerk, Frank Gearhart, Kathy Williams, and Citizens Interested in Bull Run, Inc.	Failure to promulgate drinking water regulations by statutory deadline of 6/89. SDWA § 1412(b).	EPA agreed to schedules for issuing drinking water regulations under SDWA.	Parties to the consent order.
Environmental Technology Council v. *Browner,* Nos. 94–2119 and 94–2346 (D.D.C.).	Environmental Technology Council and Edison Electric Institute.	Failure to revise regulations governing mixtures and treatment residues of hazardous waste by statutory deadline of 10/1/94. Pub. L. No. 102–389 (1992).	EPA agreed to a rulemaking schedule regarding revisions to a specific section of the regulatory definition of hazardous waste, including possible exemptions from hazardous waste regulation.	Parties to the consent order; Chemical Manufacturers Association (intervenor), the American Forest and Paper Association (intervenor), the Chamber of Commerce of the United States (intervenor), the American Iron and Steel Institute (intervenor), the American Petroleum Institute (intervenor), and The Fertilizer Institute (intervenor).
Environmental Defense Fund v. *Browner,* No. 89–0598 (D.D.C.).	Environmental Defense Fund	Failure to determine whether certain hazardous wastes should be listed as hazardous wastes by statutory deadline of 2/8/86 (RCRA § 3001(e)); failure to promulgate toxicity characteristic by statutory deadline 3/8/87 (§ 3001(g)).	Required EPA to complete several RCRA rulemakings required by statute by various dates, including determining whether certain solid wastes should be listed as hazardous wastes and producing studies of certain wastes.	Parties to the consent order.

CONSENT ORDERS RESOLVING DEFENSIVE JUDICIAL LITIGATION BETWEEN EPA AND OTHER PARTIES—Continued

[January 1, 1989-March 31, 1999 [1]]

Case	Parties to consent order (other than EPA)	Allegations in complaint against EPA, including original statutory deadline	Description of consent order	Parties present in negotiations
Environmental Defense Fund v. *EPA,* No. 91–0429 (D.D.C.).	Environmental Defense Fund	Failure to determine whether mining wastes should be regulated under RCRA Subtitle C by statutory deadline of 1/31/91 (RCRA § 3001(b)).	Required EPA to issue regulatory determination under RCRA § 3001(b) regarding status of mineral processing wastes under Subtitle C of RCRA by 5/20/91.	Parties to the consent order.
Environmental Defense Fund v. *EPA,* No. 92–1636 (N.D.Cal.).	Environmental Defense Fund, Sierra Club, and Carla Baird.	Failure to promulgate conformity rule by statutory deadline of 11/15/91. CAA § 176(c)(4)(A).	EPA agreed to a schedule for issuance of conformity rules under CAA § 176(c)(4).	Parties to the consent order.
Environmental Defense Fund v. *Reilly,* No. 85–9507 (S.D.N.Y.).	Environmental Defense Fund, Natural Resources Defense Council, Inc., National Parks and Conservation Association, and States of New York, Connecticut, Massachusetts, New Hampshire, Minnesota, and Rhode Island.	Failure to review criteria under CAA § 108 and secondary national ambient air quality standard (NAAQS) for sulfur oxides by statutory deadline (5 years after completion of previous secondary sulfur oxides NAAQS review). CAA § 109(d).	EPA agreed to a schedule to review the secondary NAAQS for sulfur oxides under CAA § 109(d).	Parties to the consent order.
Forest Guardians v. *EPA,* Civ. No. 96–0826 LH (D.N.M.).	Forest Guardians and Southwest Environmental Center.	Failure to establish total maximum daily loads (TMDLs) by statutory deadline (30 days from alleged constructive submission of no TMDLs—7/79, as alleged by plaintiffs). CWA § 303(d).	EPA agreed to establish TMDLs for all water quality limited segments on New Mexico's 1998 CWA § 303(d) list by 2006 if New Mexico does not do so.	Parties to the consent order.
Frohwerk v. *Reilly,* No. CIV 91–6549–TC (D.Or.)	Ralph Frowerk, Citizens Interested in Bull Run, Inc., Frank Gearhart, Joseph Miller and Kathy Williams.	Failure to promulgate drinking water regulations by statutory deadline of 6/89. SDWA § 1412(b)..	EPA agreed to schedules for issuing drinking water regulations.	Parties to the consent order.
Frohwerk v. *Reilly,* No. CIV 90–6363–JO (D.Or.)	Ralph Frowerk, Frank Gearhart, Kathy Williams, William L. Brewster and Citizens Interested in Bull Run, Inc.	Failure to promulgate drinking water regulations by statutory deadline of 6/90. SDWA § 1412(b).	EPA agreed to schedules for issuing drinking water regulations.	Parties to the consent order.

Gearhart v. *Browner,* Civil No. 89–6266-HO (D.Or.).	Frank Gearhart, Citizens Interested in Bull Run, Inc., Kathy Williams, Frances Price Cook, Natural Resources Defense Council, Inc. (intervenor), and Association of Municipal Sewage Authorities (AMSA) (intervenor).	Failure to propose and promulgate regulations for sewage sludge by statutory deadlines (propose round one—11/30/86; promulgate round one—8/31/87; propose round two—7/31/87; promulgate round two—6/15/88). CWA § 405(d).	EPA agreed to issue sewage sludge regulations under CWA § 405 as follows : promulgate round one—11/25/92; notice of round two pollutants—5/24/93; propose round two—12/15/99; promulgate round two—12/15/01.	Natural Resources Defense Council, Inc. and all plaintiffs.
Gearhart v. *Reilly,* No. 91–2435 (D.D.C.)	Bull Run Coalition, Frank Gearhart, and Edison Electric Institute.	Failure to submit a report to Congress on fossil fuel combustion wastes by statutory deadline of 10/21/82; failure to determine whether to regulate these wastes under RCRA Subtitle C by statutory deadline (6 months after submission of report to Congress). RCRA § 3001(b).	Required EPA to submit report to congress and to issue regulatory determinations under RCRA § 3001(b) regarding the status under of fossil fuel combustion wastes under Subtitle C of RCRA by various dates.	Parties to the consent order.
Golden Gate Audubon Society v. *Browner,* No. CIV–5–93 646 LKK PAN (E.D.Cal.).	Golden Gate Audubon Society, Marin Audubon Society, Santa Clara Audubon Society, Ohlone Audubon Society, Mount Diablo Audubon Society, Sequoia Audubon Society, Madrone Audubon Society, Point Reyes Bird Observatory, Environmental Defense Fund, Natural Resources Defense Council, Inc., The Bay Institute, Save San Francisco Bay Association, Pacific Coast Fisheries Associations, California Native Plant Society, Citizens for a Better Environment, United Anglers of California, Sierra Club, and Streaminders Chapter of the Izaak Walton League.	Failure to promptly propose water quality standards; failure to promulgate standards by statutory deadline (90 days after proposal). CWA § 303(c).	EPA agreed to propose and promulgate water quality standards for the San Francisco Bay Delta by 12/93, and 12/94, respectively.	Sierra Club Legal Defense Fund represented plaintiffs.

CONSENT ORDERS RESOLVING DEFENSIVE JUDICIAL LITIGATION BETWEEN EPA AND OTHER PARTIES—Continued

[January 1, 1989-March 31, 1999 [1]]

Case	Parties to consent order (other than EPA)	Allegations in complaint against EPA, including original statutory deadline	Description of consent order	Parties present in negotiations
Heal the Bay, Inc., v. *Carol Browner,* No. C98–4825 (SBA) (N.D.Cal.).	Heal the Bay, Inc., Santa Monica BayKeeper, Inc., and Terry Tamminen.	Failure to establish total maximum daily loads (TMDLs) by statutory deadline (30 days after alleged constructive submission of no TMDLs); failure to review State continuing planning process from time to time; failure to monitor as necessary to identify all water quality limited segments. CWA § 303(d).	EPA agreed to backstop development of TMDLs for the Los Angeles region of California by 2012. EPA also agreed to review the State's continuing planning process and to develop a report evaluating the State's monitoring program.	Natural Resources Defense Council, Inc., Heal the Bay, Inc., and Santa Monica BayKeeper, Inc.
Institute for Energy and Environmental Research v. *EPA,* No. 93–2266 (D.D.C.).	Not known. In process of obtaining consent decree from DOJ archives.	Failure to act on petition to add substance to list of class I substances by statutory deadline (1 year after receipt of petition). CAA § 602(c)(3).	EPA agreed to a schedule to take action on a petition to list certain hydrochlorofluorcarbons (HCFCs) as class I ozone depleting substances under CAA § 602(c).	Parties to the consent order.
Kansas Natural Resource Council, Inc. v. *Browner,* No. 95–2490–JWL (D.Kan.).	Kansas Natural Resource Council, Inc., Sierra Club, and State of Kansas (intervenor/defendant).	Failure to establish total maximum daily loads (TMDLs) and lists of impaired waters by statutory deadline (30 days after constructive submission of no TMDLs or lists—7/79, as alleged by plaintiffs). CWA § 303(d). Failure to approve Kansas' continuing planning process by statutory deadline (30 days after submission—3/73, as alleged by plaintiffs); failure to review continuing planning process from time to time. CWA § 303(e).	EPA agreed, among other things, to establish TMDLs for Kansas waters not meeting water quality standards by 2006 if Kansas does not do so, and to review Kansas' continuing planning process.	Parties to the consent order.
Legal Environmental Assistance Foundation v. *Browner,* No. CV–96–ETC–2454–S (N.D.Ala.).	Legal Environmental Assistance Foundation.	Failure to promptly propose federal water quality standards. CWA § 303(c).	EPA agreed to either propose water quality standards for Alabama or withdraw outstanding disapprovals of Alabama water quality standards by 2/98.	Parties to the consent order.

Legal Environmental Assistance Foundation, v. *Browner,* Civ. No. 92–40252–WS (N.D.Fla.).	Legal Environmental Assistance Foundation.	Failure to promptly propose water quality standards; failure to promulgate standards by statutory deadline (90 days after proposal). CWA § 303(c).	EPA agreed to promulgate revised water quality standards for Florida within 22 months unless Florida adopts revised standards addressing EPA's previous disapproval.	Parties to the consent order.
Maryland Environmental Interest Group v. *Reilly,* No. 92–1225 (D.D.C.).	Maryland Environmental Interest Group, Lisa Satterfield, and Sierra Club.	Failure to promulgate regulations regarding the use and disposal of certain class I substances during the servicing of refrigeration systems by statutory deadline of 1/1/92. CAA § 608(a)(1).	EPA agreed to a schedule for issuing final rule on use and disposal of Class I substances during servicing of refrigeration systems under CAA § 608(a)(1).	Parties to the consent order.
Miller v. *EPA,* No. 89–6328 (and consolidated cases *Frohwerk* v. *EPA,* No. 90–6363, *Citizens Interested in Bull Run,* No. 92–1587, *Frohwerk* v. *EPA,* No. 91–6549, and *Donison* v. *EPA,* No. 92–6280) (D.Or.).	Joseph L. Miller, Ralph Frohwerk, Citizens Interested in Bull Run, Inc., Kathy Williams, and Clare Donison.	Failure to promulgate drinking water regulations by statutory deadline of 6/87 (Miller). SDWA § 1412(b).	EPA agreed to schedules for issuing drinking water regulations.	Parties to consent order.
National Wildlife Federation v. *Browner,* No. 97–1504–HHK (D.D.C.).	National Wildlife Federation, Great Lakes Water Quality Coalition, and State of New York (defendant).	Failure to promulgate by statutory deadline of 3/23/97 federal water quality standards for Great Lakes States that failed to make timely submissions of state water quality programs. CWA § 118(c)(3).	EPA agreed to promulgate by 2/27/98 federal water quality standards for Great Lakes States that did not make timely submissions of State programs under CWA § 118.	Parties to the consent order.
National Wildlife Federation v. *Browner,* No. 92–2338–CCR (D.D.C.).	National Wildlife Federation	Failure to issue water quality guidance for the Great Lakes System by statutory deadline of 6/20/92. CWA § 118(c)(2).	EPA agreed to promulgate Great Lakes Water Quality Initiative Guidance under CWA § 118 by 3/13/95.	Parties to the consent order.
Natural Resources Defense Council, Inc. v. *Browner,* No. 95–634 (PLF) (D.D.C.).	Natural Resources Defense Council, Inc.	Failure to promulgate regulations for storm water discharges by statutory deadline of 10/1/93. CWA § 402(p)(6).	EPA agreed to propose (by 12/97) and take final action (by 10/99) on rulemaking for regulation of storm water discharges under CWA § 402(p)(6) (''Phase 2'').	Parties to the consent order.
Natural Resources Defense Council, Inc. v. *EPA,* No. 92–2093 (E.D.N.Y.) and *Sierra Club* v. *EPA,* No. 93–0284 (E.D.N.Y.).	Natural Resources Defense Council, Inc. and Sierra Club.	Failure to promulgate new source performance standards for solid waste incinerators by statutory deadline (11/15/91 for municipal waste combusters and 11/15/92 for medical waste incinerators). CAA § 129(a)(1)(A).	EPA agreed to a schedule regarding issuance of standards of performance for municipal solid waste and medical waste incinerators under CAA § 129.	Parties to the consent order.

CONSENT ORDERS RESOLVING DEFENSIVE JUDICIAL LITIGATION BETWEEN EPA AND OTHER PARTIES—Continued

[January 1, 1989-March 31, 1999 [1]]

Case	Parties to consent order (other than EPA)	Allegations in complaint against EPA, including original statutory deadline	Description of consent order	Parties present in negotiations
Natural Resources Defense Council, Inc. v. *EPA,* No. 90–0694 (D.D.C.).	Natural Resources Defense Council, Inc., Hazardous Waste Treatment Council, and Association of Petroleum Re-refiners.	Failure to determine whether used oil should be listed as a hazardous waste by statutory deadline (proposal—11/8/85; final rule—11/8/86). RCRA § 3014(b).	EPA agreed to determine whether non-recycled used oil should be listed as a hazardous waste by 5/1/92.	Parties to the consent order.
Natural Resources Defense Council, Inc. v. *EPA,* No. 92–2369 (D.N.J.).	Natural Resources Defense Council, Inc. and New Jersey Public Interest Research Group.	Failure to issue national toxics water quality standards rule by statutory deadline of 2/92. CWA § 303(c).	Agreement on attorneys fees and dismissal of underlying action challenging national toxics water quality standards rule.	Parties to the consent order.
Natural Resources Defense Council, Inc. v. *EPA,* No. 93–1946 (D.D.C.).	Natural Resources Defense Council, Inc.	Failure to act on petition to add substance to list of Class I substances by statutory deadline (1 year after receipt of petition). CAA § 602(c)(3). Failure to promulgate regulations to phase out production of Class I substances by statutory deadline of 9/15/91. CAA § 604(c).	EPA agreed to a schedule to take action on a petition to add methyl bromide to list of Class I substances, and accelerate phase out of certain chlorofluorocarbons (CFCs) under CAA §§ 601 and 604.	Parties to the consent order.
Natural Resources Defense Council, Inc. v. *Reilly,* No. 88–3199 (D.D.C.).	Natural Resources Defense Council, Inc.	Failure to promulgate revisions to CERCLA National Contingency Plan (NCP) by statutory deadline of 4/17/88. CERCLA § 105(b).	EPA agreed to promulgate revisions to the CERCLA NCP Plan by 2/5/90.	Parties to the consent order.
Natural Resources Defense Council, Inc. v. *Reilly,* No. 92–1137 (consolidated with Nos. 92–1142, 92–1157, 92–1222, 92–1260, and 92–1243) (D.C. Cir.).	Natural Resources Defense Council, Inc.	Petitioner sought review of EPA decision not to require on-board vapor recovery for autos under CAA § 202(a)(6) (which established statutory deadline of 11/15/91 for promulgation of on-board standards). On remand to EPA, petitioners sought a schedule for Agency action consistent with D.C. Circuit's opinion.	EPA agreed to a schedule after remand in *NRDC* v. *Reilly,* 983 F.2d 259 (D.C. Cir. 1993), concerning onboard vapor recovery for cars under CAA § 202(a)(6).	Parties to the consent order.

Natural Resources Defense Council, Inc. v. *Browner,* No. 89–2980 (D.D.C.).	Natural Resources Defense Council, Inc., Public Citizen, Inc., American Forest & Paper Association (intervenor), and Chemical Manufacturers Association (intervenor).	Failure to promulgate by statutory deadline of 2/4/91 effluent guidelines in accordance with required plan; failure to issue required plan by statutory deadline of 2/4/88. CWA §§ 301(b), 304(m), 306(b) and 307(b).	EPA agreed to propose and take final action with respect to effluent guidelines for 12 point source categories, ending in 2003; EPA agreed to conduct studies for 11 point source categories; EPA agreed to provide plaintiffs with a semi-annual status report. Consent order entered in 1992, amended in 1997 and thereafter.	Parties to the consent order.
Nelson v. *Reilly,* No. 92–6260 (D.Or.)	Nelson, Gearhart, Kelly, and Citizens for Bull Run, Inc.	Failure to revise certification test procedures for light-duty trucks and vehicles by statutory deadline of 11/15/91. CAA § 206(a)(4)(A).	EPA agreed to a schedule regarding issuance of certification test procedures under CAA § 206(a)(4)(A).	Parties to the consent order.
Northwest Environmental Advocates v. *EPA,* No. C91–427 (W.D.Wash.).	Northwest Environmental Advocates and Northwest Environmental Defense Center.	Failure to approve or disapprove Washington 's CWA § 303(d) list and total maximum daily loads (TMDLs) by statutory deadline (30 days after State's submission); failure to establish reasonable schedule for TMDL development; failure to disapprove Washington's continuing planning process and NPDES permit program as of 7/27/79. CWA § 303(d).	EPA agreed to establish 38 TMDLs in 5 years if Washington does not do so.	Parties to the consent order and State of Washington (non-party).
Northwest Environmental Advocates v. *EPA,* No. C94–1666R (W.D.Wash.).	Northwest Environmental Advocates and Northwest Environmental Defense Center.	Failure to approve or disapprove Oregon's list of water quality limited waters by statutory deadline (30 days after State's submission). CWA § 303(d).	EPA agreed to exercise all reasonable diligence to see that Oregon's 1994 CWA § 303(d) list was submitted before 9/30/95 and approved no later than 11/30/95.	Parties to the consent order.
Ober v. *Browner,* No. CIV 94–1318 PHX PGR (D.Ariz.).	Edward Ober and Robin Silver (represented by Arizona Center for Law in the Public Interest).	Failure to promulgate Federal implementation plan (FIP) for non-attainment area by statutory deadline of 3/4/94. CAA § 110(c).	EPA agreed to a schedule regarding issuance of a FIP for particulate matter (PM–10), for the Phoenix, Arizona area.	Parties to the consent order.

CONSENT ORDERS RESOLVING DEFENSIVE JUDICIAL LITIGATION BETWEEN EPA AND OTHER PARTIES—Continued

[January 1, 1989-March 31, 1999 [1]]

Case	Parties to consent order (other than EPA)	Allegations in complaint against EPA, including original statutory deadline	Description of consent order	Parties present in negotiations
Ohio Valley Environmental Coalition, Inc. v. *Browner, Nos. 2:95–0529, 2:96–0091 (S.D.W.Va.).*	Ohio Valley Environmental Coalition, Inc., West Virginia Highlands Conservancy, Inc., Rogenia Fout, Thomas E. Keating, and Bill Ragette.	Failure to establish total maximum daily loads (TMDLs) and lists of impaired waters by statutory deadline (30 days after alleged constructive submission of no TMDLs or lists—7/79, as alleged by plaintiffs). CWA § 303(d).	EPA agreed, among other things, to establish TMDLs for West Virginia waters not meeting water quality standards by 2006 if West Virginia does not do so, and consider certain factors in reviewing West Virginia's lists of impaired waters.	Parties to the consent order; West Virginia Chamber of Commerce, West Virginia Coal Association, West Virginia Farm Bureau, West Virginia Forestry Association, West Virginia Mining and Reclamation Association (intervenors).
Oregon Natural Resources Council, Inc. v. *Browner,* No. 93–79 (D.Or.).	Oregon Natural Resources Council	Failure to promulgate rule establishing specifications for detergent additives for gasoline by statutory deadline of 11/15/92. CAA § 211(l).	EPA agreed to a schedule for issuing rules on detergent additives for gasoline under CAA § 211(l).	Parties to the consent order.
Oregon Natural Resources Council, Inc. v. *Reilly,* No. 91–6529 (D.Or.).	Oregon Natural Resources Council and individual citizen plaintiffs.	Failure to review criteria under CAA § 108 and national ambient air quality standard (NAAQS) for nitrogen dioxide (NO2) by statutory deadline (5 years after completion of previous NO2 NAAQS review). CAA § 109(d).	EPA agreed to a schedule for review of NAAQS for NO2 under CAA § 109(d).	Parties to the consent order.
Pacific Coast Federation of Fishermen's Associations v. *Marcus,* No. 95–4474 MHP (N.D.Cal.).	Pacific Coast Federation of Fishermen's Association, Golden Gate Fishermen's Association, Sierra Club, Environmental Protection Information Center, Coast Action Group, Friends of the Garcia California Trout, Klamath Forest Alliance, Mendocino Environmental Center, Willits Environmental Center, California Wilderness Coalition, Friends of the Navarro, South Fork Mountain Defense Committee, Northcoast Environmental Center.	Failure to establish total maximum daily loads (TMDLs) for 17 North Coast rivers that California included in its 1994 CWA § 303(d) list of impaired waters by statutory deadline (30 days after alleged constructive submission in 12/94 of no TMDLS for those listed rivers). CWA § 303(d).	EPA agreed to establish TMDLs for the 17 North Coast rivers by 2008 if California does not do so.	Parties to the consent order.

Sierra Club v. *Browner,* No. 96–1747 (consolidated with No. 95–463) (D.D.C.).	Sierra Club	Failure to take various actions concerning air toxics by statutory deadlines in CAA § 112; failure to promulgate emissions standards for locomotives by statutory deadline of 11/15/92. CAA § 213(a)(5).	EPA agreed to a schedule to take various actions regarding air toxins under CAA §§ 112 (c)(3), (c)(6), and (k)(3), and 202(l)(2). EPA agreed to a schedule for issuing rules on locomotives under CAA § 213(a)(5).	Parties to the consent order; American Petroleum Institute, American Automobile Manufacturers Association, and International Automobile Manufacturers (intervenors).
Sierra Club v. *Browner,* No. 93–0124 (consolidated with Nos. 93–0125, 93–0197, and 93–0564) (D.D.C.).	Sierra Club and Natural Resources Defense Council, Inc.	Failure to take actions by statutory deadlines under a variety of different CAA provisions, including §§ 112(d) (11/15/92), 111 (11/15/92), 112(e) (11/15/92), 612 (11/15/92), 407(c) (proposal—1/1/93; final—1/1/94), 112(n)(5) (11/15/92) and 112(s) (1/15/93).	EPA agreed to a schedule for miscellaneous CAA actions.	Parties to the consent order.
Sierra Club v. *Browner,* No. 93–2644 (NHJ) (D.D.C.).	Sierra Club	Failure to promulgate regulations for Class V underground injection wells by statutory deadline of 12/75. SDWA § 1421(a).	EPA agreed to schedules for issuing study and proposed and final rulemaking determinations for Class V underground injection wells.	Parties to the consent order (represented by Earth Justice).
Sierra Club v. *Browner,* No. 95–627 (D.D.C.)	Sierra Club	Failure to promulgate regulations regarding the use and disposal of certain class I and class II substances by statutory deadline of 11/15/94. CAA § 608(a)(2).	EPA agreed to a schedule to issue regulations pertaining to halons and methyl bromide under CAA § 608(a)(2).	Parties to the consent order.
Sierra Club v. *Browner,* No. 95–627 (D.D.C.)	Sierra Club	Failure to issue guidance concerning physical and operational changes at major sources of hazardous air pollutants (HAPs) by statutory deadline of 5/15/92. CAA § 122(g)(1)(B).	EPA agreed to a schedule to issue guidance concerning construction of major sources of HAPs under CAA § 112(g).	Parties to the consent order.
Sierra Club v. *Browner,* No. 95–627 (D.D.C.)	Sierra Club	Failure to submit study on mercury emissions to Congress by statutory deadline of 11/15/94. CAA § 112(n)(1)(B). Failure to promulgate emission standards for hazardous air pollutants for source category by statutory deadline of 11/15/94. CAA § 112(e).	EPA agreed to a schedule for study on mercury under CAA § 112(n)(1)(B), and to promulgate standards for certain categories of sources under CAA § 112(d).	Parties to the consent order.

CONSENT ORDERS RESOLVING DEFENSIVE JUDICIAL LITIGATION BETWEEN EPA AND OTHER PARTIES—Continued

[January 1, 1989-March 31, 1999 [1]]

Case	Parties to consent order (other than EPA)	Allegations in complaint against EPA, including original statutory deadline	Description of consent order	Parties present in negotiations
Sierra Club v. *Browner,* No. 96–1680 (D.C. Cir.) ...	Sierra Club, National Wildlife Federation, and Chesapeake Bay Foundation.	Failure to submit report to Congress concerning atmospheric deposition to the Great Waters by statutory deadline of 11/15/93. CAA § 112(m)(5). Failure to promulgate regulations to prevent harmful atmospheric deposition to the Great Waters by statutory deadline of 11/15/95. CAA § 112(m)(6).	EPA agreed to a schedule for actions concerning atmospheric deposition to the Great Waters under CAA §§ 112(m)(5) and 112(m)(6).	Parties to the consent order.
Sierra Club v. *Browner,* No. 97–0675 (D.D.C.)	Sierra Club	Failure to submit report to Congress on residual risk by statutory deadline of 11/15/96. CAA § 112(f)(1). Failure to promulgate regulations for solid waste incinerators by statutory deadline of 11/15/94. CAA § 129(a)(1)(D).	EPA agreed to a schedule for report to Congress on residual risk under CAA § 112(f)(1), and promulgation of regulations for solid waste incinerators under CAA § 129(a)(1)(D).	Parties to the consent order.
Sierra Club v. *Browner,* No. 97–1984 PLF (D.D.C.)	Sierra Club	Failure to promulgate best available control regulations for emissions of volatile organic compounds (VOCs) from consumer and commercial products by statutory deadline of 3/15/97. CAA § 183(e)(3).	EPA agreed to a schedule for issuing rules on consumer/commercial products under CAA § 183(e).	Parties to the consent order (represented by Earth Justice).
Sierra Club v. *Browner,* No. 97–3004 (D.D.C.)	Sierra Club	Failure to submit report to Congress concerning the results of Phase II study of certain light-duty vehicles and trucks by statutory deadline of 6/1/97. CAA § 202(l)(2)(B).	EPA agreed to a schedule for Tier 2 study concerning light-duty vehicles and trucks under CAA § 202(l).	Parties to the consent order and American Automobile Manufacturers Association.

Sierra Club v. *EPA,* No. 94–0553; *Sierra Club* v. *EPA,* No. 94–0954 (D.D.C.)..	Sierra Club	Failure to take actions by statutory deadlines under a variety of different CAA provisions, including §§ 112(k)(2) (11/15/93), 603(d)(1) (11/15/93), 404 (11/15/93), 112(n)(1) (11/15/93), and 129(a) (11/15/93).	EPA agreed to a schedule for miscellaneous CAA actions.	Parties to the consent order.
Sierra Club v. *EPA,* No. 97–3888 (N.D.Cal.)	Sierra Club	Failure to act on submission of state implementation plan (SIP) by statutory deadline (12 months from complete SIP submission). CAA § 110(k).	EPA agreed to a schedule for action on SIP in San Francisco Bay Area under CAA § 110.	Parties to the consent order.
Sierra Club v. *Hankinson,* No. 1:94–CV–2501–MHS (N.D.Ga.).	Sierra Club, Georgia Environmental Organization, Inc., Coosa River Basin Initiative, Inc., Trout Unlimited, and Ogeechee River Valley Association, Inc.	Failure to establish total maximum daily loads (TMDLs) by statutory deadline (30 days after constructive submission of no TMDLs—7/79, as alleged by plaintiffs); failure to disapprove State's list of impaired waters; failure to establish a schedule for the submission of all TMDLs in Georgia. CWA § 303(d).	EPA agreed to a schedule for (1) the establishment of TMDLs for Georgia waters not meeting water quality standards by 2005 if Georgia does not do so.; (2) the evaluation of certain information relating to Georgia's CWA § 303(d) lists; and (3) making certain decisions regarding the content of Georgia's CWA § 303(d) lists.	Parties to the consent order.
Sierra Club v. *Hankinson,* No. 97–CV–3683 (N.D.Ga.).	Sierra Club	Failure to establish total maximum daily loads (TMDLs) by statutory deadline (30 days after alleged constructive submission of no TMDLs). CWA § 303(d)..	EPA agreed to establish TMDLs for all water quality limited segments on Mississippi's 1996 CWA § 303(d) list by 2009 if Mississippi does not do so.	Parties to the consent order.
State of Connecticut v. *Browner,* No. 98–1376 (S.D.N.Y.).	States of Connecticut, Massachusetts, Maine, Pennsylvania, New Hampshire, New York, Rhode Island, and Vermont.	Failure to act on petitions to make finding that major sources emit or would emit prohibited pollutants by statutory deadline (60 days plus time provided by CAA § 307(d)(10) extensions, approximately 12/98). CAA § 126.	EPA agreed to a schedule to act on petitions submitted under CAA § 126.	Parties to the consent order.
Tides Foundation v. *EPA,* No. 94–2663 (D.D.C.)	Tides Foundation	Failure to propose and promulgate by statutory deadlines (proposal—4/6/92; final—10/6/94) regulations governing military munitions which are hazardous wastes. RCRA § 3004(y).	Required EPA to promulgate regulations under RCRA § 3004(y) by February 1997 identifying when military munitions are hazardous wastes and establishing standards for their transportation and storage.	Parties to the consent order (represented by the Military Toxics Project).

CONSENT ORDERS RESOLVING DEFENSIVE JUDICIAL LITIGATION BETWEEN EPA AND OTHER PARTIES—Continued

[January 1, 1989-March 31, 1999 [1]]

Case	Parties to consent order (other than EPA)	Allegations in complaint against EPA, including original statutory deadline	Description of consent order	Parties present in negotiations
Ward v. *Browner,* No. Civ. 97–1418 PHX ROS (D.Ariz.).	LaVonda Ward and Carolyn Aspegren ...	Failure to promulgate determination of attainment or non-attainment areas by statutory deadline of 6 months after 11/15/96 attainment date (i.e., 5/15/97). CAA § 107(d)).	EPA agreed to a schedule regarding determination of attainment for ozone for the Phoenix, Arizona area.	Parties to the consent order.
Washingto n Legal Foundation v. *EPA,* No. 95–2396 (D.D.C.).	Washington Legal Foundation; Senators Craig and Nickles; Representatives Boehner, Barton, Livingston, Barr, Chenoweth, Klug, and Norwood.	Failure to submit reports to Congress on costs and benefits of CAA compliance by statutory deadlines (pre–1990 requirements—11/15/91; 1990 requirements—11/15/92). CAA § 312(d) and (e).	EPA agreed to a schedule to provide reports to Congress on costs and benefits under CAA § 312.	Parties to the consent order.
Waxman v. *Reilly,* No. 92–1320 (D.D.C.), *Sierra Club* v. *Reilly,* No. 92–1749 (D.D.C.).	Representative Waxman, Public Citizen, and Sierra Club.	Failure to take actions by statutory deadlines under a variety of different CAA provisions, including §§ 407(d) (5/15/92), 610(a) (11/15/91), 611(a) (5/15/92), 602(e) (11/15/91), 112(j) (5/15/92), 112(l)(2) (11/15/91), 129(a) (5/15/92), and 407(b)(1) (5/15/92).	EPA agreed to a schedule for miscellaneous actions under CAA Titles I, II, IV and VI.	Parties to the consent order.
Williams v. *Reilly,* No. 89–6265–E (D.Or.)	Kathy Williams, Citizens Interested In Bull Run, Inc., Frank Gearhart, Samuel E. Sargent, and Frances Price Cook.	Failure to promulgate regulations establishing permit application requirements for storm water discharges by statutory deadline of 2/4/89. CWA § 402(p)(4).	EPA agreed to issue final NPDES storm water (Phase I) application regulations by March, 1990 (later amended to October 31, 1990).	Parties to the consent order.
Williams v. *Reilly,* No. 90–6255–JO (D.Or.)	Kathy Williams, William Brewster, Ralph Frohwerk, and Georgia Bunn.	Failure to promulgate emission standards for hazardous air pollutants for source category by statutory deadline (4 years after the category is listed under CAA § 111(b)). CAA § 111.	EPA agreed to a schedule to issue regulations controlling air emissions from organic solvent cleaners under CAA § 112.	Parties to the consent order.

[1] Abbreviations: CAA—Clean Air Act; CWA—Clean Water Act; CERCLA—Comprehensive Environmental Response, Compensation and Liability Act (''Superfund''); TSCA—Toxic Substances Control Act; ESA—Endangered Species Act. Case numbers indicate the year in which the case was filed (e.g., a case with the number 92–1234 would have been filed in 1992).

Senator CRAIG. Would you give us an update on it?

Ms. BROWNER. On our consent decrees. Yes. Certainly.

Mr. Chairman, the vast majority of the consent decrees that we have entered into are the result of the fact that over the years EPA has missed congressionally mandated deadlines. Congress has said set a standard by X date. We miss it. We are then sued for missing it and we enter into a schedule for compliance.

I think what would be most helpful on these consent decrees, on the ones that we refer to as deadlines suits, we will also provide for you what the congressionally mandated deadline was and you will see how far off we are.

Senator CRAIG. We want a complete picture.

Senator BOND. Thank you, Madam Administrator. Senator Byrd.

NITROGEN OXIDE: STATE IMPLEMENTATION PLANS

Senator BYRD. Mr. Chairman, I have to leave shortly. Let me ask briefly a question or two with regard to the nitrogen oxide state implementation plans for 22 States in the eastern United States. Several States including West Virginia requested a 7-months stay in the deadline for the submission of state implementation plans under the NO_X SIP Call Rule to give them sufficient time to complete their regulatory processes for approval of the plans.

Since the Clean Air Act clearly contemplated the States receiving 18 months to develop and submit SIPS, why is the agency in such a hurry for the States to complete and file those SIPS?

Ms. BROWNER. There are a number of reasons. I am sure you are aware we are in litigation. The court has not yet set a briefing schedule but there has been a lawsuit filed. One of the issues that we are dealing with, just by way of example, is the fact that the Northeast states have asserted their rights under the Clean Air Act, section 126 petitions, which calls for specific reductions from specific facilities, and that is moving forward on a time frame laid out in the Act.

While we recognize their right to do that, we believe that the best way to address the ozone transport issue will not be ultimately through these petitions but rather through the SIP calls, that States will get a much better opportunity to make their own decisions in the SIP planning process than if we are forced into a situation of having to move forward with the States' petition.

Senator BYRD. Madam Administrator, I do not want to appear to be discourteous but I do have to leave. My question is not really being answered. Since the appeal of the NO_X SIP Call will likely be decided by early 2000, why not grant the States the stay in the deadline for SIP submission until after the court has acted?

Ms. BROWNER. There are a number of reasons. I tried to give you one reason, which is we have these other petitions pending that we think would limit your State's options and opportunities to make their own decisions.

We, also, have a group of States that have filed a lawsuit against us to move forward. We have existing court deadlines. When we look across all of the issues and the legal requirements and judicial requirements, we believe that a delay in the State Implementation Planning process is not beneficial and is not warranted.

Senator BYRD. Does it not make sense, though, Madam Administrator, to wait until the court has acted?

Ms. BROWNER. There are a lot of different court actions that are going to take place around this.

Senator BYRD. I did not say which court action I'm talking about——

Ms. BROWNER. But there are others, quite frankly, Senator, that I think your State would probably feel could ultimately tie their hands in making a set of State-specific decisions. We are trying to weed through this across all of the litigation and across all of the Clean Air requirements. It is not easy. These are difficult decisions.

There are tensions here, as you are well aware, between some of the other States and some of the Northeast states and some of the rights that can arise.

Senator BYRD. The electric utility industry in several States have raised concerns about the ability to comply with the very stringent NO_X reduction requirements in a very short time frame without threatening the reliability of the electrical supply in the affected and neighboring states. The North American Electric Reliability Council is preparing a comprehensive report to assess this issue. If it should determine that the compliance deadline imposes a certain threat to the reliability of electricity, will the EPA be willing to extend the compliance deadline to alleviate this problem?

Ms. BROWNER. We spent a great deal of time discussing with trade associations in various States this issue prior to——

Senator BYRD. Is the answer not yes or no to my question?

Ms. BROWNER. We did it in the SIP call. That is the answer.

Senator BYRD. Then the answer is yes?

Ms. BROWNER. Yes. We have done it in the SIP Call. We gave the state the right to move deadlines for individual facilities if they felt there would be an interruption in electrical service. Your State got that in the SIP call. In fact, your State was very vocal in arguing for that. We provided reliability and flexibility, what they wanted, 200,000 tons extra to the States for precisely this reason. It is in the SIP Call now.

Senator BYRD. Would you examine the cumulative effect of your regulations instead of looking at the EPA regulations on a case-by-case basis? States like West Virginia are suffering death by a thousand cuts instead of a single blow. Could you do that?

Ms. BROWNER. Yes. We are certainly willing to work with West Virginia to do that.

Senator BYRD. What did you say?

Ms. BROWNER. I said we would be more than happy to work with West Virginia to do that. Yes.

Senator BYRD. Mr. Chairman, I have some other questions. But, I take it, you will not be in session this afternoon.

Senator BOND. We hope to finish this up in time for lunch. I have a number of questions on the NO_X and SIP Call myself. There will be significant questions submitted for the record.

Senator BYRD. Very well. I'll submit mine for the record. Thank you, Madam Administrator.

Ms. BROWNER. Thank you.

Senator BOND. Thank you very much, Senator Byrd, for your participation, and my staff and I will look forward to working with your staff on a number of these issues you have raised.

Turning back to Senator Craig for questions.

SF: COEUR D'ALENE

Senator CRAIG. Thank you very much, Mr. Chairman.

Director Browner, another set of questions on a different issue, and some of them you may not be able to respond to now and we will submit them so that we can get a complete set of answers for the record.

As you know, in the north end of my State I have one of the largest Superfund sites geographically in the country, a 21-mile square Superfund site in the greater Coeur d'Alene Basin and it is what is known as the Silver Valley, an old lead and zinc and silver mining region of our State that has been gone now for well over a century.

We are extremely frustrated in the region by an inability to shape and to bring to some definitive conclusion where we go. As you know, some years ago a natural resource damages suit was filed by the Justice Department on behalf of Interior and Native Americans as it relates to the region and that has, of course, complicated the process. But I think the thing that frustrates all of us most is a concern that outside the 21-mile zone, we have seen EPA's presence in an ever-increasing way, as their scientists comb the region to try to find impacts outside the Superfund site.

In fact, there is great concern there that EPA might propose an expanded Superfund site that would be almost unbelievable regionally. Now in latter days there has been a backing away from that and I am very pleased about that. But what concerns me most is when we did deal with the remediation and investigation feasibility studies, we have seen lots of money spent and no gold nuggets found. Kootenai City, Idaho attracts worldwide recreation. EPA is out on the beaches and testing the water and implying, at least in the short term, that this may not be a safe area to be in, even though the beaches were found safe. Kids swim in the water. Fish promulgate in the water and Mother Nature is doing a reasonably good job of cleaning it up. I guess my question to you is how much money has been spent on RFI studies outside the existing Superfund sites? Do you have that figure?

Ms. BROWNER. There has not been a Superfund designation at this time. We are working, in fact, I had a meeting with your Governor just last week. Our regional administrator met with the Governor and we are fully committed to finding consensus on how to deal with any listings. But there is——

Senator CRAIG. That was not my question. My question was could you to date or could you provide to me the amount of money EPA has spent in these remedial investigation feasibility studies outside the site?

Ms. BROWNER. There is no site.

Senator CRAIG. No. EPA is all over the Coeur d'Alene area and the Spokane area.

Ms. BROWNER. Maybe we can provide the information for the entire State.

Senator CRAIG. No. I want it to be provided for the Coeur d'Alene Basin region. That spills across State boundaries into the Spokane valley. That would be extremely helpful. Do you know how much more is anticipated in relation to the scientific efforts going on and what that would be?

Ms. BROWNER. We will provide that for you. I do know that on April 22 there were two separate meetings held to discuss results of the ecological sampling. There are more meetings planned and we have indicated that we will adjust the time frames to incorporate the public participation.

[The information follows:]

COEUR D'ALENE BASIN

EPA estimates that as of May 2, 1999, approximately $10,200,000 in cost associated with work in the Basin, including the RI/FS and the costs associated with litigation. In addition, EPA has incurred $750,000 conducting residential and school soil removals outside of the existing 21 square mile Superfund site.

These costs are estimates and have not been reconciled by EPA finance personnel. All site costs are reconciled as part of the cost recovery process which occurs when the sites reach completion.

EPA estimates spending an additional $6.1 million in fiscal year 1999 and approximately $8.8 million in fiscal year 2000 to complete the RI/FS for the Basin. These costs are estimates; actual cost will be dependent upon factors that are unknown at this time, such as the nature and extent of contamination found, the need for treatability studies, and input from a large number of stakeholders involved in the Basin.

Senator CRAIG. In those time frames, how long do you think it will take EPA to finalize this? And it now looks like 2001 may be the case, with cost upwards to $17 million. Do we know that to be the case?

Ms. BROWNER. I do not know that to be the case. What I would like to do, if this would be helpful to you, is ask Chuck Clark who met with your Governor to actually call you and discuss the outcome of that meeting and the specific commitments in terms of how we will proceed.

Senator CRAIG. Carol, that region is very intent on getting cleaned up and getting this passed them. They have been intent on that for a decade. And I must say you have not been at the helm for EPA a decade but EPA has not been acting in a contributing manner toward timeliness. I would say in all credibility it has been getting better and we are going to put enough heat on you that it gets a lot better a lot quicker.

Ms. BROWNER. I think the intention on this side is to make sure that those areas that may need cleanup remediation, that we manage it in such a way that other areas are not affected. I think that has proven to be more difficult than anyone thought. The easy way to proceed and perhaps the way the Agency proceeded historically was to draw a big line around everything as opposed to just taking the isolated areas. I know that is what we all want.

Senator CRAIG. The U.S. Geological Survey has been there and we can tell you where the hot spots are. There have been major effort on the part of the States and the interested parties and they have probably done more for cleanup—Mother Nature is doing a pretty good job in cooperation with these hot spot cleanups and all that kind of thing. I think that is our frustration.

As you know, when EPA casts its net, it also creates a cloud and that cloud can impact economic activity and it can also impact the future opportunities in a region that is extremely beautiful. And if anyone drives there, they think it has got to be one of the beauty spots of the Western world. We say EPA is scouring on the beach to see if there is a problem and that is an impact that is very negative. That is why timeliness is important here.

Ms. BROWNER. Okay.

Senator CRAIG. I am pleased with your sensitivity to it. It is something that deserves to be dealt with in a timely fashion. I have a number of other questions and I will submit those for the record.

INFORMATION MANAGEMENT OFFICE

Senator BOND. Thank you very much for your questions and thank you for your participation on this subcommittee.

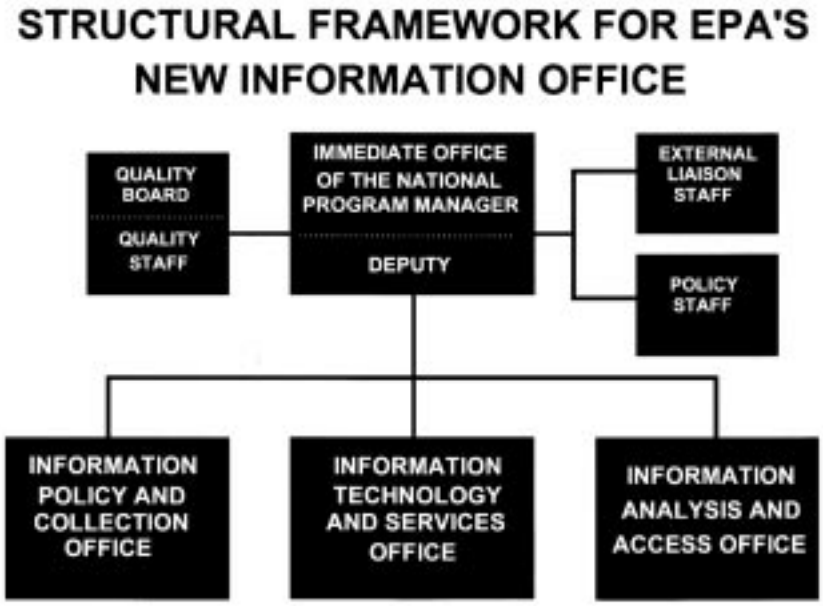
We have many, many very important areas and we are very grateful when the subcommittee members will take part and help us in pursuing the knowledge and the information that we need to craft a bill.

Let me turn now to a very exciting topic, one that always captures headlines. It is information management. And if everybody will bear with us. This is important.

The committee expressed last year the need for an office of information management. As you and I discussed yesterday, I would like to note for the record, when will this office be fully operational? When will we have someone in charge? Will this individual be fully accountable for the quality and integrity of all EPA data that is released?

Ms. BROWNER. By the end of summer it will be operational. And, yes, that person will be fully accountable. Per our discussion in your office earlier this week, we have provided an organizational chart.

[The information follows:]



Ms. BROWNER. I think what you will see that we are taking the issues of both collection, management, quality assurance and dissemination very, very seriously.

You see there is a quality board and quality staff that answer directly to——

Senator BOND. I guess, the question is you've got this person in the middle of it there.

Ms. BROWNER. On top.

Senator BOND. How is this person going to exercise the discipline over all of the different lines of authority within EPA?

Ms. BROWNER. Since the actual programs that collect the data are getting moved into this office, for example, a program that traditionally sat in the Office of Toxic Release Inventory is getting moved into this office and they will answer to this person.

Senator BOND. And you pointed out the move would not initially include all of them. But the most important ones that have multiprogram application would be moved in.

Ms. BROWNER. Correct.

Senator BOND. So they would actually be reporting to this national program manager, not the old division or department directly?

Ms. BROWNER. Correct.

Senator BOND. By the end of September this will be in operation. Have you developed the plan for how this office will operate, the goals and other objectives, the management priorities and what resources are needed? Do you have that information available?

Ms. BROWNER. Yes. We can provide that for the record. What we are doing is a broad outreach to parties who will make use of this office, to parties who will be responsible for providing information

to this office in terms of how to go into all of the details of creating this office.

We do have a general mission statement and a basic design premise that we have developed. We have been working to refine it with parties both inside the agency and outside the Agency such as industries, the states, and the public.

There is, for example, the data quality——

[The information follows:]

EPA'S NEW INFORMATION OFFICE

THE NEED FOR CHANGE

External Drivers

—Rapid Technology Development
—Greater Demand for Environmental Information
—Concerns about Data Quality and Security
—Concerns about Reporting Burden
—GPRA

Internal Responses

—REI Action Plan
—Data Quality Action Plan
—Center for Environmental Information and Statistics Strategies
—Goal 7 of EPA's Strategic Plan

DEVELOPMENTS TO DATE

Comprehensive Information Management Force.—recommends organization to oversee information management and policy (Aug–Sept 1998)

Information Working Group.—recommended a structural framework for the new Information Office (Oct–Dec 1998)

Information Transition and Organizational Planning.—established framework and early action projects, will launch new office this summer (Jan–Aug 1999)

WHO'S INVOLVED

Leadership Team

—David Gardiner
—Margaret Schneider
—Al Pesachowitz

ITOP

—Kathy Petruccelli, Director
—Temporary team of about 25 staff

Active Inreach and Outreach

—EPA programs and regions
—State partners
—Other external groups

OUR ASPIRATIONS

Vision.—a center of excellence that advances use of integrated multi-media information:

—as a strategic resource for decisionmakers, and
—to satisfy the publics right-to-know

Mission.—provide leadership in creating information policies and mechanisms that enable:

—efficiency,
—effectiveness,
—quality, and
—usability of information throughout EPA

OUR KEY GOALS

Provide:

—Information Integration
—Information Quality

—Burden Reduction
—Right-to-know
Through:
—A strong Leadership and Policy Framework
—Enhanced State Partnership
—Sound Information Infrastructure
For information-based decisionmaking by all.

PROGRAMS COMING INTO THE NEW OFFICE

OIRM
TRI
CEIS
EMPACT
EMMC
ECOS/EPA Envir. Info. Mgmt WG
One Stop Program
EPA QA Program
Regulatory Info. Div.
Surf Your Watershed
National Computer Center
LAN/e-mail
IRM ESC
Centralized Dockets
Spatial Data/MultiResolution Land Characterization

EARLY ACTION PROJECTS

New Projects

—Information Plan
—Public Access Policies
—Open Data Access

Important Work Underway

—REI
—Data Quality Action Plan
—Burden Reduction
—Enhanced Public Access
—Streamlining TRI Data Collection and Release
—Systems Modernization

KEY ISSUES

Cross-Agency Support
Collaborative Partnerships with States
"Respectful Use" of Information
Information Security
Balancing Burden Reduction and Data Gaps
Data Quality

BUDGET STATUS

Currently defining a process to identify functions and resources moving to the new Office while simultaneously defining roles, responsibilities and needs.

—Fiscal year 1999: Approximately 350–400 FTE; Approximately $45–55M extramural
—Fiscal year 2000: Internal adjustments via Operating Plan
—Fiscal year 2001: Develop needs through Goal 7 and 10 process

TIMELINE

April

—Resolve "gray areas" for inclusion in new Office
—Define new Office functions

May

—Design new Office substructure
—Develop process for selecting managers and staff

June

—Select managers
—Develop fiscal year 2001 budget

July

—Select staff

August

—Resolve all administrative, organizational, and logistical details

—Complete internal review of full reorganization proposal
—Complete Union review of reorganization
—Complete reorganization by Labor Day

MISSOURI LAWSUITS

Senator BOND. Because it is important, we want to make sure that you focus on that.

There are many other questions that we will be submitting for the record. But let me ask, the authority to file lawsuits is provided in many of our environmental statutes, especially clean air. Can you give me any reason that I can share with my Missouri constituents why Missouri has become such a particular focus for some of these lawsuits? What is it in Missouri that attracts lawsuits? There are some areas that attract tornadoes. What is about Missouri that attracts lawsuits?

Ms. BROWNER. The good news is we are all on the same side.

Senator BOND. Do you know what it is?

Ms. BROWNER. We will look at that. You do have one that has attracted a lot of attention. But there, I think, you and the Agency and the State are all of common mind. We think we did something very reasonable in terms of providing the State some relief that they sought and not affecting the public's air quality.

Unfortunately, there was an organization out there who did not agree with us. We are in lockstep with the State in defending against the lawsuit.

[The information follows:]

AIR QUALITY LAWSUITS: MISSOURI

Missouri has been the subject of Clean Air Act litigation for a few reasons. First, EPA did not meet the statute's requirements for the Agency to determine whether the St. Louis moderate ozone nonattainment area had attained the 1-hour ozone standard by the area's attainment date and, if the area had not, to reclassify it from moderate status to a serious or higher classification under the Act's provisions for implementing the 1-hour standard. In addition, the plaintiffs allege that EPA has failed to meet a duty to promulgate federal implementation plans for the St. Louis area due to the lack of approved state implementation plan provisions satisfying various Clean Air Act requirements. It should be noted that this litigation also affects Illinois since the St. Louis ozone nonattainment area includes a portion of Illinois, as well as Missouri. Moreover, other states have been the subject of similar litigation (e.g., Phoenix, Arizona was the subject of litigation concerning EPA's failure to determine whether it had attained the 1-hour ozone standard and various cities in the east such as Baltimore, Philadelphia and New York have been the subject of litigation concerning EPA's alleged failure to promulgate federal implementation plans).

Other citizen suits have been brought against EPA which affect Missouri's environmental programs. For example, there are two pending lawsuits in which the plaintiffs are seeking a court order to require EPA to develop total maximum daily loads (TMDLs) for waters in Missouri. *American Canoe Association* v. *EPA*, No. 98–1195 (W.D. Mo.) and *Missouri Soybean Association* v. *EPA*, No. 98–4282 CV–C–5 (W.D. Mo.). However, lawsuits of this nature are not unusual. For example, citizens groups have filed TMDL lawsuits similar to the one in Missouri in 28 states.

Senator BOND. Madam Administrator, we are going to move on. Let me close. This is going to be Senator Craig's—he said he needed an opportunity to ask a question. I would say, just to follow up on that, Missouri is not in compliance yet. Is that one of the reasons there is a lawsuit? Are we on the way? Is this a problem?

Ms. BROWNER. We have enjoyed a very good relationship with your Governor and others in your State in addressing difficult air pollution challenges. We appreciate their creativity and willingness

to work with us. You have a plan and are moving forward. We will go and look at how many lawsuits have been filed around Missouri. There are probably many more in my home state of Florida.

COMPLIANCE ASSISTANCE ACTIVITIES

Senator BOND. I would note that EPA is only requesting $19 million for compliance assistance activities, a reduction. But in your budget you state that you think the States will assume the majority of the work.

I question whether it would be wasteful for 50 States to develop compliance tools, and EPA has indicated how successful those programs are, and we would like to have for the record your assessment of the effectiveness of these programs.

Ms. BROWNER. Within compliance, there are a number of different programs. The nine compliance centers we think, have been hugely successful. We are not cutting those. There are some nonagency training programs that we have not sought funding for.

Senator BOND. We were just looking at the compliance assistance and grants line. My staff will get back to you on that.

[The information follows:]

COMPLIANCE ASSISTANCE: EFFECTIVENESS OF PROGRAMS

EPA's role has been and continues to be to develop and distribute compliance assistance information and tools for business and industry. As the primary providers of direct assistance to the regulated community, states and localities and other compliance assistance providers use or adapt EPA compliance assistance materials to reflect specific state or local requirements. We believe this relationship has been very successful in improving the regulated community's awareness and understanding of its environmental obligations. We intend to expand these outreach efforts by working more closely with compliance assistance providers, especially with state and local governments.

Participants at our recent conferences on EPA's compliance programs confirmed the value of EPA's compliance assistance tools and materials and urged us to continue developing general compliance assistance tools that are widely applicable and that are made widely available through the Internet, toll-free hot lines and other appropriate channels. We also heard strong support for the view that states are the first-line, on-site purveyors of compliance assistance. EPA continues to work with the states and other assistance providers to develop a strong network to exchange information and tools and minimize duplicate services.

We believe that our compliance assistance tools have increased the regulated community's understanding of environmental requirements. For example, working with industry associations and other organizations, we have set up nine Compliance Assistance Centers through Internet web sites, toll-free telephone lines, and fax mail, each directed toward a specific industry or government sector. During 1998, the five existing Compliance Assistance Centers logged over 190,000 user sessions and responded to over 3,600 toll free phone calls and questions via e-mail. In addition to the Centers usage, EPA Regional offices in fiscal year 1998 collectively reached almost 250,000 regulated entities through compliance assistance outreach mechanisms including telephone hotlines, workshops and training sessions, on-site visits and compliance assistance tools. Notable examples of these tools include the 28 sector notebooks, which are industry sector profiles containing information on the overall compliance history, applicable federal requirements, industrial processes, pollutants generated, pollution prevention approaches, and cooperative programs designed to improve the environmental performance of the industry. Since 1995, over 300,000 copies have been distributed in printed and electronic form. Moreover, eighteen plain language guides and several compliance checklists have been prepared for selected sectors, including the food processors, paints and coatings, and automotive sectors.

In addition to the development of compliance assistance materials, EPA regions and states have undertaken sector-based compliance assistance projects in partnership with industry. For example, EPA, Virginia, Maryland, the District of Columbia, and the Korean Dry Cleaners Association of Greater Washington developed a men-

toring program where experienced dry cleaners trained by EPA and the states helped less-sophisticated dry cleaners understand and comply with environmental requirements. The compliance rate of participants was estimated to be 20 percent higher than other area dry cleaners. EPA will continue these types of partnerships to increase environmental compliance.

ADDITIONAL COMMITTEE QUESTIONS

Senator BOND. Thank you very much, Madam Administrator.

[The following questions were not asked at the hearing, but were submitted to the Agency for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR BOND

GRANTS OVERSIGHT OF ASSISTANCE AGREEMENT: POST AWARD MANAGEMENT

Question. How would these reviews enable EP grants management staff to ensure individual grant recipients did not charge the Federal government unallowable costs such as litigation expenses?

Answer. The main purpose of post-award management review is to provide a general overall evaluation and discussion of the recipient's financial, procurement, property management, and general and administrative systems. To ensure the grantees system are working, we do some transactional testing on a select sample basis, looking for unallowable costs such as litigation and other expenses.

However, these are not audits, because only the Office of the Inspector General (OIG or IG) or Certified Public Accountant (CPA) can perform audits. Post Award Management reviews are limited in scope and range from 1.5 to three days on-site.

Question. Do the monitoring strategies required under the Tier I Baseline Monitoring component of the Policy enable EPA grants management staff to ensure individual grant recipients did not charge the Federal government unallowable costs such as litigation expenses?

Answer. Tier I monitoring is geared toward proactive and preventive monitoring, such as continual contact and communication with the project officers and recipients to ensure the grants are progressing satisfactorily and to respond to any problems or concerns. If the recipient or project officer has a concern or question about allowability of any activity or purchase under the grant, the Grants Management staff will address those questions in accordance with the grant agreement and administrative rules and regulations, or as necessary, obtain or provide the appropriate guidance or direction.

Question. How many financial audits did grants management staff perform on non-construction grants to non-profits (grants) in fiscal year 1999 to enure individual grant recipients did not charge the Federal government unallowable cost such as litigation expenses? What percentage does this represent of the fiscal year 1999 total number of grants?

Answer. Financial audits are audits performed by staff in the OIG or by CPA firms under either the Single Audit Act or the IG Act. Grant staff are not permitted to perform financial audits. However, we do perform post-award management review monitoring and other grantee outreach activities as noted in response #1.

During fiscal year 1999, grants management staff performed 638 outreach activities to recipient type organizations through training and outreach, technical assistance onsite reviews, evaluative on-site reviews (e.g. general evaluation of grantee financial management systems, cost sharing, source documentation, subawards, property management, travel, payroll, and cost allocability and allowability), etc. This represents approximately 16 percent of the fiscal year 1999 total number of active awards. However, with emphasis on Post Award, the percentage is 6.2 percent of total active awards.

Moreover, to date in fiscal year 1999, we have performed Post Award Outreach (including Evaluative and Technical Assistance on-site visits, desk reviews, and management assistance forums) at approximately 16.5 percent of our "recipient organizations". This percentage does not include Pre-award workshops, training, and outreach.

Question. Did any of these financial audits obtain general ledger—summary of transactions, transaction details, originating documents or other materials to ensure individual grant recipients did not charge the Federal government unallowable costs such as litigation expense?

Answer. Again, we do not perform financial audits. However, our post award management reviews frequently involve a review of the general and or subsidiary ledgers from which to judgementally select samples for transaction testing purposes.

Within the tests of transactions we obtained supporting details through supporting documentation, discussions, and observations. We also, performed traces to originating documents looking at original authorizing signatures, approval dates, and need for the transaction. During each visit the four major areas (i.e., financial, procurement, property management, and general and administrative) are addressed, however, the detailed focus of our review may vary to some degree based upon identified problem areas.

Question. As of April 29, 1999, how many of EPA's Grants Management Offices (GMOs) have fully implemented the policy and which GMOs have not, if any?

Answer. As of April 29, 1999, all Grants Management Offices (GMOs) have begun to implement the Post Award policy. With the exception of one GMO, these offices are complete or nearly complete in their implementation of the policy. The GMO in Region X will benefit from a national conference this month when officials and representatives from each GMO will discuss the policy's implementation in each of their regions and Headquarters. While we are happy to report that most of our offices are at or near full implementation, the facet of 'full implementation' extends out to December, 1999 in accordance with the Post Award policy.

Question. How many GMOs have developed a Monitoring Plan to monitor their post-award management activities and which GMOs have not, if any?

Answer. All but two GMOs have developed a Post Award Monitoring Plan. The GMO in Region VII is well underway in implementing the Post Award Monitoring policy but is in the midst of completing its Monitoring Plan. Region X will develop a plan in June, 1999.

GRANTS: OVERSIGHT OF ASSISTANCE AGREEMENT—MATERIAL WEAKNESSES CORRECTION

Question. When the Administrator first declared oversight of assistance agreements a Material Weakness in 1996 under the Federal Managers' Financial Integrity Act, the Agency targeted 1998 as the target correction date for this Weakness. The Agency has pushed back on the correction date by an additional year in each successive Integrity Act Report and the correction date is now 2000. What is the reason for these multiple extensions of the correction deadline?

Answer. The Agency did consider moving up this target date since the closeout of non construction grants was progressing satisfactorily. However, Agency decision makers wanted to ensure that all programs and Regions had developed post award plans prior to eliminating this as a material weakness. Post Award Plans are being developed and implemented, and the Agency has closed out 95 percent of its original non construction grant backlog.

Question. A major corrective action milestone to address EPA's grants management material weakness calls for the issuance of a policy on Project Officer roles with emphasis on post award administration. The original target date for completion of this milestone was December 1997, the current target date is December 1998 and yet the fiscal year 1998 Integrity Act Report states the Agency has not completed this milestone. What is the reason for delay in completing this milestone and when will the Agency achieve this milestone?

Answer. The Grants Office has worked closely with the program offices and regions to develop the policy for post award management by Headquarters and Regional Offices; the policy was signed on April 5, 1999. The final policy is a companion to the Grant Management Officer's post award policy. It requires each headquarters and regional office to develop and implement a post award plan. It will ensure management accountability and allows offices to tailor their post award efforts to their particular grant programs and grantees. The Plans will be reviewed by the Office of Grants and Debarment and will ensure coordination between grants specialists and project officers. The final policy is broader than originally envisioned and will support better grants management in the Agency.

Question. The Agency, as part of its strategy to address its material weakness in grants management, conducted a study to realign the Grants Operations Branch to allow more time for post award administration. The Agency set December 1998 as the target date to implement the recommendations from the realignment study and yet the Agency states in the fiscal year 1998 Integrity Act Report that EPA has not accomplished this milestone. What are the recommendations and what progress has EPA made in implementing these recommendations?

Answer. The Grants Operations Branch realignment study resulted in various recommendations to allow more time for post-award administration. These recommendations addressed issues such as automation improvement, workload distribution, and staff training. Each of the recommendations under this study have been considered and were implemented, as feasible. The remaining recommendations are automation-related. The automation-related recommendations have been

incorporated into the development of the Integrated Grants Management System (IGMS) which will eventually automate the programmatic and administrative grant process from guidance development, application, negotiations, award to closeout.

The implementation of these recommendations has allowed the headquarters staff more time for conducting post-award administration activities such as baseline monitoring activities, site visits, and other outreach activities.

Question. The Agency has requested each Region and program office conduct Management Effectiveness Reviews (MERs) concerning oversight of assistance agreements. What will these reviews enable the Agency to determine and will they enable EPA grants officers to ensure individual grant recipients are not charging the Federal government unallowable costs such as litigation expenses? If so, how many MERs did the Agency conduct in fiscal year 1999 and how many does EPA expect to conduct in fiscal year 2000?

Answer. The Office of Grants and Debarment (OGD) is the national program manager for grants management in the Agency. Management Effectiveness Reviews (MER) are self-assessments by each Agency office and Region on how they manage their grant programs. OGD develops protocols, provides guidance, ensures the MERs are completed and corrective actions are conducted by program and regional offices. In addition, OGD consolidates the results of the MERs and works with all of the regions and program offices to identify needed training, policies, etc. These results are considered and incorporated in the final assurance letter to Congress.

MERs are conducted every two years by the offices. OGD works with the program and regional offices on a regular basis to ensure progress is being made on corrective actions identified during the MER.. Since these reviews focus on internal systems, the review of unallowable costs by a particular grantee would not be part of the MER process. As part of the fiscal year 1999 MER, program and regional offices are being asked to evaluate the effectiveness of their post award management plans and implementation.

During fiscal year 1999, the Agency will complete 22 MERs. The MERs are conducted every two years. OGD ensures program and regional offices address corrective actions. The next round will occur in fiscal year 2001.

The Agency will use the Management Oversight Reviews (MORs) to measure the results of its progress to eliminate the grants management material weakness. What will these reviews enable the Agency to determine and will they enable EPA grants officers to ensure individual grant recipients are not charging the Federal government unallowable costs such as litigation expenses? If so, how? How many MORs did the Agency conduct in fiscal year 1999 and how many does EPA expect to conduct in fiscal year 2000?

OGD is the national program manager for grants management. In assuring the quality of these operations nationwide, OGD conducts oversight reviews (MOR) of its GMOs regularly. The MORs are part of the Office's quality assurance function and include a rigorous review of how the grants office operate. The MOR protocols review compliance with EPA statutes, grant regulations and policies. A select number of grant files are reviewed to ensure quality in the GMO's review and award of grants. Categories of cost are identified during the pre-award phase as part of the applicant's budget. The review team searches these documents and ensures GMO staff are performing satisfactory reviews of the applicants' budgets. (Expenditure reports from the recipient to EPA such as financial status reports merely identify aggregated expenditures in accordance with Federal regulations.) Specific concerns unique to the particular GMO are addressed during the MOR.

Each MOR Team is comprised of four individuals including Headquarters Policy staff as the lead and grant specialists from Headquarters and other regional GMO staff. The MOR team also interviews regional program office staff about grants management in the region.

We performed three MORs during fiscal year 1999, and we anticipate performing three in fiscal year 2000. We plan to perform three each year so each GMO is reviewed every three to four years.

Question. A 1995 Inspector General audit examining recurring problems in EPA grants management found EPA project officers and grant specialists did not review Financial Status Reports (FSR) and many grant files did not contain FSRs. Do FSRs enable EPA grants officers to ensure individual grant recipients are not charging the Federal government unallowable costs such as litigation expenses? If so, how? For what percentage of grants in fiscal year 1999 did EPA project officers and grants specialist review FSRs and how does EPA know and measure this fact?

Answer. Financial Status Reports (FSR), standardized government-wide forms, identify expenditures in aggregated amounts. There is no break-out of costs or expenditures by category type, nor is there a break down by product, item, or service purchased. Therefore, EPA staff cannot use FSRs to identify unallowable costs. Gov-

ernment-wide regulations prohibit requesting detailed financial information beyond what is authorized in OMB circulars.

Through May 1999, EPA has reviewed and approved a minimum of 3,400 final Financial Status Reports. The approval of these reports was necessary to the closeout of these grants. These reviews are documented in the Agency's grant closeout process and reported in the Grants Information Control System.

Government-wide OMB circulars provide the option of utilizing 'Reports of Federal Cash Transactions' or 'Requests for Advance or Reimbursement' if it is determined this information provides more timely financial information than an interim FSR. EPA requires these reports on a quarterly basis for all grantees who receive electronic payments (approximately 85 percent of all non construction grantees).

Other mechanisms are available to monitor the financial status of a grant project. Project officers and grant specialists can monitor the amount drawn down under the grant from the Agency's financial system. Monitoring drawdowns from the financial management system during the life of the grants ensures more timely stewardship of federal funds.

Question. The same IG audit found EPA was not obtaining single audit reports from grant recipients. What information does the single audit reports provide EPA project officers and grant specialists? Does the financial statement audit enable EPA grants officers to ensure individual grant recipients are not charging the Federal government unallowable costs such as litigation expenses? If so, how? For what percentage of grants in fiscal year 1999 did EPA project officers and grants specialists obtain and review FSRs and how does EPA know and measure this fact?

Answer. Under single audit there is a concept of major and non-major programs. For a major program, the auditor provides an opinion on compliance with Federal laws, regulations and provisions of contracts or grant agreements that may have a direct and material effect on each major program.

The single audit provides no specific audit coverage of non-major programs. Major programs are selected at each individual grantee using a risk-based approach. Using the risk-based approach, an auditor looks at not only the dollar value of a program, but also the risk that a grantee has not complied with program requirements, based on current and prior audit experience, the extent of federal agency and pass-through entity oversight, and any inherent risk of non-compliance in a federal program.

Question. For what percentage of grants do EPA project officers and grants specialists review FSRs and how does EPA know and measure this fact?

Answer. EPA staff review FSRs as they are received. This fact is monitored in EPA's Grants Information and Control System (GICS). The date of final FSR receipt is recorded in GICS. The final FSR is one of several items required to close out a grant. The GICS will be updated to reflect the date the grant is actually closed. While this measurement is combined with other actions required for grant closeout, EPA knows from this data that the FSRs are being reviewed and approved. EPA has closed out 95 percent of its awards.

GRANTS: OVERSIGHT OF ASSISTANCE AGREEMENTS—POST AWARD MANAGEMENT

Question. EPA's fiscal year 2000 Annual Performance Plan includes a single performance goal for Grants Management. The two parts of that goal consist of eliminating the closeout backlog for non-construction grants and increasing the number of Grants Management Offices awarding grants through the Integrated Grants Management System.

How does eliminating the closeout backlog for non-construction grants address the oversight concerns of thoroughly reviewing grant applications, performing site visits, reviewing project status reports, obtaining single audit reports, providing final project certifications, or enabling EPA grants officers to ensure individual recipients are not charging the Federal government unallowable costs such as litigation expenses?

How will "utilizing electronic commerce to fully automate the assistance process from cradle to grave," as hoped for in the fiscal year 2000 Annual Performance Plan, address the oversight concerns of thoroughly reviewing grant applications, performing site visits, reviewing project status reports, obtaining single audit reports, providing final project certifications or enabling EPA grants officers to ensure individual grant recipients are not charging the Federal government unallowable costs such as litigation expenses?

Answer. Several years ago, the Agency began efforts on a major reinvention effort—the Integrated Grants Management System. This is programmatic and administrative electronic grant system. We are currently piloting the initial stages of the system with five pilot regions and states. This system will give the Agency the framework to track and document all of our work in the areas of pre-application,

award, post award and closeout. The system will ensure greater consistency and standardization nationwide and will enhance communication with grantees and across EPA. The system will have links to other intergovernmental systems such as the Single Audit Clearinghouse. In addition, project officers and grant specialists will be able to monitor requirements of the grant, receive copies of reports from the grantee and document site visits.

The Agency has made significant progress in addressing their non construction grant closeout backlog. Closeout policies have been reviewed and updated; all grants management offices have developed strategies to identify barriers to closeout and how they are addressing those barriers. As a result, as of the end of May, the Agency had closed 95 percent of its original closeout backlog. In addition, the Agency is piloting automation tools so that project officers and grant specialists can speed up closeout of grants. To closeout a grant, the Agency must review and approve the final Financial Status Report, all dollars on the grant are either deobligated or expended by the grantee, and all deliverables are certified complete by the project officer.

EPA also continues to participate with other federal agencies on US E grants and Federal Commons. The Agency believes that all of these systems will help us to save time on processing so that we can focus our efforts on the monitoring of grants and grantees.

The Agency has taken numerous actions which addresses the oversight and monitoring concerns related to grants management. The Agency has strengthened the training provided to program office staff, placing greater emphasis on post award management, and has implemented a refresher course which addresses new grants management issues. EPA also provides information on its website and automating tools which enhances post award monitoring. The website also provides information on Grants policies and procedures. The Agency has also increased the training provided to our Grants Specialist. Examples of the type of training received by the Agency's Grants Specialist includes: post award monitoring activities, fraud awareness, OMB Cost Principles, cost analysis, and Appropriation Law training.

In addition to training, the Agency is conducting various post award monitoring activities of grant recipients which include on-site evaluative visits, on-site technical assistance, technical assistance conferences and workshops, and desk reviews. On a biennial basis, all regional and headquarters program offices conduct a management effectiveness review of their assistance activities to identify potential vulnerabilities and areas for improvements.

Question. The fiscal year 2000 Annual Performance Plan states the Agency included $8,568,800 for the Grants Management Key Program in its fiscal year 1999 Enacted Operating Plan and $9,679,900 in the fiscal year 1999 President's Budget request. What level of resources did the Agency devote to this Key Program or equivalent set of activities in its fiscal year 1998 Enacted Operating Plan?

Answer. The total dollars for the Office of Grants and Debarment in fiscal year 1998 was $7.5 million.

Question. How many financial auditors were employed by EPA grants organizations (excluding the IG) in fiscal year 1999?

Answer. Financial auditors (GS–511) within EPA are employed primarily by EPA's Office of the Inspector General.

Question. How must a non-profit group document its non-profit status before obtaining a grant from EPA?

Answer. A non-profit group documents its non-profit status by indicating its status in block #7 of its signed application form (SF–424). The grants management staff also checks the Cumulative List of Organizations (described in Section 170(c) of the Internal Revenue Code) known as "the Blue Book" and Supplement. If the applicant organization is listed in these documents, EPA may award the organization a grant. If the applicant organization is not listed in the Blue Book, the Grant Specialist will contact the recipient for further information and necessary documentation. If it is determined the organization is a non-profit organized under 401(c)(4), the Agency will not make the award. The Grants Specialist also checks the application for the organization's Anti-Lobbying certifications which will also indicate the organization's status. The Lobbying Certifications will indicate whether the organization lobbies, and if so, certify that lobbying is not paid for with Federal funds.

EPA REVIEW OF TRANSPORTATION PROJECTS

Question. In a speech delivered in February to a group of developers in Boston, Region I Regional Administrator John DeVillars noted the Agency's 'unwavering commitment to use the full force of environmental law to oppose or seek modifica-

tion of those projects which—by their very nature—contribute to sprawl.' Was DeVillars speaking for the Agency when he described this 'unwavering commitment'?

Answer. Mr. DeVillars' comments reflect the Agency's commitment to address one of the most serious environmental issues this country is facing: the deterioration of air and water quality caused by traffic growth and nonpoint source pollution. Using the authorities and funding that Congress has provided to EPA and the states, we have made significant improvements in air and water quality that are attributable to controls on point sources of pollution; however, total increases in vehicle miles traveled and nonpoint source water pollution are threatening to undermine this progress. For example, we are driving our cars almost 60 percent more than in 1980 and although car emissions have gotten cleaner, EPA estimates that the pollutants emitted by this increase in driving will, in 10 to 12 years, reduce the gains we have made in recent years in reducing air pollution, unless technology keeps pace. EPA does not have—nor ever will—the authority to control the number of vehicle miles traveled in this country. But EPA is committed to working in partnership with the Department of Transportation and others to offer people transportation choices that are less polluting, in order to meet our Congressional mandates to protect the quality of our air and water. Similarly, over half of our water pollution nationwide is now due to nonpoint sources, such as runoff from roadways and parking lots. As Mr. DeVillars stated, EPA will use existing regulatory authorities in the Clean Air Act, Clean Water Act, and National Environmental Policy Act to carry out our statutory obligations to ensure that projects are designed in such a way as to minimize adverse environmental effects of sprawling patterns of development. Finally, EPA also will work to ensure that none of our programs or policies are inadvertently encouraging sprawl or the decay of our urban centers.

Question. Which transportation projects has EPA opposed in the last five years?

Answer. One of the authorities that EPA uses to review transportation projects is Section 309 of the Clean Air Act. Under this section, EPA has the responsibility to comment on the potential impacts of federal actions to public health or welfare, or environmental quality. One of the significant ways in which EPA carries out that responsibility is to review and comment on Environmental Impact Statements (EIS) published by the other federal agencies in accordance with the National Environmental Policy Act (NEPA). In order to carry out EPA's responsibility in a consistent manner, EPA developed and uses a rating system to rate draft and draft supplemental EIS. This system rates a document both on its potential impacts as well as the adequacy of the documentation itself. The adequacy of the document is reviewed to see if the agency disclosed all significant potential environmental impacts to the public and the decision-maker well enough to make an informed decision. With the exception of extraordinary circumstances, EPA limits its ability to refer proposed actions to the Council on Environmental Quality (CEQ), the agency which oversees implementation of the NEPA, to EISs which have received the most stringent EPA ratings of either environmentally unsatisfactory or inadequate information or both.

For illustrative purposes, EPA examined its tracking data for the previous 5 calendar years (1994 through 1998) for Federal Highway Administration draft and supplemental draft EISs. The FHWA EISs represent the majority of all transportation projects reviewed by the EPA. During the years 1994–1998, EPA staff reviewed a total of 252 draft or supplemental draft environmental impact statements for proposed highway projects. Of those 252, EPA rated 2 as environmentally unsatisfactory because the Agency believed the environmental impacts were of sufficient magnitude that the project should not proceed as proposed and 4 as inadequate for not presenting enough information so the reviewer could assess the significance of the potential environmental impacts of the proposed action or EPA had identified reasonably available alternatives not discussed in the document. All 6 await final FHWA determination. EPA has not referred any FHWA project to the CEQ during this time period. Below is a list of the 6 projects mentioned above:

—Southeastern Expressway Improvements, Chesapeake and Virginia Beach, VA
—CA–125 South Route Location, San Diego County, CA
—Inter-County Connector Improvement, Montgomery and Prince Georges Counties, MD
—I–880/CA–92 Interchange Reconstruction, Alameda County, CA
—Cross-Base Highway Project, Pierce County, Washington
—San Francisco-Oakland Bay Bridge, San Francisco and Alameda Counties, CA

Question. Which transportation projects have EPA grants recipients opposed in the last five years?

Answer. The Agency does not have a data base which contains information on the positions taken by EPA grantees on transportation projects. The Agency does not administer a grant program designed to oppose transportation projects, nor does it

award grants for costs incurred for lobbying and filing claims against the U.S. Government. These costs are unallowable under OMB Circulars relating to grants. Additionally, Section 409 of EPA's fiscal year 1999 Appropriation Act provides that grant funds may not be used to pay the expenses of, or otherwise compensate, non-federal parties to intervene in Federal regulatory or adjudicatory proceedings. EPA monitors the activities of grantees to fulfill the Agency's fiduciary responsibility to ensure that the funds it grants to recipients are used for the purposes outlined in the grant award. However, EPA does not keep track of activities grantees carry out with their own funds.

Question. DeVillars credited EPA for stopping construction of the Nashua Circumferential Highway in New Hampshire.

Answer. The Nashua Circumferential Highway was a proposed 12-mile-long expressway around the City of Nashua, New Hampshire. Because of the proposed highway's significant adverse impacts to exceptionally valuable wetlands, wildlife habitat, and water quality, EPA exercised its authority under the Clean Water Act to prevent construction of the southern segment of the project, and advocated a so-called partial build solution entailing construction of up to 7.5 miles of the northern portion of the road. The partial-build option will achieve 85 percent of the transportation benefits of the full-build, at less than half the environmental cost and at half the capital cost. EPA's action was supported by the City of Nashua and the three other affected towns, and the Governor. The New Hampshire Department of Transportation is currently developing plans to proceed with the partial-build highway.

Question. Is it policy of EPA to stop transportation projects? What tools does EPA use to stop transportation projects?

Answer. It is not the policy of EPA to stop transportation projects. We do, however, use our statutory authority to ensure that projects are designed and built in a manner that minimizes adverse impacts to the environment.

NPDES PERMITTING PROGRAM FUNDING

Question. As of March 1998, EPA had not re-issued 38 percent of permits for major facilities and 76 percent of permits for minor facilities. This led to the Administrator declaring NPDES permit backlogs as a new Material Weakness under FMFIA. Why does the fiscal year 2000 Annual Performance Plan include only a 1.5 percent increase for the NPDES Permitting activity in the Regions? Are these resources sufficient to address this problem? The Agency received a 2.6 percent increase from Congress for its Environmental Programs and Management (EPM) operating budget in fiscal year 1999 and yet EPA cut the Headquarters NPDES Permitting activity over 24 percent from fiscal year 1998 to fiscal year 1999 enacted levels. Why did the Agency, knowing in the Spring of 1998 that NPDES permitting backlogs were a candidate for material weakness, make this cut?

Answer. EPA increased the Regional NPDES budget by 23 percent and the Headquarters NPDES budget by 45 percent in the fiscal year 2000 President's Budget. A portion of this increase allows for a multi-pronged approach to eliminating backlog in delegated and non-delegated States, including (1) direct permit issuance assistance to several Regions and States; (2) broader use of tools developed in some Regions and States such as general permits, electronic permit programs, and streamlined procedures to expedite issuance; and (3) the development of strategies in partnership with States for eliminating backlog while maintaining high permit quality. As we implement these initiatives, we hope to better assess the sufficiency of available resources to eliminate the backlog. EPA does not currently have a complete picture of the resource needs at the State level, but will develop a better understanding through an ongoing resource gap analysis (to be completed Fall 1999) and by partnering with high backlog States to develop specific State strategies for eliminating backlog. In terms of fiscal year 1999, while the Headquarters permitting activity was reduced from fiscal year 1998 Enacted levels, total NPDES permitting resources (including Regional resources where the bulk of the permitting effort is located) rose over 20 percent from fiscal year 1998 Enacted levels. It should be noted that the headquarters cut was consistent with the overall extramural reduction taken across the water program as a result of the EPM general reduction.

Question. The backlog in EPA issued Major NPDES permits has tripled over the last 10 years and the NPDES permit universe will expand in the storm water and concentrated animal feeding operation areas. The fiscal year 1998 Integrity Act Report stated that without timely permit re-issuance, necessary improvements in water quality will not occur. How does the timely re-issuance of NPDES permits improve water quality.

Answer. NPDES permits establish specific, enforceable pollutant discharge targets that must be achieved by the permittee to ensure that water quality is protected

and that technology goals are achieved. If the permit is current and properly drafted, it should reflect all current and applicable water quality and technology goals. If the permittee complies with all of its permit conditions, the environment should be protected.

If, however, the current permit-holder has submitted a timely and complete permit application for renewal of its permit, and the permitting authority fails to issue a new permit prior to the expiration date, the expired permit will generally be administratively continued, allowing the conditions and requirements to remain in effect until the new permit is issued. Federal regulations permit administrative continuances under these circumstances for federally-issued permits, as do most states. States and EPA remain able to take enforcement actions against violations of these "administratively continued" permits. In many cases, EPA or the state would reissue the same permit levels, in which case, the backlog of these permits poses no threat to the environment. In other cases, a new or revised effluent guideline, water quality standard or TMDL would cause the permitting agency to revise the permit levels. In these cases, the "administratively continued" permits are less protective of the environment.

SAFETY OF FOOD FUNDING

Question. The fiscal year 2000 Annual Performance Plan includes a substantial funding increase to meet the Agency Objective of Reducing Use on Food of Pesticides Not Meeting (Food Safety) Standards. The reason this large increase is needed in part, however, is because EPA cut this program itself in the fiscal year 1999 Enacted Operating Plan. Why, when Congress gave EPA a 2.6 percent increase from fiscal year 1998 to fiscal year 1999 enacted levels for Environmental Programs and Management, did the Agency cut efforts to reduce use on food of pesticides not meeting standards by over 16 percent from fiscal year 1998 to fiscal year 1999?

Answer. While the Agency did receive a small increase in the Environmental Program Management (EPM) appropriation, this increase was offset by the combined effect of Cost Of Living Adjustments (COLAs) for staff, increases in rent and other infrastructure costs, and by congressional set-asides. These factors contributed to reductions in numerous Agency programs, including several priority areas such as the Agency Objective of Reducing Use on Food of Pesticides Not Meeting (Food Safety) Standards.

Question. In general, are the health risks to adults and children from current pesticides which need to be reregistered to meet new statutory food safety standards relatively greater than the risks posed by new pesticides?

Answer. Many older chemicals have risk profiles that are not of concern, however, a significant number of major chemicals that have not yet been completely reviewed through reregistration or tolerance reassessment have risk characteristics of concern to the Agency. For example, over 5000 of the 9728 food tolerances that need to be reassessed under FQPA are in "Group 1", meaning that they appear to pose the greatest risk to public health. These may include the organophosphates, carbamates, organochlorines and pesticides considered probable or possible human carcinogens.

Question. How did EPA's 20 percent cut from fiscal year 1998 to fiscal year 1999 enacted levels for the Reregistration Eligibility Decisions activity, which contributes to the Agency Objective of Reducing Use on Food of Pesticides Not Meeting (Food Safety) Standards, affect the Agency's ability to make those decision and improve the safety of food produced and consumed by Americans?

Answer. The Agency continues to hold the safety of our food supply as one of its highest priorities. Those activities which most directly affect our food safety, such as tolerance reassessments and registration of reduced risk pesticides were protected from budget reductions to the extent possible. We are continuing to place greater emphasis on reregistration of chemicals which have food uses, in particular to those which affect children's foods. The reductions to the Reregistration program in both Reregistration Eligibility Decisions (REDs) and Special Review will affect REDs production in both this year and 2000, and will affect both food and non-food use. However the extent of the delay in these reregistrations has not yet been fully evaluated. Our efforts to make decisions on those chemicals which are of highest concern, such as the organophosphates, carbamates and carcinogens remain a priority. The Agency continues to work with the registrants and other stakeholders in order to maximize our resources and minimize the impact of these reductions.

Question. How did EPA's 40 percent cut from fiscal year 1998 to fiscal year 1999 enacted levels for the Special Review activity, which contributes to the Agency Objective of Reducing Use on Food of Pesticides Not Meeting (Food Safety) Standards, affect the Agency's ability to perform those reviews and improve the safety of food produced and consumed by Americans?

Answer. See above.

AGENCY PERFORMANCE MEASURES

Question. The Agency's only performance measures towards GPRA implementation in the fiscal year 2000 Annual Performance Plan concern completing the measures in a timely manner. Why does the Agency not include any qualitative GPRA performance measures or goals such as increasing the number of outcome based goals or measures?

Answer. The Agency is committed to improving its performance measures and developing outcome measures and goals where appropriate and when data are available. In other words, we are pursuing practical improvements in the manner of expressing and measuring performance goals, but not in a single-minded manner. Your suggestions that EPA could measure its progress in GPRA implementation via the number of outcome-based performance goals is an intriguing idea. However, such a measure, by itself, would mask several considerations. Among these would be the ability to measure prospective outcomes, which varies among our environmental programs. Also, each of the Agency's programs needs a complementary set of both output and outcome measures and goals to effectively manage and assess how individual program activities contribute to achieving the Agency's long-term strategic commitments. The optimal set of performance measures and goals, therefore, will be different for each program.

Question. The General Accounting Office estimates that outcome performance measures make up only 15 percent of the performance measures in the fiscal year 2000 Annual Performance Plan and Congressional Justification. Does EPA believe the current number of outcome measures versus the number of output measures is adequate to measure the Agency's impact on the environment?

Answer. EPA's intended long-term positive impacts on the environment are expressed in the EPA Strategic Plan's environmental goals (Goals 1–6) and general objectives under those goals. The majority of these general objectives articulate the Agency's intent to achieve specific environmental outcomes. The Agency is committed to be able to measure progress towards achieving these objectives by the target year for each strategic objective (e.g., 2005). In the Agency's Annual Performance Plan, EPA provides annual performance goals and measures for activities the Agency plans to conduct over the year that are necessary for achieving the longer-term strategic environmental outcome objectives. Where needed, the Agency intends to develop the necessary data, analytical methods, indicators and measures to be able to assess progress in achieving these longer-term strategic environmental outcome objectives. Outcome-oriented annual performance measures and goals will be incorporated into future Annual Performance Plans as necessary data and analytical methods become available, and the Agency expects the percentage of outcome-based performance goals to increase.

Question. How does the Agency believe its actions impact the environment and human health positively if the Agency is unable to measure change in behavior in the regulated community or the environment which result from EPA activities?

Answer. Both of the measures you cite are certainly important ways to gauge the value of environmental programs, but clearly there are other kinds of information necessary to grasp the positive impacts of EPA's actions. For example, every significant regulatory action entails exhaustive consideration and analysis of risk, economic, and societal impacts. We acknowledge, however, that better measures of societal behavior and environmental trends would certainly help us assess the Agency's priorities and performance. This in fact is EPA's whole purpose in creating its integrated planning, budgeting and accountability framework. Thus, as we have indicated above, we are seeking steady improvement in measuring such outcomes, and using these measures in performance plans.

Question. What resources in dollars and FTE does the Agency currently devote towards developing performance measures? What level of resources are required to develop additional outcome performance measures?

Answer. EPA's accounting system does not specifically track dollars and FTE devoted to developing performance measures. In general, however, each of EPA's programs identifies the specific data and methods required for effective results-based management at all organizational levels, thereby incorporating associated resource requirements into routine program and project planning. In addition, the Center for Environmental Information and Statistics, as part of the Agency's new Information Office, is in the process of assessing the Agency's long-term strategic information needs.

Question. What steps is EPA taking to increase the ratio of outcome measures versus output measures?

Answer. As stated above, the Agency expresses its intended long-term strategic environmental outcomes in EPA's Strategic Plan's general objectives. Specific outcome-oriented annual performance goals and measures that evaluate the Agency's progress in achieving these environmental outcome objectives will be incorporated into the Agency's Annual Performance Plans as data and assessment methods become available.

ENFORCEMENT PERFORMANCE GOALS AND MEASURES

Question. Thirteen of fifteen performance measures in the Enforcement and Compliance Assurance program's objective to Reduce Noncompliance measure outputs such as inspections, investigations and reports generated. Is changing the behavior of the regulated community or impacting the environment positively a goal of the Enforcement program and if so why does the program not measure more of its performance toward these type of goals?

Answer. Changing the behavior of the regulated community and impacting the environment positively are the results which EPA's enforcement and compliance assurance program strive to achieve and measure. Under the objective about reducing noncompliance, there are actually five outcome measures which pertain to environmental impact and changing the behavior of the regulated community. They are: percent of enforcement actions which require pollutant reductions; estimated pounds of pollutants reduced; rates of noncompliance for selected environmental problems (which measures compliance behavior of certain regulated populations); percentage of significant violators with recurring significant violations within 2 years (which measures recidivism behavior of the most serious violators); and average time for significant violators to return to compliance (which also measures behavior of the most serious violators). All five of these outcomes measure environmental impact or behavior change which is due, at least in part, to the actions of EPA or state enforcement efforts. In addition, we are working to develop other measures of environmental impact and behavior change for this objective. These additional measures are: percent of enforcement actions which lead to changes in use or handling of pollutants by facilities; and percentage of enforcement cases which lead to improvement in environmental management practices and information at facilities.

Question. All of the performance measures regarding Compliance Monitoring Activities are measures of Agency outputs such as investigations or inspections. Does the Enforcement program not expect these activities will produce a change in behavior by the regulated community or improve the environment? If the Agency believes these activities will change behavior or improve the environment, how is the Agency measuring this improvement?

Answer. EPA believes that compliance monitoring activities such as inspections and investigations contribute to behavior change and environmental improvement. EPA's inspection presence contributes to improved rates of compliance and individual inspections result in changes and improvements at specific facilities. To measure these facility-specific changes, EPA's Region II office is conducting a pilot project to document results (e.g., changes in environmental management practices) achieved through individual objectives. The pilot project will be completed by December 1999, the results of the pilot will be reviewed, and a decision will be made about whether to implement the pilot for the entire national program.

Question. The performance measure for the Compliance Incentive activity, which encourages entities to conduct audits and disclose and correct violations, contains only an output measure tracking the number of facilities participating in the program. Does the Agency not believe this policy produces environmental benefits? If the Agency does believe these policies are improving the environment, how is the program measuring this performance?

Answer. The performance measure for compliance incentive activity—i.e., the number of facilities that self-disclosed potential violations—focuses on an outcome that actually results from a change in behavior by a regulated facility. Facilities and companies come forward voluntarily to use the audit and self-disclosure policy developed and offered by EPA. In addition, we are beginning to measure the same kinds of environmental and behavioral change outcomes for audit policy settlements that we are currently measuring for completed enforcement actions.

Question. While the Enforcement and Compliance Assurance program included a performance measure tracking the increase in Small Business Compliance Assistance Center (Center) usage in fiscal year 1999, there is no similar measure in fiscal year 2000. Is increasing Center usage no longer a goal of the program?

Answer. The fiscal year 1999 performance measure regarding increased usage was designed to capture increased activity from the expansion of Compliance Assistance Centers, of which 5 were added in fiscal year 1999. There are no new Centers

planned for fiscal year 2000. The fiscal year 2000 Plan, for Goal 9, Objective 2, includes a measure of "Number of facilities reached through targeted compliance assistance" which would include facilities receiving compliance through the centers or any other program initiative.

Question. The fiscal year 2000 Annual Plan and Congressional Justification no longer contains performance measures of Federal Actions under the National Environmental Policy Act. Is this a function no longer engaged in measurable performance?

Answer. The fiscal year 2000 Annual Plan contains a performance plan measure for NEPA implementation under Goal 9, Objective 2, Sub-Objective 3. The measure reads "325 major proposed Federal actions, i.e., Draft Environmental Impact Statements (DEIS) to be filed"

Question. Why are the performance measures under development in the National Performance Measures Strategy (Strategy) and scheduled to become operational in fiscal year 1999 or at the beginning of fiscal year 2000 not in the Agency's fiscal year 2000 Annual Plan?

Answer. All of the measures scheduled to become operational in fiscal year 1999 or fiscal year 2000 under the National Performance Measures Strategy are incorporated into the fiscal year 2000 Annual Plan. In the Annual Plan, measures being developed under the Strategy are sometimes stated more specifically and in terms of a target. For example, Set 2 of the Strategy is described as "Environmental and human health improvements from EPA enforcement actions." In the Annual Plan, we have used two measures from Set 2—percent of enforcement actions that require pollutant reductions, and pounds of pollutants reduced—and set targets for each.

Question. Will the Strategy implement Phase II performance measures of statistically valid compliance rates and environmental and human health improvements by the beginning of fiscal year 2000?

Answer. EPA is currently working with a statistical consultant on a methodology for developing statistically valid rates of compliance. At the beginning of fiscal year 2000, EPA regional offices will be asked to conduct inspections based on a random and representative sample of facilities in selected regulated populations. These random inspections, combined with inspections based on other targeting criteria, will be used to generate statistically valid compliance rates. The rates will be based on all inspection activity conducted through the end of fiscal year 2000.

Question. One EPA official has suggested that the amount of money spent in "supplemental environmental projects" (SEPS) as part of settlements is a good measure of the Enforcement and Compliance Assurance Program's impact. In fiscal year 1998, EPA enforcement action resulted in $90 million worth of SEPs. Is $90 million in SEPs a good return on the $321 million spent under Goal 9 in fiscal year 1998?

Answer. Money spent in "supplemental environmental projects" is one of several measures of the environmental impact that EPA enforcement actions can achieve. Setting a specific amount of SEP dollars as a goal or target to achieve would be an inappropriate performance measure, since SEP amounts are a by-product of specific cases targeted through criteria involving noncompliance patterns and/or environmental risk. In addition, comparing the SEP dollars generated to the total amount spent under all of Goal 9 is inappropriate since only a portion of the resources under Goal 9 are dedicated to enforcement cases.

COMPLIANCE ASSISTANCE

Question. Steven Herman, Assistant Administrator for Enforcement and Compliance Assurance, stated at a January 1999 conference that "EPA is a law enforcement Agency." Is it the position of EPA that EPA is a law enforcement Agency?

Answer. Protecting the public and the environment from risks imposed by violations of environmental laws and regulations is, and always has been, basic to EPA's mission. Formal law enforcement is one important component of EPA's responsibilities and will continue to be a central and indispensable element of our efforts to ensure compliance. EPA's strong and aggressive enforcement program has been the centerpiece of efforts to ensure compliance and has achieved significant improvements in human health and the environment.

Question. If "EPA is a law enforcement Agency," is the Agency still committed to non-law enforcement tools such as Compliance Assistance which would bring about compliance? Does reducing the Compliance Assistance program stem from the belief that "EPA is a law enforcement Agency" and thus should not been engaged in Compliance Assistance programs?

Answer. EPA is not reducing its compliance assistance program. The Agency is actually increasing funding to several important compliance assistance activities, such as to the compliance assistance centers and for tools development.

EPA is committed to using the full set of available tools—including compliance assistance—in the pursuit of compliance assurance. Although formal law enforcement is the cornerstone of our efforts, the continuation of serious environmental problems and changes in the scope and types of activities and entities that are regulated requires EPA to use a range of approaches to motivating environmental law compliance. Formal civil and criminal enforcement are supported by effective compliance assistance and compliance incentive programs. In fact, it is the very success of its formal enforcement program that has allowed EPA to develop these complementary programs over the last several years.

Proceeding from the 1994 reorganization of enforcement and compliance operations, EPA has built a very robust compliance assistance program. The Agency has developed and implemented a new set of policies and tools to further improve environmental compliance. EPA provides information on federal rules and regulations through the nine compliance assistance centers which we are committed to sustaining in the future. The Agency has also developed 27 sector notebooks, 18 plain language guides, and self-auditing checklists and protocols. EPA has been and will continue to work cooperatively and productively with those in the regulated community who want to do the right thing but may need some assistance to get there.

EPA's 2000 budget request does not reflect a shift in compliance assistance resources to enforcement activities. Through a recent study of Regional enforcement and compliance work, we learned that our previous methodology identified more workyears providing compliance assistance than were actually doing this type of work. EPA's fiscal year 2000 budget displays how regional resources have actually been applied.

Question. The fiscal year 2000 Annual Performance Plan states the Agency plans to reduce the compliance assistance program with the expectation that the states will assume the majority of this work in fiscal year 2000. The Agency has cited the inability of the states to perform fully their environmental duties as the rationale for a wide range of positions including the need to maintain a Federal enforcement and compliance assurance presence. Why is the Agency attempting to devolve the Compliance Assistance Program to the states if it does not trust the states are capable of maintaining the full range of environmental programs?

Answer. As with many of our other environmental protection responsibilities, EPA relies on a strong and effective state-EPA partnership to provide effective compliance assistance to the regulated community. EPA's role has been and continues to be to develop and distribute compliance assistance information and tools for business and industry. As the primary providers of direct assistance to the regulated community, states and localities and other compliance assistance providers use or adapt EPA compliance assistance materials to reflect specific state or local requirements. We believe this relationship has been very successful in improving the regulated community's awareness and understanding of its environmental obligations.

This belief was supported by participants from a wide range of public and private sector organization who attended recent conferences on EPA's compliance programs. These participants confirmed the value of EPA's compliance assistance tools and materials and urged us to continue developing general compliance assistance tools that are widely applicable and that are made widely available through the Internet, toll-free hot lines and other appropriate channels. We also heard strong support for the view that states are the first-line, on-site purveyors of compliance assistance. EPA is continuing to work with the states and other assistance providers to develop a strong network that exchanges information and tools and minimizes duplicate services.

Question. The 2000 Annual Performance Plan states an analysis of Regional resource information indicated many of the compliance assistance resources are actually conducting inspections and pursuing cases since the Office of Enforcement and Compliance Assurance (OECA) reorganization. How much of these resources were shifted to enforcement duties over the years after the reorganization?

Answer. OECA recently conducted a study of the compliance assistance and enforcement work being done in the Regions during the 1998 and planned for 1999. Results from the study prompted us to revisit the methodology previously used to estimate regional resources dedicated to compliance assistance activities. We found that the previous methodology identified more workyears providing compliance assistance than were actually doing this type of work. In order to be consistent with the Government Performance and Results Act framework of aligning resources with intended use, our fiscal year 2000 budget request reflects how our regional resources have actually been utilized between compliance assistance and enforcement (rather than a shift from compliance assistance to enforcement.)

Question. What compliance assistance guidance and tools development would the Agency not perform if it made its proposed cuts in this area under the fiscal year 2000 Annual Performance Plan?

Answer. EPA will focus its efforts on developing widely applicable compliance assistance information and tools related to national program concerns. We would look to the states and other public and private compliance assistance providers to develop and disseminate compliance assistance tools that address a situation specific to a geographic area or localized industry. Further, we would devote a greater portion of our staff resources to in-house compliance tool development from contract management responsibilities.

Question. What compliance assistance would the Agency not provide Federal Facilities if EPA made the proposed cuts under the fiscal year 2000 Annual Performance Plan?

Answer. EPA will continue to provide compliance assistance to Federal facilities through its new on-line compliance assistance center and through the development of guides, manuals and other compliance assistance tools. On-site assistance activities conducted by the Regions, including environmental management reviews and pollution prevention opportunity assessments, would be reduced. Conferences, workshops and training for Federal facilities also are likely to be impacted, although this may be somewhat offset by regional staff using in-house resources in lieu of contract support efforts.

Question. An Agency Task Force on Innovative Approaches to Environmental Protection recommended EPA adopt a holistic Agency-wide strategy for compliance assistance that encompasses the full range of the regulatory program, from rulemaking through compliance and enforcement. The program of general compliance assistance would enable EPA to develop a compliance assistance approach that included a compliance guide and a self-audit checklist for each new major regulation, develop a set of delivery options for each tool and evaluate the effectiveness of each tool.

How much would it cost per year to develop compliance assistance tools as part of the rulemaking package for every major new regulation?

How much would it cost per year to deliver compliance assistance tools to the regulated community and to organizations likely to have contact with the regulated community as part of the rulemaking for every major regulation?

How much would it cost per year to: (1) begin wider dissemination of compliance assistance and pollution prevention information and tools to State, local, tribal and private compliance assistance providers; (2) develop a clearinghouse of compliance assistance materials and tools; (3) begin developing a national network of federally-funded business and environmental assistance programs by convening a national meeting in 1999 to identify general principles for collaboration; and (4)convene a national Compliance Assistance Forum to share information with participants on recently-developed compliance assistance materials, get stakeholder input in setting priorities for development of compliance assistance materials, and facilitate exchange of tools.

Answer. To date, the report drafted by the Agency Task Force on Innovative Approaches to Environmental Protection has not received final approval from Administrator Browner and is still being revised. Also, we intend to get the input of other public and private compliance assistance providers in setting priorities for development of compliance assistance materials. Therefore, it would be premature to offer estimates of the resources required to implement this report since its final content is unknown.

SMALL BUSINESS COMPLIANCE ASSISTANCE CENTERS

Question. How many and which of the Small Business Compliance Assistance Centers (Centers) have submitted multi-year operating plans to the Agency? What is the total cost of all the Centers in fiscal year 2000 as submitted by the Centers to EPA in their multi-year operating plans? What is the total EPA funding requested in fiscal year 2000 by the Centers in their multi-year operating plan?

Answer. In 1998, the Center Grantees were asked to develop five-year operating plans in order to initiate discussions on long-term planning. The five-year operating plans developed by the grantees describe the overall plans for the individual Centers, outline the Center goals, and present strategic plans over the five-year period. All nine Centers are addressed in the operating plans. Through this planning exercise, the grantees identified their options, needs, and desires to maintain and enhance their Centers. Projected funding requests for fiscal year 1998 through fiscal year 2002 were identified in the plans, but there was never a commitment made that the requested funds would be available or received. That was understood dur-

ing the development of the operating plans. Instead, the five-year operating plans are a planning tool which project an fiscal year 2000 total operating cost of approximately $2,960,000 for the nine Centers, which assumes contributions from EPA, in-kind contributions from the Grantees, and revenue-generating proposals as well. Of this amount, approximately $1,596,000 was specifically requested in EPA to fund the Centers in fiscal year 2000.

Question. What level of funding does EPA include in its fiscal year 2000 President's Budget Request for Center Operating costs? What levels of funding has EPA verbally indicated at the staff level it will provide each of the Centers in fiscal year 2000?

Answer. The President's fiscal year 2000 Budget includes a request of $1,500,000 to fund EPA's portion of Center operating costs in fiscal year 2000. EPA staff have not verbally provided the Center grantees with an indication of the amount of funding that EPA will provide to each Center in fiscal year 2000.

Question. What indications has EPA received from the Centers as to whether they will be able to meet their goals of self-sufficiency in fiscal year 2000 and beyond? Does EPA believe the Centers will meet their non-EPA contributions towards self-sufficiency in fiscal year 2000 and beyond?

Answer. EPA does not believe the Centers will achieve self-sufficiency in fiscal year 2000, and has serious doubts as to whether the Centers can achieve self-sufficiency beyond fiscal year 2000. The Centers are exploring various mechanisms to generate funds to support Center operations. For example, various Centers have attempted to generate funds through a Web site registration fee, seeking industry contributions, and selling advertising space and compliance assistance tools. To date, such activities have generated minimal revenue compared to what is needed to maintain the Centers. In addition, it has been argued that activities which require payment conflict with the Centers' mission to provide readily available compliance assistance information to small businesses.

Question. Will EPA allow Centers to close if the Centers are unable to meet their self funding goals and EPA funding is insufficient to meet Center operating costs? Will EPA allow Centers to become inactive or otherwise unable to provide updated information to compliance assistance clients?

Answer. In the fiscal year 2000 EPA President's budget, the viability and maintenance of the nine Centers is assured. Although we cannot be certain of out-year budgets at this time, we view the Centers as a priority. To best meet the needs of the customers of the nine Centers, it is critical that EPA be provided flexibility with regard to the funding allocations for each individual Center. The Agency takes into account a variety of factors, such as national program priorities, available funding, client needs, costs of different Center services, changes in sector requirements on an annual basis, and Web site usage trends to appropriately allocate annual funds to each of the nine Centers.

Question. How many visitors did the Centers have to their websites in fiscal year 1999? How many "hits" are the Centers' websites currently receiving per month?

Answer. The Centers have experienced over 150,000 user sessions in the first six months of fiscal year 1999. Since January 1999, the Centers have experienced an average of 405,000 "hits" per month. We believe that the number of user sessions, the number of visits to the a site (not the number of pages visited or hit), is the most accurate figure to use to gauge Centers' usage.

Question. How many frequent Centers website visitors are taking some positive action in their facilities concerning environmental compliance? What percentage of total frequent website visitors does this represent?

Answer. In fiscal year 1998, on-line surveys were posted on five Centers for two months to assess use rates and user satisfaction of the Centers. Of the center users, 905 responded to the surveys (representing a 6–15 percent survey response rate.) Eighty-five percent of the users who completed the surveys (surveyed users) stated that they visit the centers at least monthly, and nearly one third of the surveyed users stated that they visit the centers weekly. Survey respondents also identified behavioral changes that resulted from their use of the Centers. Of the 214 survey responses addressing behavioral change, 81 percent stated that they took an action as a result of using the Centers. For example, Center users contacted a vendor, requested technical assistance, contacted a regulatory agency, changed a process, obtained a permit, or changed waste handling practices.

Question. It is estimated that because of their small size, EPA and state regulators are unable to and thus will not visit or inspect more than 200,000 of the 500,000 auto service and repair establishments. Likewise, EPA and/or state regulators will not visit between 90 and 95 percent of printers because they are small quantity generators and regulators are appropriately targeting larger facilities. Does

EPA have any statistics on the number or percent of facilities in the other sectors covered by Centers which EPA will not reach because of their size or other factors?

Answer. The Agency targets industry sectors (sectors) for inspections based upon the sector's compliance history and impact on the environment, such as pollutant releases and risk. In addition, facilities may be inspected based on tips and complaints from the public; the length of time since last inspected; demographic considerations; new regulatory requirements which impact the facility; facility classification or size; and other considerations. The Agency's fiscal year 2000/2001 OECA Memorandum of Agreement Guidance identifies the following national EPA priorities for fiscal year 2000/2001 based on the factors listed above: (1) Clean Water Act—wet weather; (2) Safe Drinking Water Act—microbial rules; (3) Clean Air Act—New Source Review/Prevention of Significant Deterioration; (4) Clean Air Act—air toxics; (5) Resource Conversation and Recover Act—permit evaders; (6) petroleum refinery sector; and (7) metal services (electroplating and coating) sector.

In general, the Agency tends to target larger facilities for inspections, while small businesses tend to be targeted for compliance assistance activities unless they are the subject of a citizen complaint or place the community at risk due to their practices. The establishment of the nine Centers has enabled the Agency to reach a far greater number of small businesses than could be accomplished through EPA site-visit activities. This was one of the reasons for establishing the Centers. But for the printed wiring board manufacturing sector, the sectors covered by the Centers are comprised of numerous facilities, many of which are small businesses. As with the auto service and repair and printing sectors, limited resources do not allow EPA and state regulators to annually visit or inspect a majority of the facilities within these sectors. For example, EPA estimates that (1) 50 to 60 percent of the transportation sector covered by the Transportation Environmental Resource Center are not inspected annually; and (2) 70 percent and 50 percent of the chemical preparation and industrial organic chemical manufacturers respectively are not inspected annually. State activities are generally not reported to EPA on a sector basis.

AGENCY AUDIT POLICY: SELF DISCLOSURE OF POTENTIAL VIOLATIONS

Question. What percentage of disclosures under the Audit Policy disclosed paperwork or record keeping violations versus disclosures of environmental violations as measured by recent study of the audit policy?

Answer. Eighty-four percent of the disclosures evaluated involved violations of reporting, record-keeping, or labeling requirements. I should note that many violations of emission or discharge standards are required to be identified by prescribed monitoring (e.g., through stack testing or daily sampling). Because such violations are identified and reported through required monitoring rather than through voluntary audits, they are not eligible for relief under either EPA's policy or state audit laws.

Question. If a goal of the Enforcement and Compliance program is to have 75 percent of concluded enforcement actions require environmental or human health improvements, why does the current Audit Policy emphasize paperwork or record keeping violations?

Answer. While EPA is committed to obtaining human health or environmental improvements from concluded enforcement actions, this term encompasses those cases that EPA initiates after independently identifying a violation. We have generally not considered violations that are voluntarily disclosed and corrected under our audit policy to be "enforcement actions" in the traditional sense. For example, these disclosures are separately tracked in our docket, and many cases can be resolved by issuing a letter indicating that noncompliance has been corrected. As noted above, many violations of discharge and emission requirements are required to be monitored and reported, and are therefore not eligible for relief under either EPA policy or state law. Many so-called "paperwork requirements are mandated by laws established by Congress, and operate to prevent spills, serious accidents or other mishaps. The audit policy has proved to be an efficient means to obtain voluntary compliance with such requirements.

Question. Would changes in the type of penalties reduced by the Audit Policy produce more disclosures and thus prompt correction of environmental violations as opposed to violations of paperwork or record keeping requirements?

Answer. EPA is considering non-penalty-related changes to the Audit Policy that we hope will encourage additional disclosures. Our recent proposal in the Federal Register suggests that disclosure time from point of discovery be extended from 10 to 21 days, and that a multi-facility corporation not necessarily be disqualified from the policy for disclosures made at a facility even where an investigation has occurred at another of its facilities. EPA is also encouraged by the results of targeted

outreach and views it as a mechanism for encouraging disclosure of more substantive violations. It is our experience that the greatest gains under the Audit Policy are made when EPA reaches out to a specific industry sector, in some cases identifying recently-enacted regulations or those that may be prone to noncompliance within that sector, and invites the sector to audit and disclose. For example, EPA's outreach effort with the telecommunications industry resulted in violation disclosures and corrections at over 700 facilities.

It is unclear, however, that changes to the Audit Policy will necessarily affect the volume of disclosures made by regulated entities. The recent National Conference of State Legislatures study found no statistically significant difference in auditing rates based on whether the state in which the facility operates has an environmental audit law, audit policy, or no law or policy. It follows that changes to an existing policy may have a similarly insignificant effect.

Question. What percentage of disclosures made under the Audit Policy have been made under Federal programs which are not delegated to the states?

Answer. Ninety-two percent of the disclosures made to EPA involve programs for which EPA has lead responsibility. In general, we would expect most disclosure to be made directly to the state agencies that are authorized to administer federal programs, and have taken steps to avoid inconsistency and confusion, and thereby encourage disclosures at the state level. EPA has worked closely with states such as Texas, Ohio, Michigan, South Dakota, and Minnesota to assure that state audit immunity laws provide incentives to disclose while meeting minimum requirements necessary for authorized federal programs. Other states, such as California, Florida and Pennsylvania, have worked with EPA to develop appropriate policies to encourage self-disclosure and correction.

Question. What is the average number of pages of information EPA has obtained from entities disclosing violations under the audit policy to prove the audit was conducted properly and that the violation was properly repaired?

Answer. Although EPA does not keep data on the length of disclosure documents, typically entities disclose in several pages of text, which often includes an elective analysis of how the disclosure meets the conditions of the Audit Policy. EPA encourages disclosures to use a checklist, available on OECA's website, to assist in providing relevant information. EPA frequently receives phone calls from prospective disclosures requesting a chart or format for their disclosure.

Question. The Spring Audit Policy Update states that approximately 470 entities at more than 1,800 facilities disclosed violations under the Audit Policy. What percentage of the total number of entities or facilities committing violations in the same period do these numbers represent?

Answer. EPA does not have access to records that would indicate the total number of violations that have occurred at all facilities over the past three years. Clearly, the audit policy disclosures are a small fraction of that total. As stated above, many violations are required to be monitored under specific requirements of regulations or permits and are not discovered through voluntary audits. These include, for example, violations of discharge limits at major facilities permitted under the Clean Water Act.

Question. Why have less than one-third of disclosures made under the Audit Policy resulted in settlements?

Answer. EPA has granted penalty relief for approximately half of the facilities covered by disclosures. The difference between the number of facilities disclosed and the number of facilities provided settlement may fall into one of several situations: (1) the disclosure has not yet been resolved through settlement; (2) the disclosure did not meet the conditions of the Audit Policy; (3) upon further analysis, EPA determined that a violation did not occur; or (4) the entity disclosed to EPA the identity of several facilities at the onset of a corporate-wide audit believing that the audit would reveal violations at all facilities, and upon conducting the audit discovered violations at some but not all of the facilities. EPA is taking steps to best manage the facilities in the first category. For example, EPA is making use of self-certification and unilateral letters of determination for certain types of cases, such as those involving fewer violations. EPA encourages the use of disclosure checklists by the disclosures so that the disclosure includes all of the information needed for EPA to determine policy applicability and resolve cases in a timely fashion. In addition, EPA now has a national audit policy coordinator to field questions from Regional offices and the regulated community, and is adapting its data systems to better track pertinent case information, both of which are changes that we expect will expedite processing in many cases.

Question. Does the Agency believe the amount of environmental improvement which could be obtained through the elimination of all penalties outweigh the value

of those penalties currently collected by the Agency under the current Audit Policy? How does the Agency measure this belief?

Answer. The Audit Policy strikes a critical balance in EPA's enforcement program by rewarding parties who voluntarily and timely disclose and correct violations, while ensuring that no regulated entities gain an unfair business advantage by avoiding compliance with legal requirements. EPA believes that elimination of all penalties in Audit Policy cases would likely result in decreased environmental improvement by disrupting the balance that the Audit Policy strikes. Elimination of all penalties would provide a disincentive for entities to be proactive in environmental compliance and would provide financial incentives for those entities less diligent in environmental compliance.

ENFORCEMENT ACCOMPLISHMENTS

Question. Why did civil enforcement activity in the areas of administrative penalty order settlements, administrative non-penalty orders—cases concluded, EPA civil referrals to Department of Justice (DOJ) and civil judicial settlements all decrease from fiscal year 1997 to fiscal year 1998?

Answer. The Environmental Protection Agency's enforcement program experienced a slight decrease in traditional enforcement outputs between the 1997 and 1998 fiscal years, as measured by civil judicial referrals and settlements, and civil penalties collected. Inspections and administrative orders actually increased somewhat over that period.

Overall, we do not believe that the small decrease in civil judicial activity between fiscal year 1997 and 1998 is particularly significant. To some extent, it reflects the cyclical nature of the case development process. For example, several large settlements totaling nearly $100 million in penalties were not entered until just after the 1998 fiscal year ended, and so were not reflected in last year's accounting.

We believe that an increased emphasis on cases that offer the greatest environmental benefit could have some impact on the total number of referrals, as such actions are more complex and require more resources. The value of injunctive relief rose from $1.89 billion to $1.98 billion between 1997 and 1998, reflecting a trend toward development of more significant cases. Our settlement with manufacturers of heavy duty diesel engines will reduce emissions of nitrogen oxides by 1.3 million tons, or 6 percent of the total national inventory of NO_X pollutants. We have attached a summary of the environmental results obtained through enforcement actions, which reflect our commitment to making progress in reducing actual pollutant loadings.

Question. Why did major criminal enforcement outputs such as referrals, sentences and fines decrease from fiscal year 1997 to fiscal year 1998?

Answer. The outputs for EPA's criminal enforcement efforts fluctuate somewhat from year to year based on the type and mix of cases being prosecuted by the Department of Justice (DOJ). Generally there has been a consistent trend in the growth of all outputs.

A number of the criminal enforcement outputs increased slightly from fiscal year 1997 to fiscal year 1998, while others decreased. The number of defendants indicted during this period rose 8.7 percent from 232 individual and 90 corporate defendants in fiscal year 1997 to 257 individual and 93 corporate defendants in fiscal year 1998. Additionally, the number of criminal cases initiated in fiscal year 1998 rose by 15.4 percent from 551 in fiscal year 1997 to 636 in fiscal year 1998.

Two of the outputs referred to in the question are not under the direct control of EPA's criminal program. The Federal Judiciary determines what the individual sentences are to be and the amount of the fine in accordance with the Federal Sentencing Guidelines. The total amount of jail time defendants were sentenced to serve decreased 11.7 percent from 195.8 years in fiscal year 1997 to 172.9 years in fiscal year 1998. Fines decreased from $169.3 million to $92.8 million. This is due primarily to the fact that the fiscal year 1997 total includes one fine for $75 million from a particularly egregious case where a barge carrying fuel oil sank off Puerto Rico fouling the beaches at the height of the tourist season.

The number of criminal cases referred to DOJ decreased in fiscal year 1998 by 4.3 percent from 278 in fiscal year 1997 to 266 in fiscal year 1998. This decrease is attributable to a shift in emphasis to more complex, resource intensive investigations that require multiple agent involvement. As we continue to train more state and local environmental enforcement personnel, the EPA criminal program is concentrating on more complex inter-regional investigations. As a result there is an increase in the quality of cases and a decrease in the quantity of cases. State and local criminal investigators are handling the more routine and localized violations. The Criminal Investigation Division's Special Agents have been directed to place their

emphasis on cases that involve both significant environmental harm and culpable conduct. Our expectation is that this level of referrals to DOJ will remain fairly constant into the future.

Question. Is the Agency emphasizing more difficult, complex, multi-state actions which produce fewer outputs such as cases concluded or penalties achieved? Do these complex and multi-state actions produce greater environmental improvements than casework which might produce higher output totals?

Answer. Traditionally, EPA has enforced the environmental laws by bringing actions against individual facilities for violations of a single statute. Over the past few years, the Agency has broadened its enforcement efforts to address non-compliance by single companies at their facilities in more than one state, under one or more of the environmental laws. Although these complex actions may produce fewer discrete cases, the environmental benefits and resource efficiencies gained greatly outweigh the results which could have been obtained by pursuing violations at each of these facilities individually. The total penalties achieved are appropriate to resolution of the violations alleged; however, the scale of these actions provide enhanced opportunities for agreements by companies to perform supplemental environmental projects, which tend to mitigate the final penalty number reported.

In addition to increasing the environmental benefits gained, it should be noted that these multi-state cases also exemplify the uniquely effective role of federal enforcement. Single states do not have the resources or legal ability to address nationwide environmental violations in a systematic and coordinated way, or to fashion the national, comprehensive settlements now being achieved by the Agency.

An example of the benefits attained through a multi-state approach, even for violations of just one statute, is the 1996 settlement with the Georgia Pacific Corporation for alleged failure to comply with the Clean Air Act regulations at 26 of the corporation's engineered wood products facilities. The company had ignored its legal responsibility to obtain permits and to report air emissions accurately, causing annual excess emissions of more than 5,000 tons of volatile organic compounds ("VOCs," the precursors to smog and ozone) into the environment. As a result of EPA's national enforcement action, Georgia Pacific paid $6 million in penalties, applied for the appropriate state air permits at 19 facilities, and installed state-of-the-art pollution control equipment—designed to reduce VOC emissions by about 90 percent —at 11 of the 26 facilities, mostly located in the Southeast. An additional total of $5.25 million was committed for supplemental environmental projects, including funding critical research on air pollution in the Southern Appalachians. Finally, the company agreed to perform comprehensive clean air audits at all 26 of its wood products facilities nationwide and monitor compliance limits on a daily basis.

EPA has also obtained substantial benefits from complex, multimedia enforcement actions to address violations of two or more environmental statutes.

On April 15, 1999, EPA filed in federal court the second, final phase of a national agreement with ASARCO, Inc., a national mining and smelting company. The first phase of this agreement was completed in January 1998. The entire settlement represents the first time that the federal government has entered into a consolidated agreement that resolves violations of different environmental statutes at more than one of a company's facilities. Texas and Arizona were co-plaintiffs in this agreement.

This comprehensive approach to resolution of ASARCO's environmental liabilities protects public health and the environment by reducing the release of certain heavy metals, such as arsenic, mercury and lead, which can be toxic to both humans and wildlife. For example, the company has agreed to clean up the environmental impacts at its Montana operation that resulted from 100 years of smelting activities and to operate a subsidiary in Texas as a permitted, lawful recycling facility for metal plating and finishing wastes, one of only three in the nation. It also builds environmental safeguards for the future: A major and unique commitment by ASARCO in this historic agreement is the establishment of a five-year environmental management and compliance auditing program involving 6,000 employees at its 32 operating facilities nationwide.

Only a complex, consolidated approach to resolution of a company's environmental liabilities will create sufficient opportunity to obtain corporate-wide improvements and nation-wide environmental protections. NESS also allows the Agency to use its limited enforcement resources more efficiently in a manner that complements, but does not duplicate, the enforcement agendas of state governments. For example, instead of numerous government agencies each taking separate actions under one environmental law against individual facilities of a national corporation, only a single action is initiated. The program reduces costs, improves performance, and provides the opportunity for partnering between state and federal government and industry.

Another example is EPA's October 1, 1998, consent decree with Ashland, Inc. which resolves multimedia violations found at Ashland's three petroleum refineries,

located in Kentucky, Minnesota, and Ohio. EPA alleged that Ashland had violated the CAA, CWA, RCRA, EPCRA, and TSCA. In addition to penalties Ashland will pay $14.9 million to perform supplemental environmental projects ("SEPs"). One SEP is an innovative project that will restore 274 acres of rare prairie grass ecosystem in Minnesota and donate the land to the State; this tract is the largest unprotected native prairie in the Twin Cities area.

The corrective actions Ashland is undertaking includes improvements to the wastewater drainage system at its Ohio facility to prevent the release of volatile organic pollutants into the atmosphere, upgrades to the wastewater treatment system at the Kentucky plant to reduce the release of harmful chemicals into the Big Sandy River, and the installation of a series of wells to prevent the release of petroleum contaminants into the Mississippi River in Minnesota. Ashland is also required to reduce particulate releases and improve the recovery of sulphur dioxide at the Ohio refinery. Sulfur dioxide is an air pollutant that can affect human health, especially that of asthmatics, harm vegetation and aquatic life by acidifying lakes and streams. The company will also undertake air monitoring and analysis in the Tri-State area of Kentucky, Ohio, and West Virginia.

Question. In fiscal year 1998, EPA enforcement actions required chemical or pollutant reductions or eliminations in almost a third of all cases. This is well below the fiscal year 2000 performance goal of 75 percent of enforcement actions requiring environmental or human health improvements. How does the Agency intend to pursue more cases which require environmental improvements and less cases which do not produce improvements but may concern paperwork or record keeping requirements?

Answer. EPA is working hard to improve its selection of enforcement priorities and its specific targeting efforts to focus on those violations that present the greatest threats to human health and the environment. Our priorities for fiscal year 2000 and 2001, for example, which were developed in consultation with EPA program offices as well as states, focus on reducing nitrogen oxides and other criteria air pollutants from unpermitted operations, toxic air emissions, the illegal and unsafe handling of hazardous waste, and "wet weather" flows of raw sewage and other contaminants from sewer collection systems. These priorities will lead to actions that result in significant environmental improvements; as noted above, our settlement with manufacturers of heavy duty diesel engines will reduce illegal nitrogen oxide emissions by 1.3 million tons.

In the meantime, EPA must still take actions that serve to identify and avoid environmental or human health risks before they become much worse. For example, risk notification requirements under various environmental laws serve to warn emergency personnel of the presence of toxic materials at particular sites, and the absence of this information has resulted in injury or death to firefighting personnel. EPA is exploring how best to measure the value of actions that prevent accidents or other serious risks, as opposed to responding to events after pollution has already been released or residents near a facility have been forced to evacuate their homes. The Agency has been particularly successful in working with the regulated community to encourage voluntary disclosure and correction of violations in return for eliminating or greatly reducing penalties. For example, since January 1998, we have concluded settlements with 11 telecommunications companies, under the Audit Policy, that have led to correction of Emergency Planning and Community Right-to-Know Act (EPCRA) and/or Clean Water Act (CWA) Spill Prevention Control and Countermeasure (SPCC) Violations at more than 700 facilities.

REINVENTING ENVIRONMENTAL INFORMATION

Question. Provide the status as of Q2/fiscal year 1999 of each REI milestone for implementation of data standards and electronic reporting into the national systems including an identification of any milestones which the Agency has missed or expects to miss as of the Q2/fiscal year 1999 and any actions, strategies or efforts to achieve missed milestones or avert missing of milestones the Agency expects to miss.

Answer. Although some interim milestones have been revised as the work dictates, the data standards development program is on schedule to be completed by February 2001. Based upon our current work, we are hopeful that we may in fact beat this date by some months. Implementation of data standards and electronic reporting in EPA information systems is on schedule to meet the REI Action Plan date of Quarter 2, fiscal year 2003.

	Status
Status of Data Standards:	
Date Standard	Final
Industrial Classification	Final
Facility Identification	Interim
Latitude/Longitude	Interim
Chemical Identification	Interim
Biological Identification	Interim
Electronic Reporting Standards	Draft standards for all systems (scheduled 12/31/99)

Question. Describe by Goal, Objective, Sub-Objective, Key Program, Office, and Activity, the level of resources including dollars and FTE assigned or loaned to REI efforts in fiscal year 1998, proposed in the fiscal year 1999 President's Budget, included in the fiscal year 1999 Operating Plan, spent in fiscal year 1999 to date, and proposed in the fiscal year 2000 President's Budget.

Answer. See the attached table.

National Goals, Objectives and SubObjectives

Nat'l Goal & Objective	SubObjective	REI Program Components/Activities (dollars in thousands)	FY98 Actual	FY99 Op Plan	FY99 Spent to Date	FY2000 Pres. Bud.
			$	$	$	$
Goal 7: Expansion of Americans' Right to Know About Their Environment Objective: Increase Quality/Quantity of Education, Outreach, Data Availability: By 2005, EPA will improve the ability of the American public to participate in the protection of public health and the environment by increasing the quality and quantity of general environmental education, outreach and data availability programs, especially in disproportionally impacted and disadvantaged communities.	Public Access Strategy: Establish the strategic direction and Agency policy required to provide the public with integrated, online, user friendly access to all EPA environmental data.	Data Standards (Key ID/Facility/Chemical)	4.28	2.93	2.85	17.441
		One Stop Reporting *	7.2	4.23	2.29	
		Integrated Taxonomic Info. System	0.25	0.22	0.22	
		REI/NSB/Arch-Sys Support	0.7	0.59	0.52	
		Electronic Data Collection	3.2	2.67	2.67	
		Subtotal	**15.63**	**10.64**	**8.55**	
Goal 7: Expansion of Americans' Right to Know About Their Environment Objective: Ability of Public to Reduce Exposure: By 2005, EPA will improve the ability of the public to reduce exposure to specific environmental and human health risks by making current, accurate substance- specific information widely and easily accessible	Provide Information to the Community About Local Environment: By 2005, information and the tools to use it will be available to all communities and citizens to help them make informed choices about their local environment, including where to live and work, and what potential exposures are acceptable; and to assess the general environmental health of themselves and their families.	Locational Data Improvement	1.25	.70	.70	
		Environmental Data Registry	1.50	1.10	.93	
		Subtotal	**2.75**	**1.8**	**1.63**	**17.441**
		PC&B	.28	.25	.17	.23
		GRAND TOTAL	**18.6600**	**12.6900**	**10.3500**	**17.6710**

Question. Identify and describe the GPRA or Agency performance measures in fiscal year 1999 and fiscal year 2000 which incorporate REI commitments.

Answer. There are two Agency performance measures in fiscal year 1999 and fiscal year 2000 which incorporate REI commitments: the One Stop Program and Facility ID.

Measure	Fiscal year 1999 commitment	Fiscal year 2000 commitment
One Stop Program ...	By 1999, the Agency will streamline and improve the information reporting process between state partners and EPA by increasing the number of participants in the One Stop program to 29 states.	By 2000, the Agency will streamline and improve the information reporting process between state partners and EPA by increasing the number of participants in the One Stop program from 29 to 38 states.
Facility ID	By 1999, establish a National Facility ID file with accurate information for 30,000 facilities that report to the TRI.	By 2000, increase Facility ID file accuracy by establishing a National Facility ID file with accurate information for 100,000 facilities.

SMALL BUSINESS REGULATORY ENFORCEMENT FAIRNESS ACT (SBREFA)

Question. With the ongoing dismantling of the Office of Policy and the potential for that office to lose its Presidential appointee, what plans does EPA have for the group which conducts Agency SBREFA activities including the panel process? Will EPA ensure that this activity is afforded the resources and attention necessary to successfully perform its function?

Answer. To date, no final decision concerning the Office of Policy has been made. EPA is proud of its record of outreach to small entities subject to environmental regulation. Along with SBA and OMB, the Agency has completed 15 Small Business Advocacy Review Panels, and the Agency has been fairly recognized for the energy and care we have devoted to our responsibilities under SBREFA. Because not only the public interest, but also the specific work of the Agency, benefits conspicuously by the inclusion of small entities in our policy decisions, we are strongly committed to maintaining the set of services. EPA will continue to devote the attention and resources appropriate to an excellent job of including small entities in the regulatory decisions that affect them.

PROJECT XL

Question. As of April 30, 1999, how many Final Project Agreements (FPA) has EPA implemented?

Answer. As of April 30, 1999, EPA had 11 FPAs in implementation and 12 proposals in the final stages of development (when the details of FPAs are hammered out). The Agency and its state partners are also in the process of reviewing and giving serious consideration to 18 additional proposals. In addition, we are working with potential project sponsors on developing written proposals for another 19 promising project suggestions and are holding initial discussions with sponsors on 20 more ideas.

Question. As of April 30, 1999, what is the total amount of dollars spent by EPA on contracts to solicit, find, encourage or obtain Project XL participants?

Answer. At the end of 1997, EPA took stock and found that most XL project proposals had been submitted to the Agency by companies. In order to identify a wider variety of XL project sponsors and ideas, particularly in areas where the Agency wanted to see innovative thinking occur (such as environmental technology, source reduction, and product life cycle), EPA issued two Requests for Proposals, one in Headquarters and one in Region I in Boston. The objective was to select three or four outside organizations which could work effectively as co-sponsors, coordinators, or facilitators and help create the wider variety of projects EPA was seeking. In Headquarters, we selected 3 organizations to help us achieve that objective: (1) the Denver Research Group in collaboration with the National Conference of Black Mayors, which proposed to develop an Environmental Management System for businesses in the Greater St. Louis Metropolitan region; (2) ML Strategies, working with the Santa Fe Council on Environmental Excellence, which proposed to bring ideas developed by a consortium of New England universities to fruition, involving improved ways to manage wastes from thousands of small research laboratories; and (3) the Minnesota Center for Environmental Advocacy, an environmental group, which proposed to work with the Mayo Clinic to reduce the hospital's toxic waste,

especially mercury and dioxin. Region I selected The Conservation Law Foundation that proposed to identify and develop especially community-sponsored XL projects. The total amount spent on these four small purchase orders by April 30, 1999, was $195,050.

The effort was successful in that the small contracts have resulted, so far, in one Final Project Agreement to be signed in June, several promising projects still under development, and one project that had been facilitated by the XL program, but did not need to be implemented under XL to be completed.

EPA's regional office in Texas spent approximately another $7,000 for contractor assistance in planning and facilitating the XL program share of a marketing workshop covering all of Region 6's reinvention programs. This effort resulted in one project currently being developed into a proposal. The combined efforts of the Office of Reinvention and the two regions to use contractor support to develop proposals amounts to $202,050.

The Office of Reinvention in Headquarters spent an additional $55,000 for contractor support over the past two years to assist it with general XL marketing activities, such as writing and designing a marketing brochure, developing a database of potential project sponsors to be contacted, organizing a meeting with consulting firms that might be interested in Project XL, writing fact sheets, and assisting with large mailings.

In summary, the total amount of dollars spent by EPA on contracts by April 30, 1999, to solicit, find, encourage or obtain Project XL participants was $257,050.

Question. Of the FPAs EPA is currently implementing, how many originated through assistance from a contractor?

Answer. All of EPA's XL projects in implementation originated before EPA started to use contractor support for developing proposals. However, EPA is expecting to sign a Final Project Agreement in June for the New England Labs project that was developed through one of our small purchase order contracts, and several more are in the pipeline.

NPDES BACKLOG

Question. EPA has declared the backlog in the National Pollutant Discharge Elimination System (NPDES) program a material weakness. In Region 10, for example, there were 1,000 NPDES permit applications waiting to be processed of which 70 percent were over 4 years old. Why do we have this backlog?

Answer. EPA estimates that approximately 28 percent of major NPDES permits and between 28 and 47 percent of minor NPDES permits are currently expired. Of these, approximately 3.7 percent of majors, and between 16 and 34 percent of minors, have been expired for more than 5 years. As noted, EPA Region 10 has a higher than average backlog rate; approximately 60 percent of majors, and 72 percent of minors.

A number of reasons have been identified for the existence and persistence of permit backlog. Among them are the: expanding universe of facilities requiring NPDES permit coverage, e.g., the addition of Concentrated Animal Feeding Operations (CAFOs) and Storm Water to the NPDES program; the increasing complexity of the NPDES permitting program due to State adoption of numeric water quality standards, Total Maximum Daily Load (TMDL) requirements, and more complex industrial operations; increasing involvement (e.g., hearings, challenges, appeals) of outside parties in permit development and issuance slowing the overall process; and high staff turnover and training limitations at the State and Regional level. EPA is currently investigating the degree to which the above-cited reasons are impacting the program at various levels by examining permitting efficiencies and resource needs and gaps. Targeted efforts are also underway in several Regions and States to clean up incorrect permit expiration data, and to accelerate issuance of NPDES permits.

Question. What is the potential impact to the environment of not eliminating the backlog?

Answer. Environmental impacts occur when unacceptable levels of pollutants are discharged from an industrial or municipal facility. Such discharges may occur whether or not an NPDES permit has been issued, or whether the permit is current or expired (backlogged). The importance of the permit, however, is that it establishes the specific, enforceable pollutant discharge targets that must be achieved by the permittee to ensure that water quality is protected and that technology goals are achieved. If the permit is current and properly drafted, it should reflect all current and applicable water quality and technology goals. If the permittee complies with all of its permit conditions, the environment should be protected.

If the current permit-holder has submitted a timely and complete permit application for renewal of its permit, and the permitting authority fails to issue a new permit prior to the expiration date, the expired permit will generally be "administratively continued", allowing the conditions and requirements to remain in effect until the new permit is issued. States and EPA remain able to take enforcement actions against violations of these "administratively continued" permits. In many cases, EPA or the state would reissue the same permit levels, in which case, the backlog of these permits poses no threat to the environment. In other cases, a new or revised effluent guideline, water quality standard or TMDL would cause the permitting Agency to revise the permit levels. In these cases, the "administratively continued" permits are less protective of the environment.

Question. Will the budget request allow EPA to eliminate the backlog? How much money would be required to eliminate the permit backlog in non-delegated States and in delegated States?

Answer. Our budget request allows for a multi-pronged approach to eliminating backlog in delegated and non-delegated States, including direct permit issuance assistance to several Regions and States; broader use of tools developed in some Regions and States such as general permits, electronic "permit wizard" programs, and streamlined procedures to expedite issuance; and the development of strategies in partnership with States for eliminating backlog while maintaining high permit quality. As we implement these initiatives, we hope to significantly reduce the backlog and better assess better the sufficiency of available resources to eliminate the backlog. EPA does not currently have a complete picture of the resource needs at the State level, but will develop a better understanding through an ongoing resource gap analysis (to be completed Fall 1999) and by partnering with high backlog States to develop specific State strategies for eliminating backlog.

Question. In the STAG account, the request included $115.6 million for State water quality management grants (CWA section 106) and $19 million for water quality cooperative agreements (CWA section 104(b)(3), the same levels provided in the fiscal year 1999 appropriation. States use these grants to support a variety of CWA implementation activities, including permitting, standard setting, monitoring, and enforcement. How will EPA work with States to ensure that NPDES-delegated States use these resources to address their permit backlogs? How will EPA determine if States are devoting sufficient resources to this problem?

Answer. EPA will be developing backlog reduction strategies in partnership with the States that will address State-specific needs, examine and pilot new approaches, examine inefficiencies in the existing process, and set fixed targets and goals for permit issuance while maintaining high permit quality. Working through the giant negotiation process, the Agency will work to ensure that the States are developing a level of resources commensurate with their strategies and program targets and goals.

Question. If permit backlogs are such a chronic problem, what new approaches is EPA looking at, such as the self-certification program the State of Massachusetts has piloted called Environmental Results Program?

Answer. EPA realizes that the ever-expanding scope and complexity of the NPDES program has led to systemic resource shortfalls and backlogs in many States. Solutions may require bold experimentation and the widespread adoption, in certain cases, of new programs that have been successful in some States. EPA is examining a suite of innovations, including the increased use of electronic "permit wizard" programs, technical exchanges and fora between permit writers in various States, and the piloting of programs such as New York State's Environmental Benefits Permit Strategy (EBPS), which provides greater efficiency by separating and prioritizing administrative and technical permit issuance tasks.

Question. How will the new NPDES permit requirements for animal feeding operations impact the backlog?

Answer. Over the past 25 years, the focus of the NPDES permit program has been the control of industrial and municipal point sources of pollution. To date, efforts have been directed mostly toward the more traditional point sources with discrete discharge outfalls. Sources such as concentrated animal feeding operations are not new to the NPDES program, but are point sources that have been within the scope of the NPDES program for many years. As the more traditional point sources have implemented appropriate controls, sources such as CAFOs have become sources from which controls would yield the greatest environmental benefit. As EPA and States identify and address these types of sources, the universe of facilities required to be covered under an NPDES permit will continue to expand. It is likely, however, that permitting authorities will choose to permit most concentrated animal feeding operations under general NPDES permits. Since general permits allow the coverage

of large numbers of facilities under a single permit, the increase in administrative burden to the overall permit program will be lessened.

Question. Please provide a breakout of the budget request for NPDES permitting for new permits versus updating existing permits.

Answer. EPA estimates that approximately 1,300 existing major permits and 12,500 existing minor permits expire in an average calendar year. While no precise estimates on new individual permits are available, the Agency believes that these numbers are small (perhaps 20 majors, and 500 minors) relative to existing permits. The NPDES budget request is intended to address all aspects of permitting, including new permits and re-issuance of expired permits. The budget request also supports Agency efforts to more accurately characterize the NPDES universe and to identify issues affecting the permit backlog. This includes providing assistance and guidance to States and Regions for management of Compliance data and develop backlog reduction strategies.

CWAP: ADDED FUNDS

Question. With respect to the Clean Water Action Plan, what assurances does EPA have that the added funds the agency is spending in the first year of the program are having their intended effect? What assurances can the agency provide that the public will get a good return on that investment and on the additional CWAP funds being sought for fiscal year 2000?

Answer. The fiscal year 1999 funds added for CWAP were primarily for grants to states under Section 319 of the Clean Water Act ($95 million incremental funds)—plus $20 million for section 106 state program management grants. The section 319 funds are being awarded on schedule, i.e., during the spring of 1999, for work that will take place later in 1999 and into 2000. Although the funds are just being awarded, we already have some assurances that the funds will be targeted at the highest priority needs. In making the incremental funds available to states, the CWAP envisioned targeting those funds to watersheds which the states and tribes identify as priorities for restoration, based on Unified Watershed Assessments (UWA's), which were to be prepared by the states and tribes. All of the states and many tribes now have completed their UWA's.

Likewise we have asked the states to upgrade their section 319 programs as a pre-requisite to receiving incremental funds in the future. We are already seeing many states and tribes upgrading their Section 319 programs to incorporate nine key elements which were identified in national guidance, which was developed in cooperation with the Association of State and Interstate Water Pollution Control Agencies (ASIWPCA). This upgrading of states' non-point source programs provides further assurance that CWAP funding is having and will continue to have the intended effect. Moreover, as we review states' non-point source program workplans, as well as project-specific and place-specific proposals for spending the incremental Section 319 funds, we see these plans and projects clearly indicating that the funds will be used for the CWAP's intended purposes, i.e., for development and implementation of watershed restoration action strategies—with the inclusion of multiple agencies and other stakeholders in both the planning and implementation phases.

EPA and other federal agencies have been working with tribal, state, and local partners to implement the more than 100 key actions in the CWAP. The first anniversary report highlights the progress made toward implementation of the Action Plan and outlines the agenda for future years. Accomplishments in the first year include the development of a national animal feeding operations strategy, development of a multi-year strategy for the development and implementation of nutrient criteria for specific waterbodies across the country, installation of EPA's Beach Watch Website that provides the first national listing of beach water quality monitoring information, and development of watershed priorities through Unified Watershed Assessments. In 2000 and future years, federal agencies will continue to monitor progress toward key actions and the four major objectives of the CWAP—improve information and citizens' right-to-know, address polluted runoff, enhance natural resources stewardship, and protect public health. The Agencies will also be developing comprehensive performance measures to measure the net results of CWAP in future years, taking into account the fact that it usually takes a few years to implement improvements and to see the water quality benefits of those improvements.

TMDL PROGRAM: INTERNAL COST ASSESSMENTS

Question. EPA has reportedly done some internal cost assessments of anticipated revisions to the TMDL program. What are the Agency's current cost estimates, in terms of impacts on states and the EPA? How will the cost of the TMDL program

affect implementation of other core water quality activities? What state and EPA activities are being delayed or deferred as a result of current emphasis on TMDLs?

Answer. The Administration is still developing proposed revisions to the regulations governing the TMDL program required by Section 303(d) of the Clean Water Act. Part of this process involves estimating additional costs of complying with any revisions. A final determination on State costs has not been made.

The regulatory proposals are based on the consensus recommendations of a Federal Advisory Committee for TMDLs. Four State Environmental Department Secretaries or Deputy Secretaries were members of this Committee and signed the final report presented to the Administrator in July 1998. We expect to propose changes to the TMDL program in late summer 1999; we expect final regulations sometime next year.

EPA anticipates that the implementation of the current TMDL program can be borne by States and EPA with the support of the President's Budget proposal for fiscal year 2000, without either delaying or deferring other ongoing core water quality activities. The implementation of any final revised TMDL regulations will occur in later fiscal years. Working with the States, EPA has undertaken a water quality gap analysis project to examine the future funding that States need to effectively manage their water quality programs and will use that analysis to inform future budget requests.

TMDL: SOUND SCIENCE

Question. Stakeholders agree that sound scientific judgments are and will continue to be required for developing and implementing TMDLs. This includes scientific judgments as to the levels of pollutants that are safe for aquatic life in a waterway and calculation of the quantity of pollutants discharged that will not impair a waterway and how load limitations are allocated among sources. Yet many are concerned that needed technical and scientific information is inadequate. What resources is EPA devoting to assist states in this regard?

Answer. Resources supplementing State TMDL efforts are found in state water pollution control grants under Clean Water Act § 106, in § 319 state nonpoint source grants, and in EPA's operating resources. Section 106 grants, for which the Agency has requested $115.5 million in 2000, support a wide range of water pollution control activities including permitting, water quality planning and standard setting, assessment and monitoring, and TMDL development and implementation. While EPA does not generally request (nor allocate to states, Tribes or interstate agencies) specific resource levels for the various eligible activities within the §106 budget, EPA's 1998 request did include an increase to support TMDL activities. We continue to emphasize the importance of establishing and maintaining adequate TMDL programs from within available § 106 resources. Beginning in 1999, states are permitted to use up to 20 percent of their § 319 allocation to upgrade and refine their nonpoint source programs and assessments. A prominent example of potentially eligible § 319 activities is the development of TMDLs to help implement Watershed Restoration Action Strategies developed by states for high-priority watersheds. Aside from this direct state grant funding, EPA also requests resources to be used by EPA in direct and indirect support of states' TMDL efforts. At approximately $15 million in the 2000 request, these resources support technical assistance on specific TMDLs, training of state personnel, development of national guidance and policy, and backstopping state efforts as necessary to meet TMDL development deadlines.

Question. How will EPA ensure the scientific soundness of TMDLs?

Answer. EPA is devoting a significant portion of its ecological research program to better understanding the levels of pollutants that are safe for aquatic life in a waterway, quantifying pollutant discharges from non-point and atmospheric sources, developing mathematical models that accurately calculate safe pollutant loads from point, non-point, groundwater, and atmospheric sources of pollution, identifying effective means for restoring aquatic ecosystems to sound health, and monitoring actual progress toward that goal. Specific examples include the development of biocriteria (indicators for determining the health of aquatic ecosystems based on the species present in the water body), landscape ecology (using satellite imagery to assess the impact on land use and land cover on non-point source pollutants to surface waters), the Environmental Monitoring and Assessment Program (EMAP)which is developing monitoring methods in Eastern U.S. coastal waters and inland waters in the Western U.S., as well as the Coastal Monitoring program, which has the potential for providing baseline information for TMDL's in estuaries. In addition, the Multimedia Integrated Modeling System (MIMS) will be a next-generation modeling system that will link air, water, groundwater, and biological models in highly realistic configurations.

More specifically, ORD is conducting near-term research on improving the scientific basis for setting TMDLs for sediment, nutrients, pathogenic organisms, and temperature. The results of this work will be incorporated into a nationally-applicable advanced problem-solving software framework that will permit easier use by the states, including automated links to land use, meteorological and aquatic organism effects data bases. This work is being conducted primarily in the Savannah River. Our scientists are also working directly with program offices to demonstrate cross-media TMDLs for mercury in Florida and Wisconsin. The completion of these regional demonstration models are anticipated within the next two years and the results will provide important feedback on our ability to apply these techniques nationwide.

Finally, EPA's Science to Achieve Results (STAR) program is supporting TMDL development through it's Water and Watersheds partnership with NSF and USDA by soliciting research that will improve our understanding of watershed processes relevant to TMDLs and of analytical methods for determining how changes in the management of upland and riparian areas affect the quality of water bodies, especially with respect to mercury pollution, a widespread and growing pollution problem in more than half of the states.

EPA insures the quality of all of it's scientific research through a rigorous process of peer review, both prior to initiating research efforts and of all research products. The STAR grants program relies on its competitive grants process to identify the very best researchers and research ideas.

STATE GRANTS: FISCAL YEAR 1999 FUNDING INCREASE

Question. EPA officials have said that the fiscal year 1999 funding increases for state grants (especially $95 million additional for section 319 nonpoint pollution management grants) will be directed to projects in priority watersheds, as identified by states in watershed assessment reports prepared in 1998. However, because the time frame for preparing those assessments was very short from June to October 1, 1998), there is some question about their quality and thoroughness. What procedures will EPA use to oversee distribution of grant funds to priority watersheds to ensure that funds are targeted to those with highest need of restoration.

Answer. On December 4, 1998, EPA issued guidance on "Funding the Development and Implementation of Watershed Restoration Action Strategies under Section 319 of the Clean Water Act." The primary purpose of this guidance is to clarify the requirement for application of incremental funds to priority watersheds (i.e., those for which watershed restoration action strategies are to be developed). The guidance calls for a clear indication in each Section 319 workplan of "which grant activities will be implemented using the base funds and which projects will be supported by the incremental funds." Likewise, the guidance requires that "subsequent reports (e.g., grantee performance reports or annual nonpoint source progress reports under Section 319(h)(11) should similarly clearly distinguish these activities."

We are also using the Section 319 Grants Tracking System (GRTS), where states input detailed information about Section 319 grants, to include information specific to projects supported by the incremental funds. We are confident that the combination of extensive guidance, specific tracking, and continuing adherence by states to standard grant monitoring and reporting requirements will ensure the proper application of the incremental funds.

CHILDREN'S HEALTH

Question. EPA is planning to fund eight research centers that will help communities to reduce threats to environmental health. Other than research, exactly what kinds of activities are being funded in the communities by these centers?

Answer. EPA, NIEHS and CDC are supporting eight Centers for Children's Environmental Health and Disease Prevention Research, each of which will conduct multi-disciplinary basic and applied research in combination with community based prevention research projects designed to provide critical knowledge that will eventually help to decrease the prevalence, morbidity, and mortality of environmentally-related childhood diseases. All of the funded center projects are research activities. Five of the centers will research asthma; three will research health effects associated with pesticide exposure. A requirement for research funding for the centers is that each center support one project that develops, implements, and evaluates a community based intervention/prevention program. Community based prevention research studies are being designed with active community involvement and are primarily intended to develop and test the effectiveness and feasibility of various intervention strategies in reducing exposures to environmental contaminants that con-

tribute to childhood illnesses. In fiscal year 2000, EPA will support an additional research center, which will research developmental disorders.

The overall theme and nature of the community based prevention research activities for each of the eight established Centers are as follows:

ASTHMA CENTERS:

University of Iowa School of Medicine.—Theme: The Etiology and Pathogenesis of Airway Disease in Children from Rural Communities. Prevention Research Component (Rural Iowa communities): Multi-component Intervention Study of Asthma in Children from Rural Communities. The goal of this study is to develop, implement, and test a multi-component model for the prevention of asthma among rural children.

University of Southern California.—Theme: Respiratory Disease and Prevention. Prevention Research Component (Los Angeles): Asthma In Children: A Community-based Intervention Project will determine whether a comprehensive health education program using IPM techniques for cockroach control will result in reduction of dust mites or cockroaches in children's homes and clinical improvements in asthma.

Johns Hopkins University.—Theme: Asthmatic Child in the Urban Environment. Prevention Research Component (Baltimore, MD): Randomized, Controlled Trial of Home Exposure Control in Asthma will test the effectiveness of intervention methods to reduce hazardous exposures and their adverse health effects.

University of Michigan School of Public Health.—Theme: Environmental influences on asthma in children. Prevention Research Component (Detroit, MI): aim is to test methodologies that reduce exposure of children to environmental contaminants in their homes and neighborhoods that trigger asthma, thereby improving asthma related health status and reducing asthma-related medical care utilization.

Columbia School of Public Health.—Theme: Comprehensive community based assessment and reduction of environmental risks to infants and children. Prevention Research Component (South Bronx): Community-based intervention project will test: effectiveness of community education in raising awareness of environmental health risks and changing behaviors; effectiveness of maternal education in reducing exposure to secondhand smoke; effectiveness of household allergen reduction; and antioxidant dietary supplementation to reduce asthma-related biomarkers.

PESTICIDE CENTERS:

University of California at Berkeley.—Theme: Exposures and Health of Farm Worker Children in California. Prevention Research Component (Salinas Valley, Monterey County, CA): Initiate and evaluate the impact of a "Healthy Home" intervention on the reduction of pesticide exposure to children.

Mount Sinai Medical Center.—Theme: Environmental Toxicants and Neuro-developmental Impairment in Inner City Children. Prevention Research Component (East Harlem): The goal of the prevention research component—Growing Up Healthy in Harlem—is to test methodologies that reduce exposures of inner-city children and their families to pesticides in city housing through the technique of Integrated Pest Management (IPM) and reduce exposure to PBS through dietary modification.

University of Washington School of Public Health and Community Medicine.—Theme: Understanding the biochemical, molecular, and exposure mechanisms that define children's susceptibility to pesticides and the implications for assessing pesticide risks to normal development and learning. Prevention Research Component (Yakima Valley, WA): Reducing Take-home Pesticide Exposures in Children of Farm Workers

Question. What statutory authority has EPA identified for this overall [children's health] initiative? What authority do you cite for the activities related to the control of asthma?

Answer. EPA's Office of Children's Health Protection was established in 1997 in response to Executive Order 13045, which mandates that Executive Branch departments and agencies make children's environmental health and safety a priority. The role of the office is to promote and coordinate a variety of cross-media activities related to children's environmental health that are carried out by numerous EPA offices implementing many environmental statutes, which are identified below. Through the office, the Agency also has ongoing efforts to coordinate children's environmental health and safety activities with other Federal departments and agencies. Specific activities may be authorized by one or more of these statutes. The primary authorities for asthma related activities are specifically identified.

—Radon Gas & Indoor Air Quality Research Act (asthma)

—Clean Air Act, Section 103 (asthma)

—Toxic Substances Control Act, Section 10 (asthma)
—Federal Insecticide, Fungicide, and Rodenticide Act, Sec. 20 (asthma)
—Clean Water Act, Section 104
—Food Quality Protection Act
—Solid Waste Disposal Act, Section 8001
—Safe Drinking Water Act, Section 1442
—Pollution Prevention Act
—National Environmental Education Act

Question. Although there is some evidence that asthmatic symptoms are aggravated by air pollution, is there any scientific evidence that air pollutants, either criteria pollutants or hazardous air pollutants cause asthma?

Answer. While exposure to outdoor air pollutants is not currently thought to be a cause of asthma, evidence indicates that exposure to air pollution is associated with exacerbation of asthma-related symptoms. For example, increases in ambient ozone concentrations have been associated with increases in hospital admissions for respiratory causes for individuals with asthma, worsening of symptoms, decrements in lung function, increase in lung inflammation, and increased medication use (EPA–452/R–96–007, June 1996). Epidemiological research has associated increased incidence of adult-onset asthma for those individuals who have had childhood asthma, living in communities with higher long-term ambient ozone concentrations. (McConnell et al., 1999) Community epidemiology studies have also indicated that ambient particulate matter levels can be associated with altered lung function and increased respiratory symptoms in asthmatic patients, as well as increases in hospital admissions for asthma. (Thurston et al., 1997; Schwartz et al., 1994) Evidence for decreased lung function has also been found in chamber studies of mild asthmatics with exposures to environmental tobacco smoke. In addition, exposures to particulate matter or ozone have been shown to have a "priming" effect for responsiveness to allergens, with the pollutant exposure leading to heightened responses to allergens among allergic asthmatics (Koenig, et al., 1988; Kreit, et al., 1989).

House dust mites, cockroaches, mold and animal dander have been identified as the principal indoor allergens that trigger asthma symptoms. Reducing exposure to these allergens has been shown not only to reduce asthma symptoms and the need for medication, but also to improve lung function. Environmental tobacco smoke (also called secondhand smoke) is an important irritant that can trigger an asthma episode and possibly potentiate the effects of allergens.

Question. Does EPA plan to develop or distribute already developed educational material on asthma before NAS completes its study of the relationship between various environmental pollutants and asthma?

Answer. An asthma attack is one of several health endpoints that have been associated over the past several years with indoor air contaminants, including secondhand smoke and allergens such as dust mites, cockroach allergen, animal (i.e., pet) dander, and mold. There is consensus within the scientific community that reducing exposure to secondhand smoke and allergens should reduce the frequency and severity of respiratory illnesses in children, including but not limited to asthma. The National Asthma Education and Prevention Program (NAEPP) Expert Panel 2 Report (NIH Publication No. 97–4051, July 1997) specifically recommends avoidance of secondhand smoke and other allergens. Information developed by EPA and many other sources to help people make informed, voluntary decisions to reduce their children's (and their own) exposure to these and other contaminants is widely available and being widely disseminated through many different channels, including government, non-profit and industry networks.

The report is a follow-on study to a 1993 Institute of Medicine of the National Academy of Sciences (IOM/NAS) report on Indoor Allergens that helped to focus attention on the links between the growing problem of asthma and indoor air pollution. The study now being conducted by the NAS addresses only indoor pollutants rather than all environmental contaminants, and is scheduled to be completed in the Fall of 1999.

The NAS report is expected to help to consolidate an extensive body of already published scientific literature into a concise summary of what is, and is not, currently known about the role that indoor pollutants play in the induction and exacerbation of asthma. The report will include less studied contaminants such as pesticides, particles, nitrous oxides and other chemicals and irritants. While the report is expected to help further refine existing guidance and information on effective prevention strategies and identify critical information gaps, there currently exists a consensus among the scientific community that disseminating exposure reduction information will help protect children as well as adults from indoor contaminants.

CLEAN AIR PARTNERSHIP FUND: GRANTS TO CITIES

Question. EPA is requesting $200 million for a new Clean Air Partnership Fund for grants to cities, states and tribes together with the private sector to demonstrate ways to reduce air pollution. How did EPA establish $200 million as the amount requested for the fund?

Answer. EPA is requesting $200 million in fiscal year 2000 for the Clean Air Partnership Fund based on years of discussions with potential grants recipients concerning the air quality improvement challenges they face. The $200 million request will provide a significant new source of support for innovative, integrated air quality improvement demonstrations that currently are not being implemented.

OFFICE OF INFORMATION MANAGEMENT

Question. EPA has decided to create an office of information management, which is to be operational by the end of summer. Will this office have the authority including purse-string controls to compel other EPA offices to follow through on the policies and procedures it sets forth on disseminating EPA data? How will EPA overcome potential resistance to centralized policies, after 30 years of free reign for the individual program offices of data systems?

Answer. In October 1998, The Administrator made the decision to create a new information office as the result of recommendations made by an Agency-wide task force of senior managers representing both national programs and Regions. In making this decision, she accepted the position of the task force that the Agency and its stakeholders would benefit from more centralized responsibility for its information policy and activities. This broad internal consensus has enabled the Agency to move quickly to create a new organization that pulls the information life cycle into one place with a customer focus. It will provide a single, coherent, and coordinated strategy for information collection, management, use, and dissemination. It will have authority to review major investments in data collection and information technology and to develop and implement policy on key information issues such as data dissemination.

To better assure commitment to, understanding of, and compliance with the Agency-wide information policies that the Office will develop, the Deputy Administrator has been meeting regularly with Agency senior managers to develop a means by which the National Program Manager for information can meet directly with the senior leadership of the Agency on a continuing basis. This mechanism, while still being refined, will create a council of Assistant and Regional Administrator level leaders, staffed by the new information office, that will provide a forum to discuss and resolve information policy issues, develop effective strategies for policy implementation, and review progress in key areas.

OFFICE OF INFORMATION MANAGEMENT: IMPLEMENTATION PLAN

Question. EPA has not yet developed an information plan to show how the agency intends to achieve its visions and goals—even while the new office is supposed to be in operation in a few months. EPA has indicated it will have a plan at the end of September, after the office is operational. Shouldn't you have this plan in place before setting up the office? Will the plan lay out the EPA's information management priorities, and the resources needed to accomplish them? Can you tell us now what the priorities of the office will be?

Answer. The new information office will provide leadership to develop an information plan (technically referred to as an information architecture) for the information and information technology to support EPA's mission. Developing this type of plan at an Agency-wide level is a relatively new approach to information management across government and is very complex, but the value is clear: this planning approach provides a better mechanism to effectively and efficiently plan our information and technology investments on a multi-year basis. We will identify and coordinate information needs, with anticipated burden reduction for existing requirements, coordinate technology investments, and improve public access to and ability to use information from multiple sources.

As a first step in this effort, EPA will develop a high-level plan to define the information needed to support our public access mission. We will build upon the current work in identifying emerging information needs and opportunities for burden reduction to determine both priority information needs for public information and critical data needs for implementing EPA's programs. This approach will be coordinated with improvements in the Agency Strategic Plan and work on core performance measures under the National Environmental Performance Partnerships program. EPA will combine the results with other architecture planning processes across our

other mission areas as the new organization builds this capacity. We will then be in a position to identify high and low priority needs, opportunities to increase effectiveness and lower costs, make plans on a multi-year basis to acquire needed information and technology, and phase out unneeded or outdated information and technology.

Developing the Information Plan will involve many parts of the Agency not just the new Information Office. We will also work closely with our State partners and with all of our information customers to ensure that the Information Plan is something the Agency can and will use to improve our information practices to improve our service internally and externally. While the Plan will not be completed before the new Information Office is fully operational, its development will be one of the highest priorities of the new office. The Agency does not believe that the plan need be fully developed in order for the new office to begin its critical work. Indeed, the ability of the Agency to work through a single office to address all aspects of information collection, management and dissemination will help us develop an Information Plan that is of high quality and utility.

As we develop the Plan, we will be able to do an increasingly better job of setting information priorities that reflect an Agency-wide perspective, rather than a stovepipe, program-by-program perspective. We will also be working to identify the resources needed to accomplish those priorities.

In addition to developing an Information Plan, we have identified several important top-level goals for the new Information Office. These goals are:

Integrate information.—Increase the effectiveness of environmental information by better integrating and coordinating the information collected, its management, and its synthesis into products for decision-makers and the public.

Strengthen information partnerships.—Increase the extent and effectiveness of information partnerships, including leveraging information technology investments, to meet the needs of our varied information managers and customers. This starts with States and tribes, and extends to other federal, local, international agencies, and private organizations.

Enhance information quality.—Increase the value of environmental information for all stakeholders by seeking customer feedback and systematically improving its usability, clarity, accuracy and reliability. This includes development of compatible data standards and ensuring that quality is known and appropriate for intended uses.

Foster information-based decision-making.—Evaluate data and communicate its utility to improve environmental decision-making. Generate new trend and outcome information that promotes adaptive and forward-looking environmental management by decision-makers at all levels.

Reduce burden.—Increase the efficiency of information collection by reducing unnecessary EPA, State, and stakeholder cost and burden of collecting and using information

Strengthen EPA's information infrastructure.—Increase the efficiency, effectiveness and coherence of the information infrastructure. This involves strategic investment in technology, increasing the reliability (Y2K) and integration of installed technology, and enhancing information security.

Expand American's right to know about their environment.—Enable easy access to a wealth of information about the state of their local environment to expand citizen understanding and involvement and give people tools to protect their families and their communities as they see fit. Increased information transparency among scientists, public health officials, businesses, citizens, and all levels of government will foster greater knowledge about the environment and what can be done to protect it.

OFFICE OF INFORMATION MANAGEMENT: REPORTING BURDEN REDUCTION AND REI

Question. Among the many issues this office will address is reporting burden. Reducing the burden of reporting redundant or unnecessary information is important not only to the regulated community but also to regulators. What goals have been set for easing the reporting burden, especially for small businesses?

Answer. EPA seeks reporting burden reductions from three categories of respondents: (1) state partners reporting information to EPA, (2) regulated entities who report information to the Agency and the states, and (3) users of information provided by EPA. While efforts to reduce reporting obligations continue at the program level, we hope to identify larger burden reduction opportunities through implementation of the REI data standards and electronic reporting.

In addition, EPA and the states intend to critically examine the data needed for programmatic and public access purposes. EPA is creating an automated capability

to portray the full range of EPA reporting requirements. With this, EPA, the states, and regulated entities can get a better picture of reporting obligations, and can look at this burden sector-by-sector to identify burden reduction opportunities.

With respect to state reporting burden, EPA and its state partners are creating a process to explore burden reduction ideas on a state-by-state basis. We will make sure that reporting requirements yield high quality, needed information at the lowest possible costs. All of these efforts will pursue alternatives to current reporting approaches, including whole facility reporting.

EPA has adopted the Paperwork Reduction Act goal of reducing paperwork burden by five percent each year, although in recent years reductions have been offset by increases due to implementation of the Toxic Release Inventory, other right-to-know programs, and by new statutory requirements. EPA does not have a separate burden reduction goal for small business but does place a high priority on reducing or minimizing burden on them. EPA has begun a dialogue with a group of small business representatives to explore additional opportunities for reducing reporting burden and to ensure that REI and other reporting initiatives are well aligned with small business needs.

REI: DATA STANDARDS

Question. REI involves developing data standards, including a uniform identifier for a regulated facility. EPA has been trying to develop such a standard as far back as 1994. Why is it taking so long to develop this fundamental element for achieving the plan's stated data integration goal? What assurance can you give us that you will be able to meet the September 1999 target set for completing this and all other standards required by the plan?

Answer. The REI Facility Identification data standard was approved as an interim data standard in February 1998. Since that time, EPA has been working with states to refine the standard to ensure that it meets all of EPA's stakeholders needs. The final standard is scheduled to be issued by September 30, 1999. Business rules for implementing the standard are being developed in conjunction with the states.

This is a difficult data standard because it represents a fundamental change in the way EPA and the states conduct business. In addition to a standard facility identification number, the standard contains basic information about the facility such as name, address, locational information, and industrial classification. These data elements are defined, collected, and used differently by EPA programs and by each state. Reaching agreement of standard definitions and practices has required a long process of discussion and negotiation that is nearing completion.

The REI program was designed to provide the resources and management attention to standards development to ensure that they will be completed. EPA expects to meet the three year REI milestone for standards development and five year milestone for implementation in EPA information systems. Although some interim milestones have slipped, the entire data standards program is on track to complete development by December 31, 1999, more than one year ahead of the schedule in the REI Action Plan. Two of the six standards are already final and the other four standards have been issued as interim.

DATA QUALITY: ERROR CORRECTION PLAN STRATEGY

Question. A year ago EPA committed to putting together a strategy to ensure data quality, including an error correction process which is well-defined, efficiency (sic) and transparent. [Fred Hansen memo of Apr. 29, 1998] This still has not been done. When will EPA have an error correction plan in place, and will EPA discontinue the practice of not checking the accuracy of data before putting it on the Internet? Will EPA begin taking responsibility for the quality of the data it puts out, rather than simply blaming the sources from which the data came?

Answer. EPA's data quality strategy, which was developed in response to Fred Hanson's memo of April 29, 1999, includes a framework for an error correction process. On April 1, 1999, Peter Robertson, acting Deputy Administrator, wrote a memo accepting the strategy and restating the Agency's commitment to data quality. Responsibility for leadership on data quality rests with the new information office. The new information office, which is expected to be operational by September, 1999, will contain a quality staff and a quality board that will have overarching responsibilities for quality-related activities across the Agency. Implementation of an error correction process is a high priority for the new information office.

EPA does check the quality of data for which it has direct responsibility before putting it on the Internet. For example, Toxic Release Inventory (TRI) data, which is submitted directly to EPA by facilities, is put through rigorous quality control before being released to the public.

DATA QUALITY: STAKEHOLDERS INVOLVEMENT

Question. Will EPA begin involving stakeholders in discussions about plans to put information out, particularly for purposes other than that for which it was collected?

Answer. EPA is already involving stakeholders in plans to develop new information. For example, EPA's Center for Environmental Information and Statistics and the EMPACT program have routinely consulted stakeholders about their information needs, access preferences and feedback on proposed information products (e.g., EPA web site, CEIS web site and EMPACT project reports and communications).

In addition, EPA has committed to an Early Action Project for the new Information office which will address a number of issues relating to the development of new data and information products for release to the public.

The Agency will soon begin to engage states, tribes and stakeholders on issues such as prior notification of new products, processes for involving state partners and stakeholders in product development, and provision of metadata and interpretive context.

DATA QUALITY: STATES INVOLVEMENT

Question. Given that much of EPA's data comes from the states, what specifically is being planned with the states to ensure that EPA's information management and data quality plans are workable.

Answer. EPA is working with states through the Environmental Commissioners of States (ECOS). EPA is a partner with states on the ECOS Information Management Workgroup. The workgroup has developed a vision and operating principles and has chartered several teams to jointly deal with information management issues (e.g., facility identification). EPA will continue to work through ECOS and other mechanisms to ensure that information management and data quality plans are workable.

DATA QUALITY: FISCAL YEAR 2000 BUDGET REQUEST

Question. Specific funding requests could not be identified in EPA's budget for data quality and security concerns. How much of EPA's fiscal year 2000 budget request specifically would go to "data quality" and "information systems security"? What specifically is requested for fiscal year 2000 to address critical data gaps, and how does this compare to fiscal year 1999? What role will the new office play in identifying and prioritizing data

Answer. In fiscal year 1999 approximately $175 thousand was used to address data gaps and in fiscal year 2000 approximately $250 thousand will be needed to continue and build on the work relating to data gaps in the new Information Collections Office. The fiscal year 2000 Office of Information Resources Management security budget is $1,481 thousand.

The new Information Office will integrate various aspects of information management, policy and technology at EPA. Although the Agency's program offices will retain many of their information responsibilities, the new office will lead the creation of a coordinated and consistent policy and information framework. One area in which this coordinated and consistent policy function will apply is in the identification and prioritization of data gaps. A critical step in addressing data gaps is the development of an information plan which will serve as an architecture for the information and information technology necessary to support EPA's mission. In part, the information plan will determine both priority information needs for public information and critical data needs for implementing EPA's programs Working with the offices across the Agency, our state partners and all of our information stakeholders, the new Information Office will have the lead for developing the information plan. The information plan effort will build upon current work in identifying emerging information needs and opportunities for burden reduction.

DATA QUALITY: COMPUTER SECURITY CENTRALIZED VALIDATION PROCESS

Question. With respect to computer security concerns, when will EPA establish a centralized validation process to ensure required aspects of the information system security are properly planned for and documented throughout the Agency, as recommended by the Inspector General?

Answer. In response to the Inspector General's recommendation to establish a centralized validation process, EPA agreed to require its Primary Organization Heads (Assistant Administrators, Regional Administrators, the Chief Financial Officer, the General Counsel, and the Inspector General) to certify their security planning activities annually to the Chief Information Officer. Primary Organization Heads certify that workable information security plans have been implemented. To

make this decision, Primary Organization Heads rely on EPA's Senior Information Resource Management Officials (SIRMOs) to first approve in writing that each security plan adequately addresses the security controls required for the protection of the general support system or major application. Prior to approving security plans, SIRMOs are responsible for ensuring that independent reviews are conducted for each plan.

DATA QUALITY: EMPACT INITIATIVE FUNDING

Question. EPA has requested funding under EMPACT for a "state of the art scientific information system" that it identifies as currently in development (p. VII–6). Please explain this initiative and the specific funding request associated with it. Also, how much is being spent in this and prior fiscal years on this effort? Will additional funds be needed in the outyears?

Answer. While EMPACT and work to develop a state-of-the-art scientific information system both are captured under the Agency's Empowerment Goal, the information system is not a part of the EMPACT program. The effort to develop a scientific information system resulted from a 1997 Office of Research and Development (ORD) commitment to improve the coordination of its science information management activities. The ORD publication, "Strategic Plan for ORD: Information Management Component", published in 1997, sketched out several management options that could be employed to achieve ORD's information management goals and objectives. Of these, ORD management selected the development of a Science Information Management Coordination Board (SIMCorB) as the preferred option. On the SIMCorB are representatives from each of ORD's research laboratories and centers.

One of the first activities undertaken by SIMCorB was the development of an implementation plan that would modify EPA's research environment so that strategic information management (IM) goals would be met. Project plans were developed in four areas, one of which was development of a Science Information Management System (SIMS) to support Agency science activities.

The Board evaluated existing IM activities and systems and determined that an existing IM effort, the Environmental Information Management System (EIMS)[1], formed an appropriate foundation upon which to build the SIMS.

In fiscal year 2000, EIMS will begin its modification to become SIMS, with system augmentation continuing through 2003. Eventually, SIMS will be the foundation of the research electronic "collaboratory". Through SIMS, individual investigators located anywhere in the Agency's research laboratory system will be able to participate in all the activities of the science project life cycle (communication, planning, analysis, publication and archival) as if they were collocated.

The following table reflects the four-year research and development investment in this activity under the Agency's Empowerment Goal. Figures represent estimates through the fiscal year 2000 President's Budget Request. We expect to provide outyear support for system augmentation under the base research program.

[Dollars in millions]

	Fiscal year			
	1997	1998	1999	2000
EPA/ORD	$0.1	$0.4	$0.4	$0.4

DATA QUALITY: CERLCIS

Question. Beginning in 1990, concerns have been raised by the I.G. as to the quality of data contained in CERCLIS database. EPA staff still must verify the accuracy of data used for the mandated Superfund annual report because CERCLIS data still cannot be relied on. Why is it taking EPA so long to correct this problem?

Answer. Earlier reviews by the OIG did indicate some data quality issues with the CERCLIS database, but their recent work in this area has documented considerable improvements. In 1990, the OIG issued an audit report "CERCLIS Reporting" and a subsequent follow-up report in March, 1992, "Special Review on Follow-Up of CERCLIS Reporting and Post-Implementation", which included numerous rec-

[1] EIMS stores and maintains descriptive information about documents, datasets, databases, models, images, web pages and multimedia products in a relational database. Descriptive information stored within EIMS is consistent with the Federal Geographic Data Committee (FGDC) metadata content standards for spatial data. EIMS is scheduled to become a node of the National Spatial Data Infrastructure (NSDI) during the summer of 1999.

ommendations to improve the quality of data and reporting of information through the CERCLIS database. Through 1993, EPA took corrective actions which improved report program documentation, enhanced the CERCLIS report library central coordination effort to more effectively monitor the change control process, and established a third party testing team and new testing procedures.

During the OIG's review last year of the fiscal year 1995–97 Superfund Annual Reports to Congress (SARC), the OIG implied that numerous discussions between Headquarters and Regional staff were needed to verify the accuracy of CERCLIS data. This statement was also included in the OIG's January, 1998 response back to Dick Armey's August, 1998 request of the OIG's Top Ten Concerns at EPA. However, the OIG was not aware that the data used for the SARC originated from a frozen database for the specific year being reported. Although the SARC's are being issued late, the data sets included in the reports were unchanged from the frozen database of the reported year. The OIG subsequently understood this process, and issued their final report without any criticism of the quality of CERCLIS data. On the contrary, the OIG's final report praised EPA for having adequate controls over data entry procedures into the CERCLIS database. The OIG also cited their December, 1997 audit "Superfund Construction Completion Reporting", in which they stated "that the source documentation supported 100 percent of the construction completion accomplishments, one of the Agency's main indicators of site progress. The information EPA reported was accurate, and Congress and the public can rely upon the information."

Question. What specifically is planned for fiscal year 2000?

Answer. We will continue our ongoing data quality efforts on CERCLIS which consist of the following: supporting the designated data sponsors through national work group meetings, participating in the biweekly data quality conference calls, organizing national meetings with the Information Management Coordinators where data quality issues are identified and discussed, and enhancing the CERCLIS system with features that support data integrity, i.e., Smart Screens which help the user correctly identify the required data.

Question. When can the concerns the I.G. has identified be resolved?

Answer. The OIG's concerns have been resolved based on the OIG's final report which contained no criticism of the quality of CERCLIS data but rather praised EPA for having adequate controls over data entry procedures into the CERCLIS database. Through 1993, EPA took corrective actions which improved report program documentation, enhanced the CERCLIS report library central coordination effort to more effectively monitor the change control process, and established a third party testing team and new testing procedures.

DATA QUALITY: RCRIS

Question. In 1993 the I.G. reported that EPA's RCRIS system did not contain accurate and timely information. There continue to be problems, 6 years later, as outlined in 3 1999 OIG reports. Since RCRIS data accuracy problems have been long recognized and RCRIS is an important information system, what is EPA doing to finally improve RCRIS?

Answer. The Office of Solid Waste and Emergency Response (OSWER) is committed to using RCRIS as the sole source of data to monitor progress towards the GPRA goal of safe waste management for hazardous waste facilities. Working with the EPA Regional offices, we have initiated a series of efforts to improve both the data system and the data it contains. Significant improvements have already been made, and more are expected, in particular toward the end of 1999.

Our first step, starting in 1998, was to have a team work with Regional contacts (the Regions in turn worked with the States) to establish and verify a GPRA baseline "universe" of operating permit and post-closure facilities in the RCRIS database. Our approach involved revisions to the data system parameters followed by two rounds of checking the data, and identifying and correcting discrepancies. These efforts resulted in a significant improvement in the quality of the RCRIS data showing what facilities are in the GPRA baseline universe.

With the GPRA baseline defined, we are currently working with our Regional contacts to further refine a method to use RCRIS to accurately determine progress towards GPRA goals. Once these refinements are incorporated into RCRIS, the Agency will clean up the unit-specific data in RCRIS. Correcting the unit-specific data is a significant undertaking which should result in a major improvement in overall data quality.

RCRIS is also an accurate and up-to-date source of national information on Corrective Action activities and results. Over the last two years the accuracy of Corrective Action information has been materially improved by focusing our maintenance

efforts on a few key areas and ensuring that implementers get feedback on the quality their data.

Tim Fields, Acting Assistant Administrator for OSWER, recently issued a memorandum to the Regional Administrators entitled "Improving the Accuracy of RCRA Corrective Action Program Data" (2/11/99). This major effort is largely completed and significant improvements in the RCRIS data can be seen currently. Since a significant amount of the RCRIS corrective action data is implemented by States, prior to issuing the memorandum a meeting was held in cooperation with Association of State and Territorial Solid Waste Management Officials (ASTSWMO) to include all States with significant influences on national RCRIS data quality and have them participate in the collective effort to improve the quality of RCRIS data. Additionally, to focus and increase the effectiveness of the RCRIS cleanup efforts the corrective action program identified a limited number of key program activities (Environmental Indicators and other key program milestones) that need to be cleaned up and maintained through time.

Our Environmental Indicator (EI) codes (our sole measures for GPRA) are relatively new and are constantly being used to illustrate the progress in specific Regions and States. Over the last year graphical charts which directly compare Regional and State EI results to their neighbors have been made available to Regional and State regulators. These graphs have significantly increased the recognition of the importance of having accurate national data and have resulted in significant improvement in, and increase of, RCRIS EI data. We are planning increased public access and awareness of corrective action EI progress through the use of Regional/State maps showing facility locations that are linked to RCRIS records showing EI status. The corrective action Program is using only national RCRIS data for annual planning, and for giving credit for accomplishments. This approach helps ensure the accuracy of the national RCRIS data.

In addition, modernization of current systems is underway to make data more directly accessible to program personnel via the Internet. Key management reports are already available to EPA and States now, and additional features are in development with implementation to be completed by May of 2000.

Finally, OSWER in conjunction with other EPA offices, is working with States to assess future information needs through the Waste Information Needs initiative (WIN). This is a multi-year process to evaluate stakeholder requirements and ensure senior management direction for future investment in new technology and prioritization for data collection and quality.

The Office of Enforcement and Compliance Assurance (OECA) is nearing completion of Quality Management Plans (QMPs) for the compliance and enforcement data contained in RCRIS. The QMP will consist of: Data Quality Objectives (DQOs), that identify the level of quality needed to support OECA decisions; a Quality Assurance Project Plan, which ensures that data meets the standards set by the DQOs; Standard Operating Procedures for collection and quality assurance of the data used to support OECA decisions; and a Baseline Data Audit, to be used as a baseline from which we will measure progress toward improved data quality.

OECA is proposing to embark on a multiyear modernization effort to integrate core compliance and enforcement data from each media program, into a single data system. This effort, which is contingent upon receiving Agency funding, would ensure that hazardous waste compliance and enforcement data is integrated with other media data on a common platform with as much definitional standardization as is practicable.

DATA QUALITY: STATE WATER QUALITY ASSESSMENT REPORT

Question. Recently issued OIG reports and ongoing audits found that state water quality assessment reports were not complete, accurate and timely. The state reports are entered into EPA's STORET database, which is the basis for the national report on water quality. What plans does EPA have to work with the states to address these problems.

Answer. Many States enter into STORET the actual water quality data they use in developing the assessments they provide in their State 305(b) reports. In developing the national report on water quality, we analyze and summarize the State assessments provided in their 305(b) reports rather than generate the national report from the STORET data base.

EPA continues to work with the States on the quality and national consistency of their 305(b) reports. For the first time, in 1998, all 50 States submitted 305(b) reports. Both EPA and the States recognize the continuing need both to improve the quality of the assessments and to increase the number of actual waterbodies monitored over time. Working with the States, EPA issued new 305(b) guidance in 1997

that should help improve both the State 305(b) reports and the national summary report generated from the State reports. Improvements will include more comprehensive coverage of waters and georeferencing of 305(b) information to identify and map specific waterbodies, including whether they meet water quality standards, and to enable long-term tracking of trends. As it usually takes at least one full reporting cycle for the States to incorporate new guidance into their operations, we hope to see improvements starting with the year 2000 State and national summary 305(b) reports. EPA will continue to work with the States on the implementation of this new guidance.

In the fiscal year 2000 President's Budget, EPA continues its $20 million investment in Section 106 Grants so that states and tribes have more resources available for monitoring activities to reduce point and nonpoint source pollution, including permit issuance for CAFOs and assessment improvements.

DATA QUALITY: GRANT MANAGEMENT

Question. Numerous IG reports, Congressional hearings, and your own annual certification to the President under the Federal Managers' Financial Integrity Act have identified serious grants management problems at EPA. While the agency plans next year to work on closing out the backlog of thousands of inactive grants, EPA has yet to change the way its grant officers do business. What steps are you taking to change the way EPA personnel do business and prevent further mismanagement of grants funds? What incentives do EPA staff have to ensure that grant agreements are followed? Are additional incentives needed, and is so, what form would they take?

Answer. The Agency has taken a number of significant actions to ensure proper management of grants. The Agency has implemented a policy which requires employees to be trained and certified before serving as a Project Officer for an assistance agreement. The Agency has trained over 4,000 employees over the past five years.

The Agency has strengthened the training provided to program office staff; placing greater emphasis on post award management in the Agency's Assistance Project Officer Training Course. In addition, EPA has developed and is conducting a refresher course which addresses new grants management issues and provides information on our website and automation tools.

The Agency has developed several policies for grants management and program office staff to strengthen grants management. For example, the Agency issued a closeout policy to address non-construction grant backlog and to eliminate future backlogs. This policy requires each Grants Management Office to identify specific impediments to grant closeout and develop an annual plan to address these barriers.

Also, the Agency has issued post award management policies for the Grants Management Offices and headquarters and regional program offices to clearly define performance expectations, accountability, and guidelines for post award management. The policies also require the development and implementation of post award management plans that addresses the unique requirements of each organization.

Various post award monitoring activities of grant recipients continue to be conducted. Monitoring activities include baseline monitoring (day-to-day monitoring activities under all grants); on-site evaluative visits (evaluation of specific grants and grantee financial, procurement, systems); on-site technical assistance; technical assistance conferences and workshops (Agency Outreach); and desk reviews. Also, on a biennial basis the Agency conducts Management Effectiveness Reviews (MERs). All regional and headquarters program offices conducted a self-assessment review of their assistance activities to identify potential vulnerabilities and areas for improvement. The first MER occurred in 1997, and Offices and Regions are now conducting their 1999 MERs.

The Agency continues to conduct management oversight reviews (MORs) of the Grants Management Offices to assess how they are managing their grant operations. As part of these reviews, the MOR review team will conduct an assessment of post award management and closeout plans.

Information resources management and technology in the assistance area have been increased. All assistance-related policies have been placed on the Agency's Intranet. Grants management and program office staff may monitor grant expenditures on their projects electronically. The Agency may access the Single Audit Clearinghouse database at the Department of Commerce Bureau of Census. This electronic capability helps in the post award monitoring and management of grants.

The original closeout backlog of non-construction grants has been reduced by 95 percent and EPA will eliminate the closeout backlog by the Congressional deadline of July 2000.

Moreover, the Agency continues to work in partnership with the Inspector General to identify specific grant or grant program areas for audit where we have questions (e.g., grantee financial management systems, practices, or performance).

Assistance agreements with our environmental partners are a critical component of meeting the Agency's public health and environmental goals and objectives. To demonstrate the importance of ensuring that grants are managed and fulfill our environmental mission, EPA has developed tools for both programs and staff. First, each Program and Regional Office has been asked to develop and implement post award management plans. These plans will be coordinated and assessed by the national program manager for grants. All programs and regions also conduct self assessments biannually to ensure that grants are effectively managed in their organization. Second, the Agency is working with staff (both program and grants) to ensure they have the training and tools to perform their jobs. Employees must be trained and certified before serving as project officers. In addition, EPA is developing automation tools such as the Integrated Grants Management System to reinvent and strengthen grants management. The Agency believes that this approach (better trained staff, stronger grants oversight, and automated systems) will advance the Agency's public health and environmental mission.

Grants managers in the Agency will be working with the Office of Reinvention to identify additional incentives and opportunities for streamlining which will result in strengthened grants management.

GRANTS MANAGEMENT: POST AWARD MANAGEMENT POLICY

Question. Each year EPA has reported in its Integrity Act report that is has extended by another year the date it hopes to correct the grants problems. And, the fiscal year 2000 Budget Request indicates EPA has yet to develop a policy addressing post-award management of grants even though the Agency committed to issuing this policy in 1997. What hasn't this been a higher priority?

Answer. EPA has been working steadily over the last four years to strengthen grants management and has made considerable progress. One of the Agency's highest priority in addressing grants management issues was to develop and implement a policy that required training. Over the last five years, the Agency has trained over 4,000 project officers, and we recently developed a refresher course which addresses new grants management issues and provides information on websites and automation tools.

The Agency has also developed new policies addressing closeouts and post award management for both the grants and program offices. In addition to developing new policies, the grants offices have initiated various oversight and assistance reviews with grantees.

The Agency has made significant progress to eliminate the closeout backlog of non-construction grants. Overall, the Agency has eliminated approximately 95 percent of the original backlog of nearly 20,000 and is committed to eliminating the non-construction grants closeout backlog by July 2000 as announced by the Deputy Administrator at a July 1996 Congressional Hearing.

In addition to the focus on training, policies and procedures, and closeouts, the Agency has made a commitment to streamline and reinvent the grants process by developing and implementing a paperless, programmatic and administrative system, which fully automates the grants process. The Integrated Grants Management System will strengthen our relationships with our environmental partners, enhance our post award and closeout management, and improve the speed and user-friendliness of the grant process.

GRANTS MANAGEMENT: STATUTORY AUTHORITY

Question. This past September, EPA's Inspector General found that EPA lacked statutory authority for 44 percent of the grants the IG reviewed. In one area, the IG found that EPA was awarding grants for economic development studies, environmental justice and technical assistance under a research provision of CERCLA. What is EPA doing to correct this major deficiency?

Answer. In September 1998, the Office of Inspector General issued audit report E3AMF8–11–0008–8100209 entitled Statutory Authority for EPA Assistance Agreements. The OIG recommended that the Agency obtain clarifying authority to fund assistance agreement activities questioned in the audit. The Agency has received clarifying authority in the fiscal year 1999 Appropriation for Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) Section 23 which authorizes assistance to

States and Indian Tribes for cooperation, aid, and training. The Agency has also requested clarification of FIFRA Section 20 (assistance for research and monitoring activities) and the Toxic Substances Control Act (TSCA) Section 10 (assistance for research, development, collection, dissemination, and utilization of data) in the fiscal year 2000 President's request to Congress. The Agency is also requiring documentation in the decision memorandum which explains how the proposed workplan relates to the authorizing statute. The Agency has completed action on the OIG recommendations and the audit has been closed.

COMPLIANCE ASSISTANCE

Question. EPA is requesting only $19 million for compliance assistance activities. This is a reduction of almost $5 million below the current level. While EPA professes to believe these programs are important—and despite that these programs have been very successful in helping small businesses comply with complex environmental regulations—they have been held at roughly $20 million for many years. According to your budget (p. IX–30), compliance assistance is being cut " with the expectation that the states will assume a majority of this work in 2000." Wouldn't it be wasteful for 50 states to develop compliance tools for the same rules, and unrealistic to expect states or private entities to develop these tools when EPA is the interpreter of its own rules?

Recent documents EPA has put out suggest EPA believes these programs are quite effective, and I understand EPA has taken some steps to quantify the effectiveness of these programs. Is this true, do you agree they are effective, and if so, why is EPA proposing to cut the programs?

Answer. Rather than indicate a shift in program emphasis, the apparent decrease in resources requested in the fiscal year 2000 budget for compliance assistance reflects how our regional resources have actually been used between compliance assistance and enforcement. Results from a recent study of the compliance assistance and enforcement work done in the Regions prompted OECA to revisit the methodology used to estimate the regional resources dedicated to compliance assistance activities. We learned that our previous methodology identified more workyears providing compliance assistance than were actually doing this type of work. We intend to continue what we believe has been a strong and innovative compliance assistance program.

EPA's role has been and continues to be to develop and distribute compliance assistance information and tools for business and industry. As the primary providers of direct assistance to the regulated community, states and localities and other compliance assistance providers use or adapt EPA compliance assistance materials to reflect specific state or local requirements. We believe this relationship has been very successful in improving the regulated community's awareness and understanding of its environmental obligations. We intend to expand these outreach efforts by working more closely with compliance assistance providers, especially with state and local governments.

Participants at our recent conferences on EPA's compliance programs confirmed the value of EPA's compliance assistance tools and materials and urged us to continue developing general compliance assistance tools that are widely applicable and that are made widely available through the Internet, toll-free hot lines and other appropriate channels. We also heard strong support for the view that states are the first-line, on-site purveyors of compliance assistance. EPA is continuing to work with the states and other assistance providers to develop a strong network that exchanges information and tools and minimizes duplicate services.

We believe that our compliance assistance tools have increased the regulated community's understanding of environmental requirements. For example, working with industry associations and other organizations, we have set up nine Compliance Assistance Centers through Internet web sites, toll-free telephone lines, and fax mail, each directed toward a specific industry or government sector. During 1998, the five existing Compliance Assistance Centers logged over 190,000 user sessions and responded to over 3,600 toll free phone calls and questions via e-mail. In addition to the Centers usage, EPA Regional offices in fiscal year 1998 collectively reached almost 250,000 regulated entities through compliance assistance outreach mechanisms including telephone hotlines, workshops and training sessions, on-site visits and compliance assistance tools. Notable examples of these tools include the 28 sector notebooks, which are industry sector profiles containing information on the overall compliance history, applicable federal requirements, industrial processes, pollutants generated, pollution prevention approaches, and cooperative programs designed to improve the environmental performance of the industry. Since 1995, over 300,000 copies have been distributed in printed and electronic form. Moreover, eighteen

plain language guides and several compliance checklists have been prepared for selected sectors, including the food processors, paints and coatings, and automotive sectors.

GAO: SUPERFUND PROGRAM

Question. Superfund/GAO has continued to list the Superfund program as a high-risk program, subject to fraud, waste and abuse. GAO cites concerns in the area of inadequate contractor oversight, overcapacity of contractors, cost-recovery concerns, and other issues. What specific actions is EPA taking to ensure that next year, Superfund is not on the list of high-risk programs?

Answer. As indicated previously to GAO, the Superfund program continues to maintain a high level of regional and headquarters management attention and oversight over its contracts. Over the past few years, EPA has strengthened management over its Superfund contracts and has taken steps to assure that it has the appropriate contracting capacity to meet present and future cleanup requirements. Some of the specific steps we have taken include: (1) reduced the number of contracts from forty-five Alternative Remedial Contracting Strategy (ARCS) contracts to nineteen Response Action Contracts (RACs), (2) reduced the base level of effort hours in several of the more recently awarded RACs (e.g., in Regions 2, 3, 9 and 10), (3) reduced the number of new RACs awards in Regions 4, 9 and 10 to one per region, instead of two per region, and (4) transitioned work efficiently and expeditiously from expiring ARCS contracts to new RACs. In addition, we are monitoring national RACs capacity utilization on a continuing basis and developing quarterly reports for senior management review. These reports have shown an overall positive trend with more technical work being ordered through RACs and program support cost percentages decreasing. Finally, we are taking steps to assure that decisions to exercise options to extend the periods of performance under RACs are based on sound programmatic and business considerations and well documented both in the regions and at headquarters.

In the cost recovery area, GAO has focused on indirect cost rates and performance measures for the cost recovery program. GAO has consistently noted that, because of the indirect rates that are being used, EPA is unable to recover most of its indirect costs. GAO also notes that EPA's existing cost recovery measures are inadequate, and suggests the development of another measure.

In 1982, the Agency established a very conservative methodology for charging indirect costs to sites for possible cost recovery, because CERCLA statute was not explicit on recoverability of indirect costs and EPA has had to rely on case law to clarify the statute.

EPA attempted to further clarify its authority and be more aggressive in recovering indirect costs in a 1992 proposed rule. That effort was withdrawn when the proposal drew significant opposition on numerous issues including the proposed indirect rate methodology. At the same time, Congressional committee members were also critical of EPA for not using its enforcement discretion, such as providing orphan share at sites with non-viable parties or parties with limited ability to pay, to improve the fairness of the Superfund program.

EPA began a second rule making effort in 1995, just before becoming aware of OMB's new government-wide cost accounting standards (July 1995). Because the OMB standards provided both methodology and authority, EPA decided to revise the indirect rate methodology using the new Federal cost accounting standards.

EPA has provided GAO with a draft of the revised methodology and is awaiting GAO comments. The new methodology is also being reviewed by a private accounting firm to ensure that it is consistent with the new standards. The new methodology is expected to be operational in early 2000.

In response to prior GAO recommendations, in 1994 EPA established a new performance measure requiring cost recovery Statue of Limitation (SOL) cases to be addressed in a timely manner. To do this EPA establishes site specific annual targets for all cases with total costs greater than $200,000 and SOLs that will expire during the upcoming fiscal year and beyond. Regions are not required to address all SOL cases and are encouraged to bring additional cases each year particularly where PRP financial viability may be changing or high dollars are at stake. A majority of the cost recovery cases are removal actions which are addressed within 3 years of removal completion. Cost recovery for remedial actions is generally pursued after the remedy is selected. If parties do not agree to conduct the response or pay past costs, EPA generally brings a cost recovery case within 2–3 years of the initiation of the remedial action.

EPA currently uses a variety of "tools" to manage the enforcement program. EPA reduces the need for cost recovery by maximizing the number of PRP conducted

cleanups, the value of PRP cleanups since the inception of the program is approximately $13.1 billion. The Agency has been very successful at this, compelling PRPs to conduct more than 70 percent of new cleanup work at NPL sites. The overwhelming success rate for cases that are brought indicates that cases are being filed in a timely manner and that they are well documented.

Question. How high a priority is this for EPA?

Answer. OSWER declared the contract issue an Agency-wide weakness in its fiscal year 1997 Annual Assurance Letter through the FIMFIA process. The corrective actions and progress made to address these issues are regularly monitored by OSWER's Assistant Administrator.

GAO: CONTRACT CAPACITY PROGRAM SUPPORT COSTS

Question. The General Accounting Office in its testimony today states that the Environmental Protection Agency has too much contract capacity and is spending too much in program support costs as a result. The Environmental Protection Agency spends on average about 28 percent of total costs, compared to the Environmental Protection Agency's target of 11 percent. What are the Environmental Protection Agency's plans to address this and make better use of Superfund resources?

Answer. The Office of Solid Waste and Emergency Response has taken steps to assure that the Superfund program has the appropriate contracting capacity to meet present and future cleanup requirements. Specifically, we have (1) reduced the number of contracts from 45 alternative remedial contracting strategy contracts to 19 response action contracts, (2) reduced the base level of effort hours in several of the more recently awarded response action contracts in Regions 2, 3, 9, and 10, (3) reduced the number of new response action contracts awards in Regions 4, 9 and 10 to one per region, instead of two per region, and (4) transitioned work efficiently and expeditiously from expiring alternative remedial contracting strategy contracts to new response action contracts.

In addition, we are actively monitoring national response action contracts' capacity utilization on a continuing basis and developing quarterly reports for senior management review. We will issue a national policy on response action contracts' options analysis in June 1999, which will outline guidelines in assessing the exercise of response action contracts' options. These guidelines will assure that Agency decisions to exercise options to extend response action contracts are based on sound programmatic and business considerations, and are well documented both in the regions and at headquarters.

As we previously indicated in our comments on the General Accounting Office's draft report, we are concerned that the General Accounting Office's findings on program support costs may be overstated. The General Accounting Office's analysis included two newly awarded contracts and three additional contracts that had been in place for only a year or less. At the time of the General Accounting Office's review in September 1998, the Agency did not have sufficient time to assign substantial technical work to these contracts. Since that time, our management reports have shown a positive trend, both in terms of reductions to program support percentages and increased contract capacity utilization for these contracts; this is also true for response action contracts overall. In several cases, the regions have used innovative methods, such as fix pricing their program support work assignments, to lower their program support costs. We continue to believe that as more technical work is ordered through response action contracts, the program support percentages will decrease.

Question. The General Accounting Office says, Our reviews over the years have consistently shown that without sustained high level management attention, the Environmental Protection Agency has not always succeeded in implementing and sustaining contract reforms. Will the Environmental Protection Agency leadership make Superfund contract improvements a top priority?

Answer. With much effort on the parts of both the program/regional and contracting personnel, the Environmental Protection Agency continues to make many positive steps to improve our contract management. The Environmental Protection Agency senior leadership has and continues to make Superfund contract improvements a top priority. The Office of Solid Waste and Emergency Response had previously developed a corrective action strategy and milestones relating to independent Government cost estimates as part of the fiscal year 1998 Integrity Act process. We believe that completion of these milestones will serve to improve the quality of independent Government cost estimates.

The Agency's senior managers continue to focus attention on any areas that represent potential vulnerabilities in contract management. In order to ensure that the Agency relationship with its contractors remains an appropriate one, the senior

managers agreed that the following steps will be taken during fiscal year 1999: (1) program/regional offices would identify all contracts where the contractor is working at a Government facility and evaluate whether this was appropriate and necessary, and if not, relocate the place of performance to an off-site location; program/regional offices would determine, which, if any, of their contracts were most susceptible to improper personal relationships, programs/regional offices would perform management effectiveness reviews on those with the greatest risks.

Additionally, the Office of Administration and Resources Management/Office of Acquisition Management is also launching two new initiatives to improve Superfund contracting. The first initiative will require contracting officers to specify the Environmental Protection Agency's requirements in more performance-focused terms rather than the Environmental Protection Agency long practiced method of specifying the professional and technical level of contractor personnel assumed to be required to accomplish the contract mission. The second initiative will prohibit the specification of program management costs as a separate cost element, unless the contractor can demonstrate that this method of charging is consistent with its normal accounting practice. The Environmental Protection Agency hopes to build on these initiatives in the future with additional initiatives.

Lastly, the Environmental Protection Agency has recently taken steps to revitalize the Superfund Senior Regional Management and Acquisition Council. The Superfund Senior Regional Management and Acquisition Council is a bi-annual conference, co-chaired by the Office of Solid Waste and Emergency Response and the Office of Administration and Resources Management/Office of Acquisition Management to promote quality in contracts management, share Regional successes, and new ideas for managing Superfund contracts, and resolve cross-cutting acquisition issues. Participants on the Superfund Regional Management and Acquisition Council are generally one senior representative from each of the Region's Waste Management Divisions, Environmental Services Divisions and the Assistant Regional Administrator for Planning/Policy and Management Offices. Headquarter offices that are represented include the Office of Solid Waste and Emergency Response, the Office of Administration and Resources Management, Office of Enforcement and Compliance Assurance, and the Office of the Inspector General. The Superfund Senior Regional Management and Acquisition Council provides guidance and direction to those Superfund program managers implementing recommended improvements in Superfund contracts planning procurement, and management processes that promote consistent approaches to managing high quality cleanup projects.

Question. How will the Environmental Protection Agency use the Contracts 2000 initiative to address some of the recurring contract management issues the General Accounting Office has identified and what re the specific time frames for implementing improvements through Contracts 2000?

Answer. The Environmental Protection Agency agrees that the Contracts 2000 effort is a very important strategic initiative. Contracts 2000 is a strategic planning effort to develop the structure of the Superfund contracting program following the Long-term Contracting Strategy. Phase I, the strategy, was completed with the issuance of a decision memorandum signed by Tim Fields, Acting Assistant Administrator, Office of Solid Waste and Emergency Response, and Betty Bailey, Director, Office of Administration and Resources Management/Office of Acquisition Management on February 5, 1998. We will issue the Contracts 2000 Strategy Report in June 1999, which will expand on the issues and decisions that support the strategy outlined in the memorandum.

The implementation phase began in February 1998. The implementation work group has been developing the implementation plans that each region will submit for management approval. The workgroup has also considered ongoing acquisition initiatives, such as performance based contracting and multiple award contracting. Sub-work groups began developing the statements of work for those classes of contracts expiring by the end of fiscal year 2000.

We will issue the Contracts 2000 Implementation Framework in June 1999. The framework will include the roles and responsibilities for reviewing and approving regional Contracts 2000 implementation plans, and the components that need to be addressed by these plans, such as implementation charts, acquisition strategies, and timetables. Contracts Class Implementation charts, showing the number of contracts, size, and type for each region, and the structure and management of the contracts, will be published throughout the 1999 year as they are approved by the Environmental Protection Agency management.

Question. Is the Environmental Protection Agency working to develop new and more effective ways to build more competition into the Environmental Protection Agency's contracting process? Please describe.

Answer. In some classes of Superfund contracts, the Contracts 2000 workgroup identified where and how the Environmental Protection Agency can increase the industrial base through sector contracting. For example, as part of the planning for the Superfund technical assessment and response team contracts, the Environmental Protection Agency regions have submitted initial plans for awarding more than one contract per region. In almost every region, it is expected that one solicitation will be a full and open competition and one or more will be set-aside for small businesses or small disadvantaged businesses.

Additionally, under this class of contracts, the new requirements for price evaluation adjustment for small disadvantaged business concerns and the small disadvantaged business participation program will apply in the full and open competitions. The Environmental Protection Agency plans to include as part of the technical evaluation, an evaluation of each potential offeror's commitment to the Agency's goal for participation by small, HUBZone small, women-owned and small disadvantaged businesses as team members and/or subcontractors, as well as an offeror's participation in the Agency's Mentor-Protegee program as a mentor firm. In accordance with the requirements of the Small Business Contracting Program and the Agency's Office of Small and Disadvantaged Business Utilization policies, the successful offerors, if not small businesses, will be required to submit acceptable subcontracting plans. Our administrative contracting officers will monitor the contracts to ensure that the subcontracting plan is enforced to provide participation by small, HUBZone small, women-owned and small disadvantaged businesses to the maximum extent possible consistent with efficient performance.

Question. Has the Environmental Protection Agency lowered its contract management costs through its recent practice of using the Army Corps of Engineers to manage about 40 percent of its cleanup work? Is the Environmental Protection Agency giving consideration to using the Corps additional workload to manage, in view of its expertise in this area? If not, why not?

Answer. One of the major elements of the Contracts 2000 strategy is the continued use of the U.S. Army Corps of Engineers to manage large, complex remedial actions. Specific advantages we derive from the relationship include an ability to leverage limited Environmental Protection Agency technical resources, Corps' personnel add an additional federal presence at our sites, and they can perform inherently governmental construction/contract management functions. The Environmental Protection Agency uses commercial contractors to perform the remaining response activities as well as construction oversight and remedial actions under $15,000,000.

GAO: RCRA CORRECTIVE ACTION PROGRAM

Question. The Environment and Public Works Committee recommended shifting $27 million from the Superfund program to the RCRA corrective action program. Many sites under the RCRA corrective action program are Superfund-caliber. What do you think about his recommendation?

Answer. We believe funding included in the President's year 2000 budget is adequate to keep the program on track to meet our 2005 GPRA Environmental Indicator goals (By 2005, Human exposure will be controlled at 95 percent of RCRA high priority contaminated hazardous waste facilities, and releases to groundwater will be controlled at 70 percent of these facilities). However, the Agency is currently conducting an internal mid-year review to determine accomplishments to date. Part of that review will focus on whether accomplishments to date and projected commitments will ensure that we achieve our 2005 targets. This approach directly reflects the revision process outlined in GPRA and OMB guidance and other materials. The Agency believes that resources requested for EPA and State oversight in the fiscal year 2000 President's Budget are adequate to keep the program on track to meet the fiscal year 2005 goals.

Question. Could we achieve more public health protections by shifting these funds?

Answer. The Agency believes there are fundamental differences between the RCRA Corrective Action and Superfund programs that do not support resource comparisons. Unlike Superfund where roughly 25 percent of cleanups are funded through the Trust Fund, RCRA cleanups are 100 percent owner/operator funded. EPA and State RCRA Program grant resources fund oversight by EPA and State regulators but no actual cleanup. In addition, while Superfund is primarily a Federal program wherein EPA maintains overall responsibility for cleanups (even where States manage cleanups under cooperative agreements with EPA), the RCRA cleanup program is formally delegated to, and run by 33 of the States in lieu of EPA.

Question. GAO's testimony states "Given that the Superfund program is now almost 20 years old and that most of the sites are in construction and moving toward completion, we would expect to see a trend where spending on cleanups is increasing and administrative costs are decreasing due to the changing workload mix and program efficiencies. Since this is not the case, EPA may have opportunities to achieve more administrative efficiencies in the program and therefore manage a reduction in its Superfund program through such efficiencies rather than by reducing actual cleanup workload." Do you agree?

Answer. EPA has committed to the completion of 85 constructions per year through fiscal year 2005. This commitment is based on maintaining the current pace of work and current funding levels. If no new sites are added to the National Priorities List (NPL), at the end of fiscal year 2005, approximately 200 sites will await completion of construction. Assuming the completion of 85 constructions beyond fiscal year 2005, it will take an additional 2 to 3 years to complete construction of sites currently listed on the NPL.

Based on a GAO survey, 1,789 sites in the Comprehensive Environmental Response, Compensation, and Liability Information System have been identified as potentially eligible for placement on the NPL. EPA and State officials have identified at least 232 of those sites as strong candidates for the NPL. Our current level of funding supports 30 to 40 listings a year. Based on an annual average of 26 additions to the NPL over the past six years, it will require almost 9 years to list all 232 sites. Completion of constructions will take considerably longer.

GOVERNMENT PERFORMANCE AND RESULTS ACT

Question. GAO has determined that only about 40 of EPA's roughly 320 performance measures are true results-oriented measures. The rest are traditional outputs, such as the number of permits issued or reviews conducted, and in the area of right-to-know, the number of web site hits. Why has EPA been slow to adopt results-oriented performance measures that directly address environmental and public health protections?

Answer. The Agency is committed to improving its performance measures and developing outcome measures and goals where appropriate and when data are available. However, development of results-based data and methods requires close consultation and coordination with our partners in the States and Tribes. In many cases, results-based performance measures can only be developed after necessary analytical methods and monitoring/data management systems have been developed and implemented. In addition, there is often a significant lag time between the collection, reporting, and analysis of environmental data. In summary, we recognize that our current performance measures are largely output-oriented; we are working to increase the number of outcome-oriented measures.

Question. What specific efforts are planned to increase the number of true performance measures, and how high a priority is this?

Answer. EPA is fully committed to the principles of results-based management. Each EPA program is continuously evaluating the type and quality of data and analysis needed to improve its effectiveness and efficiency. Through the National Environmental Performance Partnership System, together with the States and Tribes, the Agency is developing better compliance tracking and program performance data, thereby enhancing our ability to develop outcome measures. For example, the Office of Research and Development, working together with EPA's regional offices and our partners in the States, has begun an initiative to provide ambient monitoring data for the entire U.S. coastline. In addition, the Center for Environmental Information and Statistics and the Agency's new Information Office are in the process of assessing the Agency's long-term strategic information needs.

Question. To what extent is the lack of data the reason EPA has not developed a large number of real performance measures?

Answer. Insufficient data is the most limiting factor. Results-oriented performance measures typically require extensive monitoring data for the results to be statistically valid. Some programs have such data (e.g., for air quality) but most do not. These data-sets need to be collected in a comprehensive manner, usually over some period of years, to support reliable analyses of environmental conditions and trends. In recent years, the Agency has invested in better systems for collecting and analyzing environmental data, and more work is planned to provide the data needed to assess performance as required by GPRA.

GAO: REINVENTION

Question. Reinvention. GAO has cited EPA's so-called reinvention efforts a major management challenge, yet many of these efforts are key to implementation of inno-

vative and more effective means of improving the environment. Reinvention efforts in general are aimed at achieving better environmental results through the use of innovative and flexible approaches, which we all agree makes sense. GAO has listed a large number of concerns, such as achieving "buy in" among the agency's rank and file, achieving agreement among stakeholders, and an uneven record in evaluating the success of initiatives. What is your response to these concerns?

According to a recent "Inside EPA" article, an EPA-commissioned study of the Common Sense Initiative has found that "the CSI principles have not yet reached into the heart of EPA's operations, and there remain strong concerns among participants that the agency has given up trying to drive a broader institutional embrace of reinvention concepts. CSI has as yet made little progress in addressing broad regulatory changes." Does EPA agree with the conclusions of your contractor's review? What plans does EPA have to address these concerns?

Please describe what new "reinvention" initiatives are underway, such as the Sustainable Industry program, and the budget request associated with these initiatives, and explain how these new initiatives differ from and build on older initiatives such as CSI. Have sufficient resources been requested to follow through on initiatives which have already been started?

Answer. Several evaluations of the Common Sense Initiative (CSI) were completed in its four-year history (1994–1998) and EPA has been responsive to all of the findings and recommendations from these reviews. In February 1997, an independent contractor issued its review of CSI. Subsequently, in July 1997, the General Accounting Office (GAO) released their evaluation of CSI. EPA actions as a result of these evaluations included: better defining CSI's goals and expected results, clarifying how the Council and Sector Subcommittees will accomplish their work, and developing Council and Subcommittees result-oriented performance measures. With the completion of the CSI experiment in December 1998, a four-year evaluation of the initiative was commissioned and results of that evaluation were announced in mid-April 1998. While we agree with some of the recent contractor's review, EPA has not given up on the institutional embrace of sector concepts, nor do we believe that CSI has resulted in little progress toward addressing regulatory changes.

CSI's completion did not represent the conclusion of Agency sponsored sector-based, multi stakeholder work, rather it represented the transition to new actions for sector-based environmental solutions. An Agency-wide Sector Action Plan has been prepared based on the CSI experience. The Plan was approved by the CSI Council and EPA senior management last Fall and is currently being implemented. The goal of the Plan is to incorporate sector strategies into Agency core functions, where appropriate, to solve environmental problems. Further, the Plan will build EPA management capacity to conduct sector work and involve external stakeholders to craft sector-based solutions. The sector plan addresses many of the independent contractor's findings about the Agency's long term commitment to implementation of CSI activities.

Nearly 30 recommendations were generated through the CSI experiment. Some are resulting in permanent regulatory changes, while others are focused on implementing longer term, next generation environmental policy tools such as voluntary, performance-based regulatory systems. The combination of EPA efforts in responding to these recommendations with the multifaceted approach in the Sector Plan will result in a deeper acceptance of using the sector approach in solving environmental problems.

The Sustainable Industry (SI) Program was created prior to the launching of the CSI experiment and continues to operate as an "incubator" for Agency-wide sector activities. CSI accelerated the early SI program activities with the metal finishing sector to the successful development of the Strategic Goals Program, a first-of-its-kind, performance based, non-regulatory process. In the transition of CSI sector work in the Sector Plan, EPA has committed through existing resources to complete unfinished Sector projects, as well as support new projects that may be identified during fiscal year 1999 and fiscal year 2000. Three former CSI sectors—metal finishers, printers, and petroleum refiners—have "works-in-progress" that will be supported with these resources. In addition, the Agency has established, through the Federal Advisory Committee Act, a new Sector Committee to help transition former CSI activities into core Agency functions, as well as maintain accountability to external stakeholders on our sector work. It is expected that sufficient resources have been requested to complete these and other initiatives, which have already been started.

BETTER AMERICA BONDS

Question. The President's budget would give EPA a new role of allocating bond allotments for environmental projects through the Better America Bonds initiative.

(1) Why do we need this new program, given the existing funding mechanisms such as the Land and Water Conservation Fund?

(2) What experience does EPA have in reviewing state and local proposals for such activities as land acquisition?

(3) What would be the costs to EPA of administering this program, and which program office would be responsible?

(4) What will be the cost to the taxpayer of issuing all $9.6 billion in bonds over their entire 15-year life span?

(5) How does EPA plan to provide oversight for the program to ensure that environmental goals are accomplished?

Answer. (1) The Land and Water Conservation Fund (LWCF) is primarily focused on federal land acquisitions whereas the Better America Bonds is a new financing tool for communities to preserve and enhance green space, protect water and clean up brownfields.

Both the LWCF and Better America Bonds provide a financial means for communities to acquire lands or interest in lands for the preservation of open space and the protection of water quality. LWCF is used to acquire open spaces for recreation purposes or habitat protection. Better America Bonds can be used for this and other purposes including protecting water quality and cleaning up brownfields. The two programs provide different funding mechanisms for land acquisition thereby giving communities the flexibility to choose a mechanism that is most appropriate for them.

The Clean Water State Revolving Fund (CW–SRF) and Better America Bonds have similar goal of protecting water quality but they meet this goal in different ways. The vast majority of CW–SRF resources fund traditional wastewater treatment plants. Such projects would not be eligible under the Better America Bonds program. Many communities will have different water quality needs that the Better America Bonds program can help address. Water quality projects that would potentially qualify for a Better America Bonds include wetlands restoration, purchase of land critical to watershed protection, settling ponds and the creation of planted or forested buffer strips along waterways.

The proposed Better America Bonds program would not only be about 50 percent less costly to communities than tax exempt bonds but would also be significantly less costly than most CW–SRF loans.

This proposed program would be another tool that communities would have to address environmental problems.

(2) As the agency responsible for protecting public health by cleaning up our air, water and land, and ensuring that all Americans have access to a clean and healthy environment, EPA is best suited to help communities meet the stated goals of the program—protecting water quality, cleaning up brownfields for reuse, and preserving green space. The Better America Bonds program builds upon EPA's successful existing programs that work with communities to improve local water quality and to clean up brownfields sites so that they can be returned to productive community use.

Furthermore, the Agency currently manages various bond-related programs such as the Clean Water State Revolving Fund and maintains an Environmental Finance office. The Agency would draw upon the significant expertise in these and other programs to run the Better America Bonds program. Finally, parts of this program will be managed by the Treasury Department (including enforcement by the Internal Revenue Service.)

To ensure a broad range of expertise, EPA will chair a panel of departments and agencies including HUD, USDA, Interior, FEMA, and Treasury. EPA will work closely with them on the design of the program, the selection criteria, the application process, and the awarding of bonding authority.

(3) The Agency intends to administer this program in a cost effective manner and anticipates being able to absorb administrative expenses with existing agency resources. The Agency did not seek any new resources in EPA's fiscal year 2000 budget request to run this program.

There are several factors supporting this approach. First, as stated by the Administrator, EPA does not intend to issue any regulations for this program. Instead, EPA will develop basic guidance documents to assist communities in applying for bonding authority. Second, the program will involve several current Agency programs such as the Brownfields office, various water quality programs, and our Environmental Finance Office.

(4) The Treasury Department has designed this tax credit bond so that the subsidy to the communities will in present value terms equal approximately half the value of the bond. In other words, the cumulative tax expenditure for this program should be approximately $4.8 billion (in present value terms) over the entire life span of the bonds. This tax expenditure will be incurred over a period of time that will be longer than 15 years. (The proposal calls for five years of bonding authority. Furthermore, communities have up to three years to issue the bonds and use the proceeds. Therefore some Better America Bonds could be retired 23 years after the start of the program.)

(5) As with other types of bonds, the Internal Revenue Service will monitor communities' compliance with the requirements of the program. During the fifteen year term of the bond, if 95 percent of the proceeds fail to be used for a qualifying purpose or if the use changes to a disqualified use, no further credits would accrue and issuers would be obligated to reimburse the federal government for any credits accruing prior to that date. If a settlement cannot be reached with the issuer, the federal government would have the right to recover past credits from the bondholders. Problems like this are very rare with respect to tax-exempt bonds and we expect that to be the case with Better America Bonds. In addition, EPA will stand ready to provide technical assistance to communities that request it, as they implement their programs.

ENVIRONMENTAL JUSTICE PROGRAMS

Question. EPA Environmental Justice Programs. Last year at this time you indicated that you would have a final resolution on the Interim Guidance that EPA put forward to resolve environmental justice complaints. In fact, you indicated that a FACA committee had been set up and that you were targeting December 1998 to have a final guidance in place. Can you tell me what the status of this situation is, as it appears that there is no final guidance or rulemaking from the agency?

Answer. In March 1998, Administrator Browner established a Title VI Implementation Advisory Committee ("Title VI Advisory Committee"). That Advisory Committee was comprised of representatives of state, tribal, and local governments, businesses, environmental justice groups, and other interested stakeholders. The Title VI Advisory Committee was asked to focus primarily on possible guidance to EPA assistance recipients such as state permitting agencies and make recommendations to help them design programs that will address concerns under Title VI of the Civil Rights Act of 1964, as amended ("Title VI") early in the permit process. EPA believes that such an approach will enable potentially impacted communities to be involved in the permit process in a meaningful manner while also providing state and local decision-makers and businesses sufficient clarity regarding the process.

EPA committed to the Title VI Advisory Committee that it would not issue revised Title VI guidance until after the Committee completed its deliberations. The Title VI Advisory Committee was originally scheduled to conclude its work in December 1998. However, the Committee requested additional time to develop their final recommendations. EPA agreed and the Committee completed its work in March 1999 and submitted its final report with recommendations to the EPA Administrator in April 1999.

Issuance of the Interim Guidance for Investigating Title VI Administrative Complaints Challenging Permits ("Interim Guidance") in February 1998, opened a continuing dialogue with stakeholders that is helping to shape the Agency's revised guidance. Participants in the dialogue include state and local officials, business leaders, and community leaders. As part of the process for finalizing the Interim Guidance, EPA is reviewing the Title VI Advisory Committee recommendations and public comments. EPA also will hold a series of focus group sessions with representatives of various stakeholder groups to receive more feedback. Later this year, the Agency intends to issue a draft revised guidance for additional public comment.

Question. One of the concerns raised last year was that by going through the guidance process verses rulemaking that there were several procedural steps that may be left out. For example, working with the SBA on small business panels to determine the impacts of such a policy on small business. Can you tell me if you are not going through a rulemaking process, why not? What steps are you planning to take that will ensure that important steps are not left out of this process? Are you working with SBA?

Answer. EPA will not be issuing its revised Title VI guidance using formal or informal rulemaking procedures. The revised guidance is intended only to provide a framework for the processing by the Office of Civil Rights ("OCR") of complaints filed under Title VI by updating the Agency's procedural and policy framework to accommodate the increasing number of Title VI complaints that allege discrimina-

tion in the environmental permitting context. It will not create any new substantive rights, nor establish any binding legal requirements. Accordingly, the revised Title VI guidance is expressly exempted from the notice-and-comment rulemaking requirements of the Administrative Procedure Act ("APA") by section 553(b)(3)(A). Nonetheless, as described in more detail later, EPA intends to publish the draft revised guidance in the Federal Register and solicit written public comment, as well as hold a series of listening sessions after the draft revised guidance is published to obtain more feedback.

With respect to impacts on small entities, including small businesses, because the guidance will establish no binding legal requirements, there is no regulatory impact to any entity of any size. The analytical requirements of the Regulatory Flexibility Act, as amended by the Small Business Regulatory Enforcement Fairness Act, only apply to certain regulations that impose an impact on those small entities directly regulated by a proposed or final regulation. *Mid-Tex Electric* v. *FERC*, 773 F.2d 327 (D.C. Cir. 1985); *Motor & Equipment Mfg. Ass'n* v. *Nichols*, 142 F.3d 449 (D.C. Cir. 1998). That is not the case here.

Question. What steps are you taking to ensure sufficient public input?

Answer. Since the issuance of the Interim Guidance in February of 1998, EPA has taken a number of steps, including establishing the Title VI Implementation Advisory Committee, to ensure appropriate input from stakeholders, including state, tribal, and local officials, business representatives, and environmental justice groups. Over the past year, EPA staff have met with representatives from industry, environmental justice communities, and states, tribal, and local governments to discuss their concerns about environmental justice and Title VI issues. The Administrator met with representatives from the U.S. Conference of Mayors in Detroit last summer and met with representatives from the Environmental Council of the States ("ECOS") in the fall to discuss their issues and concerns on this important subject.

EPA has established a cooperative agreement with ECOS, which will be used to develop a state approach to environmental justice issues, including developing effective working relationships with the environmental justice community. The states are currently planning a meeting with national environmental justice representatives, as a result of this cooperative agreement.

As EPA moves toward finalizing the guidance, we will continue meeting with individual stakeholder groups, such as ECOS, local officials, and environmental justice groups, to discuss issues of concern to them relative to the internal Title VI guidance. Additionally, EPA will sponsor a series of diverse, stakeholder focus groups to discuss issues and concerns prior to publication of the draft revised guidance for public comment. In addition to soliciting written comments on the draft version of the revised guidance through publication in the Federal Register, EPA will hold a series of public listening sessions across the country to receive public comments.

Question. Will this document go to OMB for review? What about inter-agency review?

Answer. The Office of Management and Budget (OMB) routinely reviews agency regulations. However, EPA has determined that this not a regulation. On occasion, OMB also asks to review non regulatory guidance that an agency produces. At this time, OMB has not asked to see this guidance. EPA, however, has consulted with the Department of Justice (DOJ) prior to issuing the Interim Guidance, and is currently coordinating with DOJ and the Council on Environmental Quality as the guidance is being revised.

Question. Do you envision this guidance as binding? Do you plan to submit it to Congress under the Congressional Review Act as tendered in a legal opinion by the GAO?

Answer. Like the Title VI Interim Guidance, the revised Title VI guidance will be non-binding and is intended only to provide a framework for the processing by EPA's Office of Civil Rights ("OCR") of complaints filed under Title VI. The revised guidance, like the Interim Guidance, will have no binding legal effect. Since its passage, EPA consistently has interpreted the Congressional Review Act ("CRA") as applying only to agency actions containing binding legal requirements. Policy statements and guidance documents are not binding and have no binding legal effect on the public; generally, they are intended to provide information regarding an EPA regulation or enforcement position that may be useful to both EPA employees and the public. Accordingly, EPA does not believe the revised Title VI guidance is subject to the CRA.

The General Accounting Office ("GAO") concluded that the Interim Guidance was subject to the CRA, in part, because EPA inadvertently used mandatory language in the Interim Guidance; thus, GAO believed that the "new steps in the procedure for handling disparate impact assessment [are] mandatory. They clearly alter the existing regulation and give to recipients significant rights that they did not pre-

viously possess for obtaining dismissal of the complaint." (Letter of Robert P. Murphy to The Honorable David M. McIntosh, dated January 20, 1999.) The GAO letter noted that, although the first part of the Interim Guidance "largely confirms requirements that largely exist in EPA regulations," the Interim Guidance altered the existing regulation to give recipients rights that they did not previously possess for obtaining dismissal of the complaint. GAO did note that EPA's position that the Interim Guidance was not a rule was stronger with respect to the second part of the guidance entitled "Impacts and Disparate Impact Analysis." GAO concluded that, although the guidance stated the five steps that OCR would follow in conducting its analysis:

> "[I]t can be argued that these steps are the kinds of steps that statisticians would be expected to follow in conducting a disparate impact analysis. Also, OCR has broad discretion in deciding how to proceed in conducting each of the steps of the analysis, a factor courts often consider in determining whether a binding rule affecting substantive rights exists under the APA."[1]

As stated previously, EPA did not intend for the Interim Guidance to create new substantive obligations, nor does EPA agree with GAO that it did so. EPA only intended to provide a framework for the processing by OCR of complaints filed under Title VI. EPA intends to draft the revised Title VI guidance in a manner that clearly indicates it is non-binding in nature. Mandatory language will be deleted, and a notation will be prominently displayed indicating that EPA is free to deviate from the guidance on a case-by-case basis, as appropriate. Accordingly, since it will not be a binding substantive rule, EPA does not believe it is subject to the CRA. Nevertheless, the Agency intends to submit courtesy copies of the revised Title VI guidance to both Houses of Congress and GAO when it is issued.

Question. What consideration has been given to letting States set up their own environmental justice programs to resolve Title VI complaints and providing Federal oversight in this regard verse establishing a new large Federal program to decide these individual siting and permitting cases which are decisions which should be handled at the State and local levels?

Answer. Title VI of the Civil Rights Act of 1964, as amended (Title VI) prohibits recipients of federal financial assistance (e.g., states, universities, local governments) from discriminating on the basis of race, color, or national origin in their programs or activities. Title VI allows persons to file administrative complaints with the federal departments and agencies that provide financial assistance alleging discrimination based on race, color, or national origin by recipients of federal funds. OCR is responsible for the Agency's administration of Title VI, including investigation of such complaints.

EPA has a responsibility to enforce Title VI and ensure that EPA assistance is not being used to subsidize discrimination based on race, color, or national origin. This prohibition against discrimination under Title VI has been a statutory mandate since 1964 and EPA has had Title VI regulations since 1973. It is important to note that the Department of Justice has recently reiterated its position that Federal agencies may not delegate to states the authority to determine compliance with Title VI. While recognizing that limitation, EPA will explore suggestions to encourage states and local governments to perform various preventive measures, including the discussion on this topic in the Title VI Advisory Committee's report.

Question. Has the EPA analyzed State programs to see what works and what doesn't work? Has the agency thought about a template or model which could be used for States to set up their own programs?

Answer. The focus of the Title VI Advisory Committee was primarily on possible guidance to EPA assistance recipients, such as state permitting agencies, and make recommendations to help them design programs that will address Title VI concerns early in the permit process (i.e., external guidance). The directors of the environmental agencies for Michigan, New Jersey, Texas, Maryland, and Oregon were members of the Title VI Advisory Committee. Formal presentations on the approaches taken in Texas and New Jersey were made to the Committee and the efforts of other states were discussed. The report of the Title VI Advisory Committee's recommendations were delivered to the Administrator in April. The Report contains eight consensus principles of the Committee, as well as a template intended to serve as a model for state and local governments that elect to establish environmental justice programs. It also contains the members' differing views regarding the implica-

[1] Id. At 6.

tions of the range of policy options available to EPA as it develops its Title VI program.

Moreover, EPA has been supporting the development of programs to address environmental justice and Title VI issues, as well as facilitating communication among states and local governments on effective approaches. For example, we are working with the Environmental Council of the States ("ECOS") through a cooperative agreement which will be used to develop an effective state approach to environmental justice issues. The starting point for ECOS's work under the cooperative agreement is its 1998 Proposed Elements of State Environmental Justice Programs. ECOS is currently planning a meeting with national environmental justice representatives to discuss the proposed elements. Part of this work should facilitate the development of a working relationship between state agencies and the environmental justice community.

Additionally, EPA's Office of Environmental Justice has established the State and Tribal Environmental Justice (STEJ) Grants program to provide assistance to states and tribes as they work to achieve environmental justice and/or ensure their programs comply with Title VI. For fiscal year 1998, EPA awarded five STEJ grants for a total of $500,000 to Texas, Tennessee, New Jersey, Vermont, and the Kalispel Tribe of Indians. EPA is currently reviewing applications for fiscal year 1999, for which another $500,000 in STEJ grant funds are available.

Question. How many Title VI claims are at the agency now? How are these have been resolved in the last year? Last year we included report language asking that these claims be resolved as expeditiously as possible and I would like to know how this is being done?

Answer. As of April 30, 1999, a total of 75 Title VI administrative complaints raising environmental justice concerns have been filed with OCR. Between April 1998 and the end of April 1999, OCR accepted five complaints for investigation, bringing the total number of complaints accepted for investigation to 22. Three of those 22 complaints have been dismissed—one of which was the Select Steel complaint for which EPA issued a decision in October 1998. Informal resolution is currently ongoing for two other complaints. Moreover, EPA is currently actively investigating three complaints. During the past year, OCR rejected seven complaints because they did not meet Title VI jurisdictional requirements (e.g., untimely; alleged discriminatory actor is not EPA recipient). The total number of rejected complaints as of April 30th was 32 and EPA had 21 complaints for which a determination to accept or reject has not yet been made.

SAFE REPAINTING, SAMPLING TECH COURSE, ENG. OCTANE ADDITIVES

Question. The Committee added $2 million in the fiscal year 1999 for lead outreach and technical studies on "safe repainting". What is the status of those efforts? Are any funds requested in fiscal year 2000? What progress has been made developing the sampling technician course to reduce the cost and expand the availability of visual inspection and dust sampling? When will the course be completed?

Answer. The Agency is planning to conduct various lead outreach and technical activities with these funds. The sampling technician course has been initiated through an existing contract mechanism and work is anticipated to begin this month. Both courses are scheduled for completion by December 1999. Other activities include: (1) development of a renovation and remodeling course curriculum, (2) conduct of analyses to support policy decisions in the development of a national renovation and remodeling infrastructure, (3) enhancements to the existing laboratory accreditation program to allow for accreditation of labs using newer cost effective technologies as these methods are developed and become available for use by sampling technicians and during renovation and remodeling activities, (4) assessment of technologies to reduce the cost and improve the efficiency of identifying lead-based paint during repainting and renovation and remodeling activities, and (5) outreach efforts to inform the public about "safe repainting". In addition, the agency is considering using some of the funds available as grants to answer specific "safe repainting" or renovation and remodeling technical questions. The Agency is not seeking additional funding in fiscal year 2000.

Question. What is the status of EPA's efforts to evaluate existing data to examine the effectiveness of additives to reduce engine octane demand? What is EPA's assessment of the importance of additives that control combustion chamber deposits in reducing octane demand and improving fuel economy?

Answer. In the final rule on the certification standards for deposit control gasoline additives (July 5, 1996, 61 FR 35309), EPA extensively evaluated the potential impacts of combustion chamber deposits (CCD) and vehicle octane requirement increase (ORI) on gasoline vehicle emissions and fuel economy. At that time, EPA con-

cluded that there was insufficient evidence that ORI should be reduced to prevent an adverse impact on fuel economy. EPA also concluded that there was inadequate evidence that a reduction in ORI would result in a cost-effective reduction in total energy use or emissions from gasoline refineries and motor vehicles.

The final rule also concluded that there was inadequate information on the impacts of CCD on emissions, fuel economy, and driveability to draw conclusions regarding the costs and benefits of requiring additives for CCD control. It was also noted that no appropriate performance test procedures and standards exist for evaluating the impact of additives on CCD.

Since the publication of the final rule, EPA has continued to evaluate information on these issues as it has become available. Despite considerable effort by industry to evaluate additive impacts on CCD and the impact of CCD on emissions, EPA finds the situation fundamentally unchanged. The Coordinating Research Council (CRC), a cooperative investigative group funded by the automotive and petroleum industries, is currently undertaking an extensive test program to evaluate additive impacts on CCD. EPA plans to review the results from this program when they become available approximately one year from now. EPA hopes that the results of this program will facilitate the Agency's further evaluation of whether CCD control is necessary and feasible.

GPRA: PERFORMANCE BASED MANAGEMENT

Question. What specific steps have you taken as head of the agency to achieve performance based management within your agency, as required by the Government Performance and Results Act?

Answer. The Agency has moved aggressively to meet and exceed the requirements of GPRA. In 1995, EPA embarked on a far-reaching effort to fundamentally change past approaches to planning, budgeting, performance measurement, and accountability. This entailed core changes to budget and financial management structures and the implementation of processes to link budgeting and management accountability. The Agency created a new Planning, Budgeting, Analysis and Accountability (PBAA) process that is intended to dramatically improve EPA's ability to achieve results.

The new PBAA process has four specific purposes: (1) to develop goals and objectives for accomplishing the Agency's mission; (2) to improve the link between long-term planning and annual resource allocation; (3) to enhance our ability to use human health and environmental risk information in setting priorities; and (4) to better assess our accomplishments and provide feedback for making future decisions. While this effort will take several years to fully implement, the Agency is making real progress in the short term while we build for the future. The new PBAA process comprises several steps, including:

A Strategic Plan, which describes EPA's strategic mission, long-term goals, and specific shorter-term (i.e., 5 years or more) objectives that the Agency will meet in achieving the goals.

Annual Performance Plans and Budget Requests, which are derived from the Strategic Plan and ongoing strategic planning efforts, serves as the basis for budget decisions. They describe annual performance goals, measures of outputs and outcomes, and activities aimed at achieving the annual performance goals and making progress toward longer-term goals and objectives.

Annual Performance Reports, required by GPRA six months after the end of each fiscal year, which will assess the progress EPA has made toward achieving its goals and report on the Agency's success in accomplishing its annual performance goals.

GPRA: ACCOUNTABILITY OF MANAGERS

Question. How are your agency's senior executives and other key managers being held accountable for achieving results?

Answer. Accountability is a crucial element of the Agency's overall planning and budgeting framework. The Agency has established senior management teams for each of its strategic goals. These teams assess progress being made to achieve the goals, and develop recommendations for changes in approach or emphasis needed to ensure that our strategic goals and objectives are met. In addition, the Agency's National Program Managers, working with the senior leadership in the Regions, develop annual goals and performance measures that support achievement of the Agency's long-term strategic goals and objectives. EPA's senior managers are also working with the States under the National Environmental Performance Partnership System (NEPPS) to negotiate performance partnership agreements necessary to meet clearly defined performance measures.

GPRA: USE OF PERFORMANCE INFORMATION

Question. How is your agency using performance information to manage the agency?

Answer. The Agency created a new Planning, Budgeting, Analysis and Accountability (PBAA) process that is intended to dramatically improve EPA's ability to achieve results.

The new PBAA process has four specific purposes: (1) to develop goals and objectives for accomplishing the Agency's mission; (2) to improve the link between long-term planning and annual resource allocation; (3) to enhance our ability to use human health and environmental risk information in setting priorities; and (4) to better assess our accomplishments and provide feedback for making future decisions. While this effort will take several years to fully implement, the Agency is making real progress in the short term while we build for the future. The new PBAA process comprises several steps, including:

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Annual Performance Reports, required by GPRA six months after the end of each fiscal year, which will assess the progress EPA has made toward achieving its goals and report on the Agency's success in accomplishing its annual performance goals.

EPA is now in its first cycle of evaluating performance information in the context of the GPRA structure. Though our processes may change as we gain experience this year, we have already made significant progress in incorporating performance information into the Agency's decision-making. For example, in May the Deputy Administrator met with the Agency's senior managers to discuss the performance data so far received and to evaluate how this might impact our priorities in fiscal year 2001. The Agency is committed to continuing this integration of performance evaluation and Agency priority-setting.

GPRA: USE OF PERFORMANCE INFORMATION IN DEVELOPING FISCAL YEAR 2000 BUDGET REQUEST

Question. How did program performance factor into your decisions about the funding you are requesting in fiscal year 2000. Please provide examples.

Answer. As part of the Agency's overall planning, budgeting, analysis and accountability framework, the Agency conducts periodic reviews of changes needed to ensure that the Agency will achieve its long-term strategic goals and objectives. The results of these reviews are incorporated into the annual plan and budget request. The integration of our budget with performance planning has enabled the Agency to identify more than 70 specific performance goals associated with the funding requested in fiscal year 2000. Examples include:

—5 percent reduction of air toxics emissions as part of the Agency's Air Toxics program;
—an increase to 91 percent of the population served by community drinking water systems meeting all 194 health based standards as part of the Agency's Drinking Water program;
—the implementation of environmental improvement projects in 350 watersheds as part of the Agency's Clean Water Action Plan;
—a 200 million pound reduction in the quantity of Toxic Release Inventory (TRI) pollutants released, treated, or combusted for energy recovery as part of the Agency's Pollution Prevention program; and
—a reduction of more than 50 million metric tons carbon equivalent of greenhouse gas emissions as part of the Agency's Climate Change Technology Initiative.

GPRA: PROGRAM CHANGES TO IMPROVE PERFORMANCE

Question. What specific program changes have you made to improve performance and achieve the goals established in your strategic and annual plans?

Answer. The Agency has fully integrated its budget with strategic and annual planning, and has revised its budget structure to allocate 100 percent of its resources within its goal—objective architecture. Accordingly, the priorities and initiatives contained in the President's Budget for fiscal year 2000, such as the Clean Water Action Plan, Climate Change Technology Initiative, Health Threats to Chil-

dren, Clean Air Partnership Fund, and Chemical Right To Know program, reflect program changes proposed to achieve the goals in the Agency's strategic and annual plans. Since we are still in the first cycle of performance information in the GPRA context, it is premature to suggest programmatic changes that may be suggested by the first year's data.

GPRA: LINK BETWEEN RESOURCES AND PERFORMANCE GOALS

Question. How does your budget structure link resource amounts to performance goals?

Answer. The Agency has adopted a common framework for its planning, budgeting and financial management structures. This has enabled EPA to fully integrate its budget structure with its annual plan. EPA has based its strategic plan on ten long-term goals. Each goal consists of a number of strategic objectives which define the environmental outcomes we are attempting to achieve over several years. EPA's budget and annual plan use the same structure. The budget and annual plan identify resources and performance information associated with each strategic objective.

GPRA: CHANGES TO IMPROVE LINK BETWEEN RESOURCES PERFORMANCE GOALS

Question. What, if any, changes to the account and activity structure in your budget justification are needed to improve this linkage?

Answer. The Agency realigned its activity structure in fiscal year 1999 to match the structure of its strategic plan. There are no plans at present to request a change in our account structure, but we will continue to evaluate the need for changes, and will work with appropriate Congressional Committees if the evaluation reveals that changes to the account structure would enhance our ability to meet the Government Performance and Results Act, or the Federal Financial Management Improvement Act and associated Managerial Cost Accounting Standards.

GPRA: DATA FOR PERFORMANCE REPORT

Question. Does your fiscal year 2000 Results Act performance plan include performance measures for which reliable data are not likely to be available in time for your first performance report in March 2000? If so, what steps are you planning to improve the reliability of these measures?

Answer. The Agency has completed a preliminary review of our ability to provide valid and verified data in support of all the performance measures used in our fiscal year 1999 annual plan. The results of this review are included in the Agency's fiscal year 1999 Annual Plan. This review revealed that there are areas where data are incomplete, of poor quality, or are inadequate in scope to fully capture the goals contained in the annual plan.

The Agency's budget request for fiscal year 2000 contains resources to address the most critical problems. For example, the Agency is engaged in an extensive effort to improve our ability to evaluate the effectiveness and enhance accountability of our environmental enforcement efforts. Also, we have requested resources to modernize the information systems needed to efficiently collect and manage performance data. One of the Agency's key reinvention efforts is a five-year project to implement new data standards and electronic reporting in 13 major environmental information systems. We are also continuing to work with our State partners to identify the specific performance data improvements needed to measure the environmental results of our delegated environmental programs.

To ensure that we proceed as effectively as possible, the Agency is establishing a new Office of Information. Among other things, this Office will be responsible for identifying a long-term strategic assessment of the Agency's data needs, coordinating investments, and ensuring a consistent application of data quality management practices across the Agency.

GPRA: IMPACT ON FUTURE FUNDING REQUESTS

Question. How will your future funding requests take into consideration actual performance compared to expected or target performance?

Answer. The Government Performance and Results Act requires that Agencies include in their Annual Performance Reports a "summary of the findings of program evaluations completed during the fiscal year covered by the report." In general, these evaluations will provide a link between planning and actual performance by helping to measure progress against both our strategic and annual goals. In addition, EPA has formed multi-Office teams for each of its Strategic Goals. These "Goal Teams" are charged with assessing progress toward achieving long term strategic

objectives and annual performance goals, and with identifying areas where changes in resources may be necessary to achieve those goals and objectives.

EPA is now in its first cycle of evaluating performance information in the context of the GPRA structure. Though our processes may change as we gain experience this year, we have already made significant progress in incorporating performance information into the Agency's decision-making. For example, in May the Deputy Administrator met with the Agency's senior managers to discuss the performance data so far received and to evaluate how this might impact our priorities in fiscal year 2001. The Agency is committed to continuing this integration of performance evaluation and Agency priority-setting.

GPRA: COST ACCOUNTING

Question. To what extent do the dollars associated with specific agency performance goals reflect the full costs of all associated activities performed in support of that goal? For example, are overhead costs fully allocated to goals?

Answer. The Agency has fully integrated its budget and financial management processes with its strategic and annual plans. As a result, 100 percent of our budgeted resources are associated with our strategic goals and objectives. However, it is true that the Agency's goals tend to be mutually supportive. Accordingly, the resources under each goal do not and cannot reflect all resources that could be reasonably associated with achieving the goal.

QUESTIONS SUBMITTED BY SENATOR BURNS

FISCAL YEAR 2000 BUDGET REDUCTION

Question. I was surprised to see that EPA is requesting a 5 percent (−$383 million) reduction for existing programs in its fiscal year 2000 budget. I want to compliment EPA for requesting a smaller budget for fiscal year 2000. However, I do have some concerns with what your budget funds and how it is allocated. What are your priorities in fiscal year 2000 for funding in EPA?

Answer. The Agency always strives to manage its resources prudently, while maintaining its focus on priorities to protect public health and the environment. While we recognize the constraints placed upon our budget annually by overall tight discretionary caps, we also are mindful of our environmental commitments. With a decreased budget this year, we must continue to shift resources to fund the Agency's highest priorities and to comply with new mandates established by Congress, including: the Safe Drinking Water Act Amendments of 1996 (SDWA), and the Food Quality Protection Act of 1996 (FQPA).

Question. Why is EPA moving into regulating health care, especially for children?

Answer. EPA's mission includes protecting public health in the context of environmental protection. We do not, nor do we intend to, regulate health care, per se, which is the mission of other agencies.

Question. Don't other federal departments and agencies such as HHS and BIA, adequately manage and regulate health care issues?

Answer. EPA does not regulate health care management. EPA has always regulated and performed research on substances that affect the health of the public. Through the interagency Task Force on Environmental Health Risks & Safety Risks to Children, EPA is making sure that it does not duplicate the work of other Federal entities.

Question. What are they doing in this area of children's health?

Answer. Administrator Browner and Secretary Shalala co-chair the President's Task Force on Environmental Health Risks and Safety Risks to Children. This Task Force has developed a Federal strategy to address asthma in children and has other work groups examining issues related to childhood cancer, developmental disorders, and unintentional injuries. Each Federal entity brings to the Task Force its unique contribution derived from its mission and expertise in various children's health and safety areas. The Task Force exists both to take advantage of the synergistic effects of cooperation for a common goal and to avoid duplication of efforts across agencies and departments concerned with children's health. Individual departments and agencies can speak best to the specific activities that they are pursing in children's health.

Question. Why does the Administration have to come up with a new environmental initiative every year such as the new Clean Air Partnership Fund for fiscal year 2000?

Answer. EPA's mission is to protect human health and to safeguard the natural environment. New initiatives are created as environmental needs become more crit-

ical. One of the Administration's most important public health commitments is to improve the air that Americans breathe. Over one third of Americans still live in areas where the air does not meet the new air quality standards.

The Clean Air Partnership Fund will provide new grant resources and opportunities for cities, states and tribes to partner with the private sector, the federal government and each other to provide healthy, clean air in the communities in which we live.

The Clean Air Partnership Fund will demonstrate locally managed programs that achieve early integrated reductions in soot, smog, air toxics and greenhouse gases. The Fund will direct new resources to state and local governments to find the most innovative, cost-effective and protective ways to reduce soot, smog, air toxics and greenhouse gases that contribute to climate change.

BETTER AMERICA BONDS

Question. Concerning the "Better American Bonds" initiative, I am confused on what and how these bonds will work. I understand it is part of the Administration's Livability Initiative to help states and local governments better protect their land and water. In Montana, we need some protection, especially from the federal government since many communities are surrounded by public lands. Plus we need economic development assistance in many small rural communities in Montana. Will these bonds allow local communities to buy conservation easements on agricultural lands to prevent them from being developed? Will these bonds allow local communities to purchase undeveloped lands for future economic development or are these bonds envisioned to lock up local lands from any economic development?

Answer. Better America Bonds can be used for three purposes—to preserve open space, protect water quality, and clean up brownfields. Through a competitive process, state, local and tribal governments can apply to EPA (working in consultation with other federal agencies) for the authority to issue Better America Bonds for these purposes. To preserve open space, a community can either purchase the title to a land parcel or use conservation easements. A different community might decide that a city owned brownfield site should be cleaned up to help revitalize the economy and create jobs, or that a wetland should be restored. The choice is theirs. The program is entirely voluntary—if a community doesn't want to participate, it doesn't have to.

EPA will design the Better America Bonds program to accommodate all types of communities—large, small, urban, suburban, and rural. As EPA works with other agencies to develop this initiative, we will include small communities in our outreach both to provide information about the program and to seek advice as to how to structure the program to meet their needs.

To provide communities with the flexibility to respond to changing circumstances, this program allows communities to change the use of the land (sell a park financed with Better America Bonds to a developer who builds retail space on the land, for example) after the fifteen year term is up and the principal is repaid. We do not expect that many communities will change the use after fifteen years, but in certain cases it might make sense, either for environmental or economic reasons, for the community to do so. To provide a check and balance system, however, before a community can change the use it must allow any 501(c)(3) organizations that are tax exempt for environmental protection purposes the right of first refusal to purchase the land for the purpose of maintaining its qualifying use. The government would have to sell the land to a willing non-profit for the same price at which it was purchased originally. If no qualified buyer is found, the land could then be sold at its fair value for other uses.

This is not a big government program. The federal government will not purchase one square inch of land. Nor will it micromanage local zoning and land use decisions. Our states and communities will build this legacy themselves. All decisions will be made at the state, tribal or local level. We're just providing them new tools they need to grow in ways that are best for them.

Question. How will you implement these bonds, especially since EPA isn't in the business of issuing bonds?

Answer. As the agency responsible for protecting public health by cleaning up our air, water and land, and ensuring that all Americans have access to a clean and healthy environment, EPA is best suited to help communities meet the stated goals of the program—protecting water quality, cleaning up brownfields for reuse, and preserving green space. The Better America Bonds program builds upon EPA's successful existing programs that work with communities to improve local water quality and to clean up brownfields sites so that they can be returned to productive community use.

Furthermore, the Agency currently manages various bond-related programs such as the Clean Water State Revolving Fund and maintains an Environmental Finance office. The Agency would draw upon the significant expertise in these and other programs to run the Better America Bonds program. Finally, parts of this program will be managed by the Treasury Department (including enforcement by the Internal Revenue Service.)

To ensure a broad range of expertise, EPA will chair a panel of departments and agencies including HUD, USDA, Interior, FEMA, and Treasury. EPA will work closely with them on the design of the program, the selection criteria, the application process, and the awarding of bonding authority.

The Agency intends to administer this program in a cost effective manner and anticipates being able to absorb administrative expenses with existing agency resources. The Agency did not seek any new resources in EPA's fiscal year 2000 budget request to run this program.

There are several factors supporting this approach. First, as stated by the Administrator, EPA does not intend to issue any regulations for this program. Instead, EPA will develop basic guidance documents to assist communities in applying for bonding authority. Second, the program will involve several current Agency programs such the Brownfields office, various water quality programs, and our Environmental Finance Office.

Question. Finally, don't you need authority for this bonding authority and if so, when will we get a chance to see your requested authority?

Answer. To create the tax credit mechanism for the Better America Bonds program, the tax code needs to be amended by Congress. A bill, HR 2446, has been introduced in the House, and we anticipate a bill to create the program will be introduced in the U.S. Senate in the near future. They will be referred to the Finance and Ways and Means Committees, respectively. Assuming that those bills pass, President Clinton would then need to sign it into law.

CLEAN AIR PARTNERSHIP FUND PROGRAMS

Question. Concerning the "Clean Air Partnership Fund," I am not sure how this compares with the state grants programs. It appears to be another $200 million on top of the $215 million provided to states and tribes for air quality programs. How are the programs under this new Partnership Fund different from what is done under state and tribal grants by the air program? What demonstrated need exists now for developing "partnerships" on air quality problems or programs? If so, give me some examples? What air problems to you expect will be addressed by these partnerships among local, state, tribal, and federal governments and the private sector?

Answer. State and tribal grants are awarded under Section 105(a)(1) of the Clean Air Act which authorizes grants for the implementation of programs for the prevention and control of air pollution and the implementation of national air quality standards. In contrast, if funds are appropriated for the Clean Air Partnership Fund, those funds will be awarded under Section 103(b) of the Clean Air Act which authorizes grants for research, investigations, experiments, demonstrations, surveys and studies. Awards will be made to support individual innovative demonstration projects such as those that address reductions in air pollutants and greenhouse gases, not to implement ongoing State and tribal air pollution prevention and control programs. Traditionally, air programs (and grants to support them) have pursued solutions to one air pollution problem at a time. With the multiple air quality challenges facing states and private entities, this problem-by-problem approach is no longer optimal. The Clean Air Partnership Fund is designed to support demonstration projects and technologies that can simultaneously address multiple air pollution problems.

EPA's believes that only through partnerships of government, private sector and non-governmental entities will sustained progress towards eliminating significant air pollution problems occur. Partnerships of all kinds are necessary and the Clean Air Partnership Fund will provide a catalyst for their formation. For example, addressing regional air quality problems such as ozone nonattainment requires states and municipalities to partner with each other to formulate regional air quality improvement strategies. In another example, transportation planners and air quality planners must work together to establish transportation management systems that further air quality improvement rather than exacerbate pollution. Similarly, there is a need to encourage state energy officials to form partnerships with local housing authorities to expand low income weatherization assistance in ways that improve energy conservation and reduce air pollution. In yet another example, to realize the potential benefits of reducing multiple pollutants through use of new technologies,

private sector technology providers need to partner with municipal and state governments to demonstrate the capabilities of their clean air technologies and expand their market share.

EPA anticipates that the Fund will address a spectrum of air quality problems including: criteria air pollution such as particulate matter and ozone nonattainment; air toxics; and climate change.

FISCAL YEAR 2000 BUDGET: SUPPORT FOR STATES; JUSTIFICATION FOR 5 PERCENT INCREASE IN OPERATING PROGRAMS

Question. I noticed that even though your total budget request for fiscal year 2000 is decreasing by 5 percent, your Operating Program is increasing by 5 percent (+$191 million). That part of your budget, as I recall supports more of the federal regulatory establishment instead of supporting the states and tribes who are managing environmental protection on the front lines. What percentage of your budget supports the states and what does this consist of?

Answer. Over 40 percent of the Agency's budget is dedicated to support of the states and tribes. Included in this funding are resources from state grants, the Clean Water and Drinking Water SRFs, LUST cooperative agreements, and Superfund assistance to states.

Within the Operating Programs, the President's Budget provides $885 million for categorical program grants for state and tribal governments. This funding represents 24 percent of the Agency's total $3.682 billion for Operating Programs

Question. Why do you need a 5 percent increase in your Operating Program, especially if the funding for the Superfund Program is not changing and funding for your Water Infrastructure Fund is decreasing 30 percent

Answer. The $3.7 billion request for Operating Programs includes: most of the Agency's research, regulatory and enforcement programs, and funds our partnership programs with states, tribes and local governments. Our Operating Programs represent the backbone of the nation's efforts to protect public health and the environment through sound science, standard setting and enforcement. Through these programs, the Agency works to ensure that our water is pure, our air is clean and our food is safe. This 5 percent increase is critical to help the Agency meet the expectations of the American public for a safe, healthy environment.

SUPERFUND: PROPOSED CLEANUP ACTIONS

Question. I have received quite a few complaints from people in Montana that the EPA does not seem to care about local citizen inputs or ideas—that the public meeting process is a joke and that anytime someone disagrees with the EPA it doesn't matter. As you know, there are many sensitive environmental issues in Montana. Most of the public's complaints seem to concentrate on EPA's review of proposed cleanup actions. However, I want to be assured that when the people of Montana provide comments to EPA, their input will be heard and used. What do you propose to do to counter this negative perception by my constituents?

Answer. The Environmental Protection Agency (EPA) is committed to involving citizens in the site cleanup process. Our community relations effort is based on two-way communication designed not only to keep citizens informed about site progress, but also to give them opportunity to provide input into site decisions. Many opportunities are available to communities to provide input into the cleanup process through technical assistance. Technical assistance is available from a variety of sources depending on the community. For example, Technical Assistance grants are available to communities to hire technical advisors who can explain technical information and documents related to site cleanup and help articulate the community's concerns. We encourage communities to develop community advisory groups (CAGs) which provides an open dialogue between communities and EPA. Community members are encouraged to attend our availability sessions. These sessions allow community members access to the site cleanup team to ask questions and voice their concerns regarding cleanup issues prior to large public meetings.

REGIONAL HAZE: IMPLEMENTATION OF FINAL REGULATIONS

Question. I am concerned with the release of the final regional haze regulations. From my initial review, they seem very complex and difficult to implement. However, the Western governors, through the Western Regional Air Partnership, appear somewhat satisfied. However, I need to understand how this rule will be implemented. It seems to set the stage for a long-term regional planning process which is heavily dependent on the cooperation of all parties. Also this process appears to impinge on state sovereignty. What are the time lines and major milestones of this rule? How will states who have the responsibility of setting and managing haze in

the air over the Class I areas the authority to resolve issues of transboundary emissions from neighboring states and from public lands on which the states have no authority? Given this rule appears to establish a regional planning process, who is the ultimate party to make decisions on these regional plans?

Answer. The regional haze program requires States to establish reasonable progress goals and long term strategies for improving visibility in Class I national parks and wilderness areas, and to adopt control measures to meet these goals. States are to consult with each other in setting Class I area goals and in developing appropriate strategies to meet these goals.

The timelines and major milestones for this rule are as follows:

Initial regional haze implementation plan due dates.—The implementation schedule for the regional haze program is consistent with the provisions in TEA–21 and its intent for integrating control strategies for PM2.5 and regional haze. For geographic areas designated as attainment or unclassifiable for PM2.5, the due date for regional haze SIPs is one year after EPA publishes the PM2.5 designation. For geographic areas designated as nonattainment for PM2.5, the due date is three years after the PM2.5 designation.

Because of the regional nature of visibility problems, the rule also encourages regional planning involving multiple states. Accordingly, if a State participates in a regional planning effort and submits a SIP committing to continue its participation, the state may delay submittal of a regional haze SIP for its attainment areas and submit a regional haze SIP for the entire State on the date a SIP is due for nonattainment areas. This will allow States to develop coordinated regional strategies for both attainment and nonattainment areas and submit one SIP which incorporates those strategies.

For the nine western States which participated in the Grand Canyon Visibility Transport Commission, the final rule provides for an implementation schedule for the 16 Class I areas addressed by the Commission's report consistent with TEA–21 and the recommendations of Western Governors Association. States choosing to follow this optional approach must submit initial regional haze implementation plans in 2003.

Initial Implementation Period.—The time period for the initial regional haze implementation plans will extend from the submittal date of the plan until 2018. Progress Reports and Comprehensive Updates. The rule requires progress reports every 5 years (beginning 5 years after the first SIP submission) and, beginning in the year 2018, comprehensive implementation plan updates every 10 years.

EPA encourages regional planning efforts for States and other stakeholders, including federal land managers, to address the cumulative effect of emissions from multiple States on Class I areas. EPA plans to participate actively in these regional groups to assure its views are known by all participants as the process moves forward. We believe these regional planning efforts will enable participating States and other Stakeholders to reach consensus on coordinated strategies by highlighting the shared benefits of various emission reduction programs, and providing for cost-effective regional control strategies. At the same time, we recognize that under the Act, each State has the ultimate decision making authority regarding adoption of implementation plan provisions. State actions may not be dictated by regional planning organizations. Ultimately, EPA has the authority to approve or disapprove a State's implementation plan based on the State's assessment and selection of reasonable progress goals, the strategies it adopts to meet those goals and other factors.

Question. I hope that the Agency has improved upon its original proposal by providing the states with the flexibility they need to fashion their own visibility programs that Congress intended when it enacted the visibility protection program in 1977 and revised in 1990. What flexibilities are provided to the states in the final rule to fashion local solutions for state visibility problems?

Answer. The final rule provides the States with substantial flexibility in implementing the regional haze program to make "reasonable progress" toward the CAA's national goal of natural visibility conditions in Class I areas. First, States have the flexibility to take additional time to develop a single statewide SIP rather than multiple SIPs on different timelines for attainment and nonattainment areas, provided the State participates in regional planning effort(s). Second, the final rule does not include a presumptive rate of visibility improvement as was included in the proposed rule. States have the flexibility to set progress goals based upon a number of factors in the statute and regulation. Third, States have considerable flexibility in developing long-term strategies addressing an appropriate mix of stationary, mobile, and area sources of visibility-impairing emissions to achieve Class I area progress goals. Fourth, in lieu of requiring compliance on a source-specific basis with the requirement for application of best available retrofit technology (BART), States may develop a cost-effective emissions trading program or other alternative

measure that achieves greater reasonable progress than BART, and involves participation by both BART-eligible and non-BART sources.

REGIONAL HAZE: TEA–21 LEGISLATION —INTEGRATION WITH NAAQS PM2.5

Question. Last year, the necessary regulatory tools for the states to implement visibility rules were not provided. The TEA–21 legislation was amended to provide the states with the necessary time to implement these rules. What are EPA's plans to support the multi-year schedule and multi-million dollar price tag for the states to implement this final regional haze rule? How much funding was provided in fiscal year 1999 and fiscal year 2000 for the states and regional organizations to comply with this new rule. Should additional funding be provided in fiscal year 2000 for implementation of the regional haze rule to ensure it does not develop into an unfunded mandate?

Answer. In fiscal year 1999, the Agency provided approximately $1.9 million in grant funds to support regional haze work. These funds supported the operation of the visibility monitoring network (IMPROVE) and provided support to states and multi-state organizations addressing regional haze issues associated with the Grand Canyon and the Southern Appalachian Mountains. Additionally and in response to Congress' recommendation, EPA provided approximately $4.0 million in Agency funding to support a new planning initiative for regional haze and visibility impairment. Recognizing that regional haze is a complex national problem, the Agency is working with all the States to identify the composition of potential regional planning groups. Once these regional planning groups are identified, the Agency will provide each planning organization with initial funding to develop their multi-year work plans and future funding needs. The Agency will incorporate the funding needs of these regional planning organizations in its fiscal year 2001 budget request.

For fiscal year 2000, EPA is directing approximately $3.6 million in state grant funds for regional haze work. Funding is continued for the visibility monitoring network and support for the Grand Canyon visibility follow on work. Additionally funding is being provided to the States to initiate regional haze planning activities, assess visibility monitoring needs and identify emission inventory and source characterization efforts.

Question. TEA–21 Act requires that the implementation of the regional haze rule and the NAAQS PM2.5 rule be integrated. Obviously, we do not want the implementation of the regional haze program to lead the health-based standards. How will EPA integrate these two regulatory programs to ensure that the implementation of the regional haze rule follows the implementation of the NAAQS PM2.5 rule and that these funds are being expended in the most cost effective manner?

Answer. EPA has provided an implementation schedule for the regional haze program that is consistent with the provisions in TEA–21 and integration of control strategies for PM2.5 and regional haze. For geographic areas designated as attainment or unclassifiable for PM2.5, the due date for regional haze SIPs is one year after EPA publishes the PM2.5 designation. For geographic areas designated as nonattainment for PM2.5, the due date is three years after the PM2.5 designation.

Because of the regional nature of visibility problems, the rule also encourages regional planning involving multiple states. Accordingly, if a State participates in a regional planning effort and submits a SIP committing to continue its participation, the state may delay submittal of a regional haze SIP for its attainment areas and submit a regional haze SIP for the entire State on the date a SIP is due for nonattainment areas. This will allow States to develop coordinated regional strategies for both attainment and nonattainment areas and submit one SIP which incorporates those strategies.

For the nine western States which participated in the Grand Canyon Visibility Transport Commission, the final rule provides for an implementation schedule for the 16 Class I areas addressed by the Commission's report consistent with TEA–21 and the recommendations of Western Governors Association. States choosing to follow this optional approach must submit initial regional haze implementation plans in 2003.

We believe that by providing opportunities for regional planning and for the integrated implementation of the PM2.5 and regional haze control strategies, the regional haze rule allows States to address both air quality programs in a cost-effective manner.

RISK MANAGEMENT PLAN RULE ON PROPANE

Question. I am very concerned with your Risk Management Plans rules issued under Section 112(r) of the Clean Air Act especially as they relate to non-toxic flam-

mable fuels such as propane. Propane is a clean-burning alternative fuel which is adequately regulated under existing state and federal laws and independent safety codes and standards. As you probably know, I am a co-sponsor of S. 880 just introduced by Senator Inhofe to exempt non-toxic flammable fuels from Section 112(r). However, I understand that the U.S. Court of Appeals recently stayed the June 21, 1999 effective date of this rule for propane.

What are the court's plans concerning this rule? What are EPA's plan to extend relief to propane marketers and large consumers now?

Answer. The National Propane Gas Association (NPGA) has challenged the coverage of propane under the RMP rule and has requested a stay of the requirements. The United States Court of Appeals for the District of Columbia Circuit has granted a stay until further action by the court. This means that any (large or small) facilities handling propane subject to the RMP requirements do not need to comply with the requirements at this time. Further, EPA recently proposed an exemption for any listed flammable hydrocarbon substances (e.g. propane, methane, butane, acetylene) used or stored for use as a fuel in quantities up to 67,000 pounds (18,000 gallons). In addition, EPA stayed the RMP requirements for facilities handling less than 67,000 pounds of a listed flammable hydrocarbon as a fuel until the proposal is finalized.

At the House Appropriations Subcommittee on VA/HUD and Independent Agencies hearing in April 1999, you testified that EPA intends to increase the regulatory threshold for propane to 18,000 gallons. At the hearing, you also indicated that it didn't mater who held this amount in order to qualify. But in EPA's April 20 press release you announced that the threshold is only being increased to 16,750 gallons and that EPA's intent is not to provide any relief to marketers. I am confused by this inconsistency.

Question. Please clarify what are EPA's plans on the regulatory threshold and the impact on propane marketers.

Answer. The 18,000 gallon (67,000 pounds of propane) cut-off is derived by considering a number of factors. Large quantities of flammable hydrocarbon fuel are more likely to generate a vapor cloud explosion in a catastrophic accidental release. A large enough vapor cloud explosion is more likely to impact the public offsite; this is EPA's area of concern. EPA has considerable accident data on propane that shows that while accidental releases of small quantities can and sometimes do result in significant on-site property damage and/or deaths and injuries to workers or first responders on-site, they generally do not cause off-site impacts. EPA modeled typical fuel use conditions to calculate the outcome associated with a catastrophic accidental release. Using modeling assumptions such as fraction flashed after a release, mass of fuel in a vapor cloud, and the explosive yield factor associated with a fuel/air explosion, EPA calculated the fuel mass that could generate harm off-site. Since the vast majority of fuel processes covered under the RMP rule use propane, EPA then reviewed the sizes of widely-used propane tanks and set the cut-off to coincide with the tank size closest to the quantity derived from the blast modeling. EPA believes that 18,000 gallons (67,000 pounds of propane) represents a reasonable upper limit for the exemption. This limit is also consistent with accident history which generally indicates that flammable substance accidents with serious off-site consequences most often occur at sites handling large quantities.

A user or dealer with a storage tank or multiple tanks holding more than 18,000 gallons subject to the RMP requirements needs to complete a hazard assessment (worst case and alternative scenarios and 5 year accident history), make sure an accident prevention program is in-place, make sure an up-to-date emergency response plan is in-place, and fill-out and submit an RMP form. As mentioned above, free software and guides are available for preparing the hazard assessment. A facility that has had no accidents in the past 5 years can complete this portion quickly. For the accident prevention program, a facility that is already in compliance with safety codes and standards (such as National Fire Protection Association [NFPA] standard 58 for liquefied petroleum gas) has nearly all the elements in place for safe operation. The user or dealer will need to make sure these elements are up-to-date and add accident prevention elements that are not addressed by industry codes and standards, such as written operating procedures. Finally, an emergency response plan should already be in place and coordinated with the local fire department; if not, it will need to be prepared. All that's left is to fill in the blank or check off the box RMP form and submit it to EPA. The form must be submitted once every 5 years, unless major modifications are made at the facility that affect the hazards or prevention program. EPA estimated that a facility would likely spend about $231 to $1,679 to prepare an RMP and supporting on-site documentation, assuming the facility was already in compliance with existing codes, standards and industry safe-

ty practices. Since the RMP need only be submitted once every 5 years, the annualized cost is about $46 to $336.

Even though I support public access to information on the Internet, I also have concerns about the nature and quality of the information being provided on the Internet.

Question. Given there is some potential for this type of information falling into the wrong hands, such as potential terrorists, what is EPA's position on releasing information from these Risk Management Plans on the Internet? How will EPA protect this information from Freedom of Information Requests?

Answer. I agree current FOIA laws require EPA to provide the RMP Offsite Consequence Analysis (OCA) data in electronic format, if requested. To address this concern, an interagency workgroup drafted legislation to exempt OCA data from FOIA. The draft bill entitled "Chemical Safety Information and Site Security Act of 1999" was transmitted to Congress on May 7th. EPA staff continue to provide technical assistance to Congressional staff who are pursuing a legislative solution to your concerns. It is my hope that these ongoing discussions will lead to the passage of legislation in the immediate future.

LOW SULFUR GASOLINE PROPOSED RULE

Question. I am very interested about EPA's proposed regulation to require nationwide production of low sulfur concentrations in gasoline. I do not understand why the people of Montana need to shift to low sulfur gasoline given we do not have a problem with sulfur emissions in our state. Why does EPA believe that a national standard for burning low sulfur in gasoline is warranted when sulfur non-attainment is inconsistent across the nation? What flexibilities do states with responsibility for managing their own air quality program, such as Montana, have to adjust sulfur concentrations in gasoline? Why not provide flexibility to the states to determine the regional level of sulfur needed in gasoline to meet local markets and local non-attainment problems as you are proposing under the regional haze rule?

I am also interested about how sulfur concentrations in gasoline affect catalytic converters. If an automobile drives from a region burning low sulfur gasoline to another region burning high sulfur gasoline and returns to the low sulfur region, will the catalytic converter revert to its original performance in a reasonable period of time? Given that California, a low sulfur gasoline state, is surrounded by high sulfur gasoline states, what has been their experience with vehicles failing emissions tests due to burning high sulfur gasoline purchased while traveling in other states?

Five small refineries in California either have closed or have stopped producing gasoline since California adopted its low sulfur gasoline standard. What information does EPA have regarding the effect of these refinery closures or market withdrawals on consumer gasoline prices in California? How can EPA be confident that closures will not affect consumer prices in areas where all refineries are small by industry standards?

STAPPA/ALAPCO has stated that the combined Tier 2 and gasoline sulfur rule will be equivalent of taking 54 million automobiles off the road. Does EPA agree or disagree with this estimate? What is EPA's estimate and reasoning for the change in automobile use due to this proposed rule? Please provide your estimate and reasoning by state showing the number of equivalent cars taken off the road due to (a) improved automobile emissions technology; (b) reduced sulfur content of gasoline to 30 ppm; and (c) being Tier vehicles, Tier I vehicles, LEV/ULEV vehicles, and Tier 2 vehicles.

Answer. EPA proposed Tier 2 and low sulfur gasoline standards on May 1, 1999. Without significant new controls on motor vehicle emissions, millions of Americans will continue to breath unhealthy air. The Tier 2 emission standards and lower-sulfur gasoline would help achieve this goal. Gasoline sulfur is a catalyst poison and high sulfur levels in commercial gasoline could affect the ability of future automobiles to meet more stringent standards. Sulfur in gasoline reduces the effectiveness of a vehicle's emission control system. Lower sulfur gasoline is also important in order to enable the introduction of advanced technologies that promise higher fuel economy but are very susceptible to sulfur poisoning (for example, gasoline direct injection engines). Therefore, low-sulfur gasoline is needed to effectively reduce pollution and to achieve the full performance of vehicle emission control technologies.

The focus of the proposed controls on gasoline sulfur content is to reduce ambient levels of ozone and PM, not sulfur emissions, nor compliance with the NAAQS for sulfur dioxide directly. EPA proposed these gasoline sulfur controls nationwide in part because there are areas in both the East and West which have problems with attaining or maintaining the ozone and PM NAAQS and which experience restricted visibility as a result of haze. Also, nationwide standards were proposed because high

levels of sulfur can have a permanent effect on the efficiency of vehicle emission control systems. Sulfur attaches to and penetrates the active materials of automotive catalysts, which provide most of the control of automotive emissions currently being achieved. The most efficient catalyst systems available currently and those being developed for the next generation of emission control, such as those capable of meeting the proposed Tier 2 emission standards, are more sensitive to sulfur than catalysts used in the 1980's and early 1990's. In addition to losing much of their effectiveness when exposed to high sulfur levels, these catalysts do not always return to their original level of effectiveness after the use of high sulfur fuel ceases. Even one tankful of high sulfur gasoline can cause irreversible damage to these catalysts. EPA expects that vehicles designed to meet the proposed Tier 2 standards will show an even more irreversible sulfur effect than those designed to meet today's California and Federal low emission vehicle standards. Given the fact that vehicles are quite mobile and that popular vacation areas exist in the western U.S., nationwide sulfur control is necessary to ensure that vehicles operating in the worst ozone areas in the eastern U.S. emit at the emission levels for which they were designed. California has strongly encouraged EPA to implement nationwide sulfur controls precisely because their own vehicles are being permanently disabled by using high sulfur fuel in neighboring states and because out-of-state vehicles coming into California are emitting above their certified emission levels because of operation on high sulfur fuel.

The proposed emission reductions from this rule would provide much-needed assistance to states facing ozone and PM air pollution problems. When fully effective in 2030, the proposed tailpipe standards would significantly reduce NO_X emissions from vehicles by about 74 percent and particulate matter emissions by about 84 percent compared to emission levels of current vehicles. The reductions in NO_X and SO_X emissions from the proposed program would also reduce secondary ambient sulfate and nitrate PM which are formed from these gaseous emission. The nation's refiners would meet an average sulfur level of 30 parts per million (ppm) by 2004, down from the current average of more than 300 ppm. The maximum amount of sulfur in gasoline, for purposes of averaging, would be capped at 80 ppm, after a three-year phase-in. EPA estimates the cost of reducing sulfur levels to 30 ppm nationwide would be about 1–2 cents per gallon. Under Section 211 of the Clean Air Act, a state could adopt the same standard as established by EPA, or it could, under certain conditions, establish a more stringent standard. However, once EPA regulates the sulfur content of gasoline, a state could not adopt a less stringent standard. A uniform nationwide standard is supported by the fact that motor vehicles can and do travel throughout the country and catalytic converters of current and future vehicles will be detrimentally impacted by high sulfur levels in gasoline.

As part of these proposed new standards, EPA has included several measures to ensure maximum flexibility and cost-effectiveness. These flexibilities include: (1) allowing averaging to meet both the car emission and gasoline sulfur standards; (2) allowing extra time for larger vehicles between 6000 and 8500 pounds and smaller refiners to meet their respective standards; and (3) allowing for a market-based credit trading-and-banking system for both industries to reward those who lead the way in reducing pollution. The proposal includes special considerations for small refiners (defined in the proposal as those who employ no more than 1,500 employees), such as those in Montana, which would have an additional four years (until 2008) to comply with the proposed sulfur standards. If necessary, small refiners that demonstrate a severe economic hardship could apply for an additional extension of up to two years. In developing this proposal, EPA worked closely with small refiners located throughout the United States and convened a Small Business Advocacy Panel to collect information about companies which meet the Small Business Administration's definition of a small gasoline producer. Montana Refining was very active in the Advocacy Panel process and would likely benefit from the proposed small refiner provisions. The proposed sulfur averaging provisions should also provide significant flexibility to small refineries owned by large companies.

California's reformulated gasoline program, put in place in 1996, controls many gasoline properties beyond sulfur levels. The sulfur requirements, while significant, were responsible for about one third of the total costs and even less of the capital investments needed to meet the California requirements. While there were refinery closures in California in the 90's, most of these refineries closed prior to 1996. There are many reasons for these closings, including lost access to a reliable source of cheap crude oil and overcapacity. The price differential between gasoline sold in California and elsewhere is due in part to the supply and demand of California gasoline and the difficulty of obtaining it from sources outside the state. A nationwide sulfur control program would help alleviate this concern in California and other markets across the country. We believe the sulfur control provisions, especially

those applicable to small refiners, are reasonable and do not anticipate any refinery closures or disruption in fuel supply attributed to this proposal.

Our estimate for comparing the Tier 2/gasoline sulfur proposal emission reductions to emissions from vehicles removed from operation differs from the estimate provided by STAPPA/ALAPCO. By 2020, we project that the NO_X emission reductions due to the proposed Tier 2 and sulfur standards will be the equivalent of removing 166 million baseline light-duty vehicles and trucks from the road. Of this total, we project the equivalent of 69 million cars and trucks would be removed due to sulfur control alone. We developed these figures by comparing the emission rates of vehicles estimated to be in the 2020 fleet with and without the effects of the Tier 2/gasoline sulfur proposal. These reductions reflect only the 47-state region defined by the U.S. minus California, Alaska and Hawaii; since emission reductions are also projected in these states, the nationwide total will be higher. In 2020, we estimate that Tier 2 cars and trucks will account for approximately 95 percent of all miles traveled by cars and trucks. NLEV cars and trucks will account for 2.8 percent, and Tier 1 cars and trucks will account for 2.2 percent.

CLEAN WATER ACTION PLAN: USDA AND EPA DRAFT STRATEGY ON ANIMAL FEEDING OPERATIONS

Question. Recently USDA in conjunction with EPA unveiled their draft strategy for the Clean Water Action Plan. This Plan seeks to address the "problem" of animal waste management in animal feeding operations and essentially develop an approach to reduce phosphorous levels in livestock waste. This proposed plan potentially has major impacts on Montana producers because it will affect not only feedlot operators but any producer who houses an animal in a corral for an extended period of time. This includes producers who work with beef cattle, dairy cattle, swine, poultry, and even horses. In this time of depressed market prices and poor cash reserves by livestock producers, they do not need more regulatory burdens.

Answer. The USDA–EPA Unified National Strategy for Animal Feeding Operations (AFOs) was issued in final form by the Vice President on March 9, 1999. The Strategy is one of over 100 action items included in the President's Clean Water Action Plan, issued in February 1998. The Strategy reflects a balanced and appropriate use of programs and authorities to address water quality and public health problems caused by AFOs.

The Strategy does not change EPA's existing regulations for AFOs. Rather, the Strategy sets forth a range of flexible, common-sense steps that USDA and EPA plan to take, under existing legal and most under existing regulatory authority, to minimize the water quality and public health impacts of improperly managed animal wastes while complementing the long-term sustainability of livestock production. As indicated in the Strategy, EPA plans to review and revise its regulations related to CAFOs. This regulatory review and revision will be conducted in accordance with applicable legal and regulatory requirements.

The Strategy relies heavily on the stewardship ethic of producers and is based on a national performance expectation that all AFO owners and operators should develop and implement technically sound, economically feasible, and site-specific "comprehensive nutrient management plans" (CNMPs) for managing the animal wastes produced at their facilities. These CNMPs will include actions to prevent or reduce runoff and result in better management of the estimated 1.37 billion tons of manure produced each year. We expect that the large majority of AFOs, particularly the small AFOs, will not be subject to federal regulatory requirements, but rather will be encouraged to voluntarily adopt CNMPs to ensure proper manure management.

EPA's regulatory definitions of AFOs and concentrated animal feeding operations (CAFOs) were established in 1976 and are given at 40 CFR 122.23 and Part 122, Appendix B. These regulations define an AFO as a facility that meets the following criteria:

—Animals have been, are, or will be stabled or confined and fed or maintained for a total of 45 days or more in any 12-month period, and

—Crops, vegetation, forage growth, or post-harvest residues are not sustained in the normal growing season over any portion of the lot or facility.

The Federal regulations further define a CAFO generally as an AFO that:

—Confines more than 1,000 animal units (AUs); or

—Confines 301 to 1,000 AU and discharges pollutants:

—Into waters of the United States through a man-made ditch, flushing system, or similar man-made device; or

—Directly into waters of the United States that originate outside of and pass over, across, or through the facility or otherwise come into direct contact with the animals confined in the operation.

In addition, the permitting authority (i.e., EPA or an NPDES authorized State) can designate an AFO as a CAFO upon determining that the operation is a significant contributor of pollution to waters of the United States. This determination, which takes a number of factors into account (e.g., slope, vegetation, and the proximity of the operation to the waters), is based on an on-site inspection by the agency that issues NPDES permits.

An area where a producer "houses an animal in a corral for an extended period of time" would qualify as an AFO or CAFO only if it meets these regulatory definitions.

Question. What is the scientific basis of this "problem" in managing animal wastes?

Answer. As a result of domestic and export market forces, technological changes, and industry adaptations, the past several decades have seen substantial changes in America's animal production industries. These factors have promoted expansion of confined production units, with growth in both existing areas and new areas; integration and concentration of some of the industries; geographic separation of animal production and feed production operations; and the concentration of large quantities of manure and wastewater on farms and in some watersheds.

In terms of production, the total number of animal units (AUs) in the U.S. increased by about 4.5 million (approximately three percent) between 1987 and 1992. During this same period, however, the number of AFOs decreased, indicating a consolidation within the industry overall and greater production from fewer, larger AFOs.

AFOs can pose a number of risks to water quality and public health, mainly because of the amount of animal manure and wastewater they generate. Manure and wastewater from AFOs have the potential to contribute pollutants such as nutrients (e.g., nitrogen, phosphorus), sediment, pathogens, heavy metals, hormones, antibiotics, and ammonia to the environment. Excess nutrients in water can result in or contribute to eutrophication, anoxia (i.e., low levels of dissolved oxygen), and, in combination with other circumstances, have been associated with outbreaks of microbes such as Pfiesteria piscicida.

Pathogens, such as Cryptosporidium, have been linked to impairments in drinking water supplies and threats to human health. Pathogens in manure can create a food safety concern if manure is applied directly to crops at inappropriate times. In addition, pathogens are responsible for some shellfish bed closures. Nitrogen, in the form of nitrate, can contaminate drinking water supplies drawn from ground water. Nutrients can also cause toxic algal blooms which may be harmful to human health.

EPA is working to develop better scientific data and to better assess the scope of the problem of improperly managed animal waste both nationally and regionally. There are, however, a number of reports and studies and other compelling evidence to indicate that water pollution from AFOs is a significant water quality problem. This information falls generally into four broad categories:

(1) The States continue to report that on a national level, polluted runoff from agriculture is a leading source of impairment in both rivers and lakes. Although sub-categories for agriculture are not broken out for all States, 22 States did voluntarily report that feedlots and animal holding areas impair about 35,000 river miles, or 20 percent of impaired river miles nationwide.

(2) Numerous peer-reviewed papers and case studies demonstrate the impact animal feeding operations can have on water quality. These studies indicate that at the farm and watershed level, animal feeding operations can impact water quality. These impacts usually result from the cumulative over-application of manure from numerous farms in a watershed and can result in increases of nutrients and pathogens in waterways.

(3) While cumulative small additions of nutrients and pathogens can impair water quality, it is the large catastrophic events which attract the most attention. The well-publicized North Carolina lagoon spills in 1995 are unfortunate examples of how large amounts of animal waste, if not properly managed, can severely impact a waterbody.

(4) There are also other areas where animal feeding operations have been identified as a potential source of the problem. AFOs have been identified as a possible contributing factor in the outbreaks of Pfiesteria in both North Carolina and Maryland during the summer of 1997 and Cryptosporidium in Milwaukee's drinking water system in 1993.

Question. How will EPA take into consideration the economic impacts of this proposed plan on agricultural producers to avoid putting farmers and ranchers out of business. Finally, what financial relief can EPA provide Montana's farmers and ranchers to meet the Clean Water Action Plan? How can they apply for this relief?

Answer. The Unified AFO Strategy is not a new regulation and does not in itself impose any binding requirements or economic burden on producers. Instead, the Strategy describes a range of actions that USDA and EPA plan to take to address the water quality and public health impacts from AFOs. These actions will have to meet applicable legal and regulatory requirements. For example, EPA is currently in the process of reviewing and revising the existing regulations and expects to propose changes in the near future. Consistent with small business analysis requirements, EPA will evaluate the impacts of projected costs on facilities that are small businesses. EPA will also evaluate the economic impacts of any new regulations on larger operations. Both of these analyses will address the major species of livestock.

Currently, EPA's policy is to treat only AFOs that meet regulatory definition of a CAFO or have been designated CAFOs as point sources subject to the NPDES program. Other AFOs may be eligible to receive financial assistance through EPA grant and loan programs such as the CWA Section 319 nonpoint source program and the Clean Water State Revolving Loan program. AFOs may also be eligible for assistance from several USDA programs including the Environmental Quality Incentives Program. Facilities, including CAFOs, that are subject to permitting under EPA's existing regulations are generally not able to receive financial assistance from EPA to comply with their permit requirements. The Unified AFO Strategy does, however, describe two types of incentives which can allow certain CAFOs to exit the regulatory program and work to stay out of the regulatory program.

First, the Strategy states our view that smaller CAFOs (those with fewer than 1,000 AUs) should be allowed to exit the permit program after the end of their permit term (which is a period of five years from the date the permit is issued) if they meet certain conditions. To exit the program, a facility would be expected to demonstrate that it has successfully addressed the conditions that caused it to be defined or designated as a CAFO and that it is fully implementing its Comprehensive Nutrient Management Plan (CNMP) and would be expected to offer evidence that it is in full compliance with its permit at the end of the permit term.

Second, AFOs with less than 1,000 AUs may in many cases be taking early voluntary actions in good faith to manage animal wastes in accordance with a CNMP. Specifically, some AFOs that are voluntarily implementing a CNMP may have a discharge that makes them subject to being designated as CAFOs under the NPDES permitting program, but does not cause them to be included in the permitting priorities described in the Strategy. The Strategy states that NPDES permitting authorities should consider providing an opportunity for these AFOs to address the cause of the discharge before designating them as CAFOs.

FOOD SAFETY

Question. As you know, we are facing extreme problems in the agricultural industry, especially in Montana. During the 1990's, farmers have made only a 4 percent return while retail food chains have made 18 percent, food processors made 17 percent, and even agricultural banks are receiving a 11 percent return. Since 1984, consumer prices for food has risen 3 percent while the price paid to farmers has fallen by 36 percent. Now we are facing a potential drought in eastern Montana. All of these factors are compounded when agricultural chemical products are changing with reregistrations. Even though I agree safer, less toxic pesticides should be used, how do you consider the economic impacts of this struggling agricultural industry in making your decision on pesticide reregistration?

Answer. Last year Vice President Gore responded to growers' concerns about the effects of the Food Quality Protection Act (FQPA) by asking the Environmental Protection Agency (EPA) and the U.S. Department of Agriculture (USDA) to convene a committee of stakeholders to assist the government in developing a process for conducting tolerance reassessment that is required by the new law. The process must incorporate four principles: sound science, transparency, consultation with stakeholders, and reasonable transition for agriculture. In consultation with the Tolerance Reassessment Advisory Committee (TRAC), EPA and USDA identified nine science policy areas where EPA needed to explain how it will make risk assessments, began to explore risk management issues, and initiated a pilot process for conducting the tolerance reassessments of the organophosphate pesticides.

EPA's Commitment to an Open Process for Developing FQPA Policies

Taking the TRAC's advice, the Agency has made its pesticide risk assessment and risk management processes and science policy development far more accessible to the public through notice and comment procedures. The Agency has created an Internet site providing access to the same information made available at the TRAC meetings, including the science policy papers on tolerance reassessment and risk management. EPA also created an Internet site with up-to-date information on the

organophosphate pesticides, including the schedule for tolerance reassessment and individual preliminary risk assessments. These webpages enable the Agency to keep the public informed of each step in the tolerance reassessment process and entry-points for participation. These websites can be accessed at http://www.epa.gov/pesticides.

EPA's Commitment to an Open Process for Making Tolerance Reassessment Decisions

With the help of the TRAC members, EPA and USDA have laid out this pilot process for the organophosphate pesticides, complete with self-imposed deadlines for releasing the preliminary risk assessments, further refining the risk assessments, and providing for public participation on risk mitigation measures and practical transition strategies. In making decisions on tolerances, EPA relies on actual data generated by the registrant, other agencies such as USDA, from peer reviewed scientific literature, and from growers and other pesticide users—not on default values based on worst-case assumptions.

In many cases, the comment process is providing additional health and environmental effects data, use data, or other relevant information which EPA is using to refine the risk assessments. EPA has compiled organophosphate use and usage information for some crops and posted it on the Agency's website. We expect to begin a public comment period on risk management for the first of the organophosphate pesticides later this spring or in early summer. The comment period will allow for discussion and examination of both risk mitigation measures and possible transition processes to alternative pest control approaches where needed. EPA and USDA are working on the best ways to start this phase of organophosphate tolerance reassessment and will be consulting with the TRAC.

At the same time that we are issuing the preliminary risk assessments and developing the risk management process for individual organophosphate pesticides, we are also developing a method for calculating cumulative risk for the organophosphate pesticides as a group. We expect to issue this draft methodology for rigorous external scientific peer review and full public comment later in the year. In the meantime, the Agency will continue to make registration and tolerance reassessment decisions on individual active ingredients based on sound science.

EPA's Commitment to a Reasonable Transition for Agriculture

One of Vice President Gore's four principles is to provide for a reasonable transition for agriculture. FQPA imposes more stringent standards for pesticide use in food and feed crop production, and the Agency recognizes that how it implements the law may have important and far reaching consequences. This statute, while helping to ensure a high level of food safety, has the potential to create uncertainty for agricultural producers, both in the short and long term.

Expedited Review for Safer Pesticides.—FQPA reinforced EPA's commitment to bringing new and safer technologies to the marketplace to reduce the potential risks from pesticide exposures while helping to maintain an abundant and safe food supply. To be sure that pesticide users have access to a range of safer pest control tools, the Agency is expediting review of pesticides which might be used as alternatives to riskier pesticides. As you may know, the Agency had created a new reduced-risk pesticide registration program to facilitate this effort before FQPA was enacted. This expedited review includes new active ingredients and new uses of currently registered pesticides that reduce risks to human health or the environment. In a notice sent to all registrants in August 1998, EPA explained its policy for the prioritization and expedited review of applications for new active ingredients which can be used as alternatives to organophosphate pesticides, and new use registration applications for alternative, conventional pesticides. Of 27 new pesticide active ingredients registered in fiscal year 1998, 14 were done as a result of expedited review.

Minor Uses and Other Special Situations.—EPA is focusing on reducing the risks of existing pesticides in a manner that is least disruptive to growers. Many existing pesticides will almost certainly be found to meet the new standard. However, when the risk of a pesticide is above the safety standard set by law, EPA must take regulatory action to manage the risk. The Agency has identified a range of regulatory approaches for achieving risk management; the most appropriate approach is dependent upon the level of risk. Working with USDA, it is our goal to ensure a smooth transition process that is the least disruptive to growers. The Agency is particularly conscious of the potential impacts on minor crop growers and integrated pest management programs and will continue to work with growers and registrants to focus attention on those situations where limited crop protection alternatives exist. The final TRAC meetings will focus on formulating ways to gain grower input on practical, feasible, and affordable mitigation measures. The Agency will also be

seeking input from grower groups to identify potential organophosphate pesticide alternatives for their crops. EPA's risk assessments will attempt to identify those crops/uses that contribute most to the risk, so that the Agency, USDA, and growers can work together to devise real and sensible solutions.

USDA's Role in Transition to Safer Pest Management

Because of its contacts and ability to interact more readily with the agricultural community, USDA has taken a large role in developing transition strategies. USDA is devoting significant effort and is requesting additional funding in its fiscal year 2000 budget to help grower groups develop strategies that will result in reduced risk but still ensure adequate pest control. One possible strategy for enhancing public participation is the idea of holding informational or technical briefings for interested parties, including commodity groups that may be directly affected by the findings for a selected pesticide or group of pesticides.

Regional Centers for Education and Outreach.—To promote the advance of pest management to ensure a safe, nutritious, and economical food supply for the American public, USDA is establishing Regional Pest Management Centers. Since crops, pests, and weather patterns differ from region to region within the United States, no single, national approach to pest management is appropriate across all the agricultural regions. Also, it is economically inefficient and not appropriate for every state within similar production regions to organize and support repetitive, and often competing, pest management program efforts. A viable solution to this dilemma is the development of regional pest management centers based on similarity of cropping patterns, pest problems and environmental conditions.

Pest Management Centers would be organized in eight different agricultural regions of the country. These centers would be located at existing land-grant universities or other appropriate facilities such that no new infrastructure would be required. Among the activities carried out by such centers would be to: (1) develop and evaluate new agricultural pest management technologies; (2) identify and organize pest management expertise within the regions to ensure rapid response capability for pest problems or public information needs; (3) organize and deliver pest management educational programs for agricultural producers as well as consumers; (4) provide science-based, regionally-specific input for public policy and regulatory issues; and (5) manage and report on pest management research projects within the region.

Three Research and Education Programs.—One of the first activities of the Centers would be to carry out, on a regional basis, the USDA research and education plan for helping growers overcome changes from the implementation of FQPA. The USDA research and education plan has three components: (1) The Pest Management Alternatives Program (PMAP), a program to develop replacement tactics and technologies for pesticides under consideration for cancellation or use restrictions by EPA. The focus of this program, which was established in 1996, is primarily towards replacement of individual chemicals in a pest management program on a crop by crop basis. PMAP is structured to fund short term (1–2 years) projects aimed at adaptive research and implementation of tactics that have shown promise in previous testing; (2) New Pest Management Strategies Contributing to Crop Productivity, a research and implementation program, proposed to begin in 2000, for several crops which face potentially severe economic constraints resulting from loss of certain pesticides through implementation of FQPA. Development of new multiple-tactic pest management strategies to help ensure economic viability and productivity of food crops will be the goal of the program; and (3) Reducing Risk in Major Food Crop Production Systems, a new approach to risk reduction with a food and grain production system focus, integrating food safety and water quality considerations a impacted by FQPA. The program is also proposed to begin in 2000 and will involve the major acreage crops including corn, soybean, wheat, cotton and rice as well as the fruits and vegetables most important in the diets of infants and children. The program goal is to eliminate pesticide residues in food crops and drinking water.

Question. How does EPA coordinate economic impact assessments on the agricultural industry due to pesticide reregistrations with USDA and FDA?

Answer. EPA establishes tolerances under the Federal Food Drug and Cosmetic Act (FFDCA). Cost/benefit analysis is not required for regulations made under FFDCA authority. Although the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) is a risk/benefit statute, the Agency does not explicitly analyze costs and benefits except in formal cancellation proceedings. Should the Agency propose to take formal action (under Section 6 of FIFRA) it is required to consult with USDA regarding actions against agricultural pesticides and with the Secretary of Health and Human Services (HHS) regarding public health pesticides.

EPA has a number of formal and informal links with USDA to coordinate our fact-finding and regulatory efforts. During development of significant reregistration and tolerance reassessment actions, such as those affecting organophosphate pesticides, EPA works closely with USDA to obtain information on "real-life" exposure, potential impacts of regulatory options, and the availability of alternative methods of pest control. EPA also strongly encourages pesticide and agricultural producers to provide similar information to USDA and EPA. Efforts with HHS are well underway to develop a Memorandum of Understanding which will outline how EPA and HHS will consult on actions that may impact public health pesticides. As with agricultural pesticides, EPA has worked with industry and State offices, such as mosquito control boards, to help assess the potential impact of any actions on this important class of pesticides.

Question. Finally, how are you ensuring that the quality of imported agricultural products are safe for consumption, especially imported beef from Canada?

Answer. Authority for the safety of imported meat is spread among three Federal agencies. EPA establishes tolerances for pesticide residues under the FFDCA while FDA monitors imports for compliance with FFDCA requirements. USDA sets and monitors quality standards for meat, including hygienic standards.

Differences in the regulation of pesticide residues in food can be a trade issue. These concerns are being addressed with our North American Free Trade Act (NAFTA) partners. Cooperative U.S./Canada bilateral efforts on pesticides regulatory harmonization were expanded in 1996 to include Mexico through the NAFTA Technical Working Group (TWG) on Pesticides. The goal of the TWG is to develop a coordinated pesticides regulatory framework among NAFTA partners to address trade irritants, build national regulatory scientific capacity, share the review burden, and coordinate scientific and regulatory decisions on pesticides. This work has already begun to pay dividends by addressing specific trade irritants, such as national differences in Maximum Residue Limits (MRLs, or tolerances), developing a better understanding of each regulatory agency's assessment practices, working to harmonize each country's procedures and requirements, and encouraging pesticide registrants (product owners) to make coordinated data submissions to the three NAFTA countries to facilitate joint reviews.

TRIBAL SUPPORT

Question. I understand that you are requesting a total of $166 million for support to Tribal governments. Also I understand that you are working to improve the capacity of tribes to manage their own environmental programs. Since Montana has eight Federally-recognized tribes which I strongly support. What is your assessment of the environmental conditions of their tribal lands?

Answer. EPA is assisting Montana's federally-recognized tribes to build the capacity to manage their own programs for environmental protection of their lands, similar to our efforts to help states build the capacity in the early years of the Agency. In addition, EPA has the statutory responsibility to protect public health and the environment on Indian reservations. Environmental conditions vary from reservation to reservation, but overall the condition of the Montana tribes' environment range from poor to good, with impacts from improper disposal of solid wastes, drinking water and wastewater impacts due to a lack of infrastructure and a lack of operations & maintenance, mining impacts, oilfield contamination, and non-point source pollution the most prevalent.

Question. What environmental problems are they having to manage on their lands?

Answer. Environmental problems vary from reservation to reservation, but some of the problems Montana tribes are experiencing include disposal of solid wastes, pollution and other impacts from mining, surface water pollution, and infrastructure needs for drinking water and wastewater treatment systems. There is also the problem of air pollution from off-reservation sources.

Question. What type of financial and technical assistance can you provide to them to help address their environmental problems?

Answer. Though a variety of mechanisms in addition to broad based multi-media funding under the General Assistance Program (GAP), Tribes are eligible for assistance under the Drinking Water and State Revolving Fund Programs, as well as other standing Grant Programs (Sect 319, PWSS, WQCA, Wetlands, UIC, 106).

Question. I understand that EPA is proposing a 20 percent set-aside in the Clean Water State Revolving Fund for Indian tribes to use for nonpoint source problems and other water quality problems. Does this require statutory changes and, if so, when will we get to review your proposed legislation? Why have the tribes not availed themselves of State Revolving Fund loans that the states can provide?

Answer. The President's proposal would allow states to use up to 20 percent of their fiscal year 2000 Clean Water State Revolving Fund (CWSRF) capitalization grants for grants for nonpoint source pollution control projects. Indian tribes do not receive capitalization grants because the Clean Water Act does not authorize CWSRFs for tribes. The tribes do, however, receive 0.5 percent of the CWSRF appropriation for use as wastewater grants. Tribes can also apply to states for CWSRF loans, as can any municipality, as long as they meet fiscal management and regulatory requirements. To date no tribe has received a CWSRF loan. One reason is that all loan recipients are required to have dedicated sources of revenue for loan repayments. Many tribes do not have revenue sources with which to repay the loan. Tribes prefer instead to receive grants, which require no repayment, to address their water quality problems Another reason is that many tribes view themselves as sovereign nations, with authority equal to that of states. Their preference is to work with the U.S. government on a government-to-government basis, as opposed to working through the states. Tribes would face state oversight requirements when applying to states for nonpoint source pollution control grants from the optional CWSRF 20 percent set-aside.

If Congress adopts the President's proposal, implementing language would be required in the fiscal year 2000 Appropriation Act. Such language is proposed in the Appendix of the fiscal year 2000 President's Budget, pages 930—931, as follows:

> "* * * for fiscal year 2000, each State may reserve from funds in its Clean Water State Revolving Fund, an amount equal to no more than 20 percent of the sums allotted to such State under section 604 of the Federal Water Pollution Control Act to provide grants of no more than 60 percent of the costs of projects eligible under section 603 (2) or (3) of such Act. Such grants may not be made for publicly-owned treatment works as defined in section 212 of that Act. Projects receiving grant assistance must, to the maximum extent practicable, rank highest on the State's priority list that is used to prioritize projects eligible for assistance under section 603 of that Act."

QUESTIONS SUBMITTED BY SENATOR SHELBY

GRANDFATHER REGULATION: ENVIRONMENTAL DEFENSE FUND VS. EPA

Question. Administrator Browner, it is my understanding that a few years ago you approved the specific "grandfather" regulation that was challenged and struck down in *Environmental Defense Fund* v. *EPA*. Why did you choose not to appeal the recent conformity grandfathering decision? Did your viewpoint regarding this regulation change? If it did, why? Administrator Browner, did someone else, either within the Justice Department or at the White House, make the decision not to appeal?

Answer. After extensive review of the decision and discussions within the Administration, including EPA and the Departments of Transportation and Justice (DOT and DOJ), we have decided not to seek rehearing of the decision. The Administration has developed a workable approach for implementing conformity under the court's decision. We believe that a combination of guidance to states, quick action by EPA to find submitted State Implementation Plans (SIPs) adequate, and regulatory changes to our conformity rules in response to the court's remand make appeal of the court's decision or changes to the Clean Air Act unnecessary. This approach properly balances economic development with environmental protection, and minimizes any immediate disruption to transportation activities resulting from the decision.

We are committed to an approach that recognizes the importance of continued highway construction—providing local areas with as much predictability and flexibility as possible—consistent with meeting our Nation's air quality needs. EPA intends to amend the transportation conformity rules to clarify that grandfathering of previously approved projects can proceed during a conformity lapse, but only where DOT has made a full funding commitment to the project prior to the lapse. EPA believes that this is both an appropriate interpretation of the conformity requirements of the Act, and consistent with the recent court decision.

As a result of recent problems associated with implementation of the prior grandfathering regulation, especially in Atlanta, Georgia, EPA believes that grandfathering at the stage of full funding commitment is more appropriate than at the stage of NEPA review, and that grandfathering at this stage properly coordinates the twin desires of advancing transportation planning and protecting clean air.

TRANSPORTATION CONSTRUCTION PROJECTS LIST

Question. This case could have a great impact on numerous transportation construction projects. However, I am not aware of any definitive information regarding projects that are within the reach of the Court's decision. Could you provide me with the list of projects that the EPA believes that this decision affects. Could you also provide cost estimates regarding the losses that will result from the delays caused by this decision?

Can you consult with the Department of Transportation and provide the list of the immediately affected projects? And the associated project costs?

Answer. Attached please find DOT's list (as of June 15, 1999) of projects that are immediately affected by the court decision, and the associated project costs. We understand that the table entitled "Status of Grandfathered Projects in Lapsed Areas" describes in columns 1 and 2 the total universe of projects that could be affected by the court decision. The projects in columns 3 and 4 are the subset that definitely can proceed even under the terms of the court decision.

It is worth noting that among the areas where conformity has lapsed (i.e., there are conformity problems independent of the court decision), most of these areas will have ended their lapse by September 1999 at the latest (Ashland, KY; Monterey, CA; Raleigh, NC; Santa Barbara, CA; Winston-Salem, NC).

Of the areas where conformity was suspended following the court decision, most are expected to re-establish conformity within weeks (Longmont, CO; Stanislaus County, CA; Tucson, AZ). In fact, Yuma, AZ has already re-established conformity. This reduces the total project costs on DOT's table by $53.3 million.

TRANSPORTATION CONSTRUCTION PROJECTS IMPACT

Question. Administrator Browner, while we may not yet know the exact number of projects that will be affected, we do know there will be a substantial number. Most of these projects were intended to improve transportation efficiency. The delays caused by this ruling will keep thousands, if not millions, stuck in inefficient transportation systems. Won't this have a detrimental impact on the environment?

Answer. The number of projects affected by the March 2, 1999, court decision is limited. These projects are located in areas where analysis shows that transportation plans will cause vehicle emissions to be higher than what is allowed for in the State implementation plans (SIPs) for air quality. These areas may proceed with transportation projects once they have developed transportation plans that do not cause the vehicle emissions limits of their SIPs to be exceeded. We expect most of these areas to fix their conformity problems by August 1999 which will restore nearly half of the project funding impacted. Until they do so, it is more environmentally protectiveand a more efficient use of resourcesto avoid investments that may worsen air quality over the long term. We believe that short-term delays in transportation efficiency improvements are preferable to irreversible investments in a transportation system that is incompatible with long-term attainment and maintenance of the air quality standards.

TRANSPORTATION PARTNERS PROGRAM

Question. Administrator Browner, it is my understanding that the EPA conducts the "Transportation Partner's Program." Could you please tell me about this program?

Answer. Transportation Partners is a U.S. EPA program that promotes and supports innovative, local, voluntary efforts to reduce vehicle miles traveled (VMT). Transportation Partners is one of the actions in President Clinton's Climate Change Action Plan and is responsible for reducing miles traveled by single occupancy vehicles in order to reduce greenhouse gas emissions.

The Transportation Partners program is comprised of a team of national, non-governmental organizations, called Principal Partners, who receive EPA funding to foster innovative transportation solutions nationwide. Principal Partners share EPA's commitment to decreasing greenhouse gas emissions and to mitigating environmental impacts from the transportation sector. Funds received by these organizations are used to provide technical assistance to businesses, communities, and organizations engaging in VMT reduction strategies. Transportation Partners has funded nine non-profit organizations since its founding.

In cooperation with its Principal Partners, the Transportation Partners program provides technical and networking assistance to over 300 nationwide Project Partners. Project Partners consist of national, non-governmental organizations, community-level associations, state and local governments, and businesses. Business part-

ners include WalMart, Kaiser Permanente, Bank of America, and many others. Transportation Partner examples are provided on the attachment.

Question. Are you aware of whether the EDF, the party that brought the suit in the [conformity] case, has ever received funding under this program? Could funding from this program have been used by EDF to bring the lawsuit against the EPA?

Answer. EPA has entered into cooperative agreements with EDF and other groups that have expertise in various aspects of the transportation and environmental issues. In some cases, groups which have received Federal funds are also engaged in litigation with the Federal government. EPA has strict guidelines that prevent EDF and other groups from using EPA funds to pay for these legal actions. Every EPA grant agreement is conditioned on compliance with OMB Circulars that prohibit the use of grant funds for suits against the Government. Specifically, they prohibit "costs of legal, accounting, and consultant services, and related costs, incurred in connection with * * * the prosecution of claims or appeals against the Federal Government" (OMB Circular No. A–122, Attachment B, Section 10.g, which applies to nonprofit organizations; same provision in Circular No. A–21, Section J.11.g, which applies to educational institutions) and "legal expenses for prosecution of claims against the Federal Government" (Circular No. A–87, Attachment B, Section 14.b, which applies to State, local, and tribal governments). In addition, EPA's appropriation acts provide that grant funds may not be used to pay the expenses of, or otherwise compensate, non-Federal parties intervening in regulatory or adjudicatory proceedings.

Examples of Transportation Partners Projects

Cornell University's comprehensive Transportation Demand Management Program enhanced transportation choices, reduced VMT, and saved money by eliminating the need for new parking spaces. The program combines a three-tiered rate structure for parking, transit subsidies, and coordination with local communities and transit operators to reduce approximately 10 million VMT per year and an estimated 1,450 MMTCE. The program worked with surrounding municipalities to encourage the creation of park-and-ride lots, improved and distributed transit maps, and created a "Commuter Connection" column in the local newspaper. The increased demand created by the program lead to new routes and improved service in previously underserved areas.

A Howard County, Maryland School Walkway Program has resulted in hundreds of students now walking to school. A partnership between Howard County's Department of Public Works and Department of Education has resulted in the installation of miles of new sidewalks. Before these sidewalks or missing sidewalk links were installed, students who lived within walking distance of school were forced to ride a bus for safety reasons. One 900 foot walkway enabled 141 students to walk to school, and eliminated three buses and 2,000 bus trips per year.

The City of Xenia and Green County, Ohio have teamed up with the Ohio Department of Transportation, the Ohio Department of Natural Resources, and the private sector to convert 60 miles of former railway corridors and a seven acre railroad depot into an alternative transportation center. The transportation center includes bike and pedestrian trails, parking facilities, and a community building. The trails are located within a short walk of every Xenia resident and within ten minutes of most residents in the county. It was estimated that over 300,000 people used the trails to get to work, home, school, and other activities by the end of 1997.

Kaiser Permanente of California is taking demonstrable steps to reduce pollution and traffic congestion through the KAISERider program. Throughout California, 10,500 employees at sites with the KAISERider program use alternative means of transportation, such as carpooling, on a regular basis. Four KAISERRider services alone eliminate approximate 37,000 passenger trips a month or nearly 4 million VMT per year (571 MMTCE).

The City of Oakland, California Oakland Broadway electric shuttle has revitalized a key shopping and business district. Signage and discounted merchant coupons were created to encourage the use of the shuttle, which provides workers and shoppers in the area with a quick, easy, and free way to move throughout the downtown area during lunch time hours. The total estimated annual VMT reduction for the shuttle is 237,600 which would result in an annual reduction of 34 MMTCE.

QUESTIONS SUBMITTED BY SENATOR CRAIG

CLIMATE CHANGE: KYOTO PROTOCOL IMPLEMENTATION

Question. Has EPA taken any action or programs that seek to implement the Kyoto Protocol.

Answer. No. The Administration has committed not to implement the Kyoto Protocol before the Senate has considered the Protocol and provided advice and consent to its ratification.

Question. Has EPA staff provided any formal communications to the Administration related to the Kyoto Protocol or data used to try to justify the Protocol? If so, please provide copies of these communications for the record including any EPA press releases, statements by EPA staff and documentation detailing the peer review process used prior to release of any of this data.

Answer. We understand your question as asking whether EPA has formally transmitted any scientific or economic data related to or in justification of the Kyoto Protocol to the White House or another federal Agency, through a press release or other form of public announcement. We further understand your question as asking for information on the peer review process for any such data transmitted in this way. EPA has not made any such transmittal of data to the White House or other agencies.

Question. In October 1997, the President announced a three-stage, multi-year plan to reduce greenhouse gas emissions. One element was a proposal to provide credits to companies that take voluntary action to reduce their greenhouse gas emissions. Legislation to authorize such program was introduced by Senator Chafee and others in both the 105th and 106th Congresses, but the Administration has not endorsed the Chafee legislation nor submitted its own legislation.

As part of its Green Lights and other voluntary programs, EPA requires that participating companies submit detailed information (project-by-project) on reductions. EPA spends considerable amounts of money to compile this detailed information. If a program to provide early credits were enacted, companies seeking such credits would presumably need to keep track of their reductions in order to justify their credits. If these companies were also participants in EPA's Green Lights or other voluntary programs, it is not clear that EPA would still need such detailed data. Thus, EPA might be able to reduce its funding level for Green Lights and other voluntary programs without reducing the effectiveness of these programs.

Did the President's announcement increase company willingness to invest in energy-saving equipment? Please explain by providing the necessary supporting documentation. Did it increase willingness in the business community to sign up for Green Lights and other voluntary programs?

Answer. Since the President's announcement, the rate of private sector companies and other entities (e.g., schools, state or local governments, or other non-profits) newly joining partnership programs like ENERGY STAR Buildings and Green Lights has remained about the same. EPA's voluntary climate partnerships are continuing to grow at a steady pace and the number of partnerships now exceeds 7,000.

It does appear that there may have been an increase in overall private sector investment in energy efficiency over this period, paralleling the strong general investment trend in the U.S. economy over this time.

The President's announcement did spur increased participation on the part of companies and industries who came forward to participate in consultations between industry and government about voluntary industry-by-industry commitments to reduce greenhouse gases through the industry consultation process. A significant number of new, meaningful voluntary industry commitments have been announced in this period.

For example:

—United Technologies has committed to a sales weighted reduction of greenhouse gas emissions of 25 percent below 1997 emissions levels by 2007.

—British Petroleum has agreed to reduce their greenhouse gas emissions by 10 percent below 1990 levels by 2010.

—Shell has agreed to reduce their greenhouse gas emissions 10 percent below 1990 levels by 2002.

—Dow will reduce their energy use per unit of production by 20 percent by 2005.

—Dupont will reduce their greenhouse gas emissions 40 percent below 1990 levels by 2000.

—Through their global energy conservation, product design, and perfluorocompound emission reduction goals, IBM has committed to reduce 40 percent of their PFC emissions by 2002 per unit output using a 1995 baseline in semiconductor manufacturing. They have also committed to achieve energy conservation savings each year equivalent to 4 percent of annual electric and fuel use.

—Finally, the most recent announcement came from Motorola which will reduce emissions of PFCs by 50 percent from 1995 levels by the year 2010.

Question. Can you explain why, in nearly 18 months since the President first announced the "early credits" idea, the Administration has not submitted legislation on this issue? When do [you] expect the Administration to submit such legislation?

Answer. In his State of the Union message this year, the President pledged to work with members of Congress in both parties to reward companies that take early, voluntary action to reduce greenhouse gases. Rather than submit its own bill, the Administration believes it would be most efficient and productive to work with Congress on the basis of early credit proposals that have already been introduced, such as S.547 in the Senate, and similar legislation expected to be introduced in the House.

Question. If a program to provide "early credits" were to be enacted, what changes in EPA's voluntary programs would be appropriate? For example, would it still make sense for EPA to keep detailed company-by company, project-by-project records for EPA's partners?

Answer. While there are many uncertainties as to how a program to provide early credits would work, it is unlikely that EPA's voluntary programs would need significant changes. Partners in voluntary programs such as ENERGY STAR Buildings and Green Lights would need to continue to report to EPA on a company-by-company basis in order to track the company's progress in each particular voluntary program, as well as the aggregate achievements of that program. EPA uses this company-submitted information to publicly recognize the accomplishments of companies and other organizations that make commitments under the program.

Question. How much of the $41.3 million requested for Buildings Initiatives will be spent to compile company data?

Answer. The $41.3 million requested to expand EPA's Buildings Programs will not to be used to compile company data for EPA's Buildings programs. The requested funding is intended to expand partnerships and provide essential information to organizations and consumers so that they can choose equipment and products that will not only save them money but reduce pollution. Current funding levels of these programs have been and will continue to be sufficient to collect and compile data on participant activities through the program. EPA has already established an efficient system for updating an existing database with new information from program partner reports. The program partners compile and report their own data in an agreed-upon format, so a relatively small proportion of EPA's expenditures for the voluntary programs is used for data compilation activities.

Question. Please explain why a company would need credits for greenhouse gas reductions. Does the Administration plan to put in place mandatory limits on companies combustion of fossil fuels and other activities that produce greenhouse gases? When would those limits take effect? How would company limits be determined?

Answer. As domestic and international policy developments on climate change unfold, a significant number of companies are considering whether to take actions now to reduce their greenhouse gas emissions in anticipation of a possible future market-based system to limit emissions. Many of those firms support having credits for early greenhouse gas reductions because they want to be assured that they will not be inadvertently penalized in a possible future market-based system, and that reductions they make before such a system takes effect will be appropriately recognized and rewarded. The Administration shares this view and thus supports the creation of a program for appropriately rewarding early action.

The President has put forth a plan, articulated most fully in a speech in October 1997, to responsibly and effectively address the very real and serious problem of global warming in both the domestic and international arenas. The President has proposed to proceed pragmatically in three stages. In the first stage, he has directed EPA, the Department of Energy, and other agencies to take actions that help reduce greenhouse gas emissions while providing direct and immediate benefits to the economy, primarily through encouraging voluntary emissions reductions. These actions include the Climate Change Technology Initiative (CCTI), the restructuring of the electric utility industry, and a program to give businesses appropriate credit for early reductions in greenhouse gas emissions. In the second stage of the President's proposal, programs implemented during stage one would be reviewed, evaluated, and—depending on their success—extended. A pilot emissions trading program would be put in place and tested. The third stage of the President's plan envisions implementation of an emissions cap and trading system—based on the successful experience with the acid rain program—to harness the power of the marketplace to limit greenhouse gas emissions as flexibly and efficiently as possible, and at the lowest possible cost. The Administration has not made any further decisions as to when such a market-based system would come into effect, or how emission limits at the company level would be determined. The Administration has pledged to work with Congress on any necessary legislation.

Question. Has EPA developed any analysis regarding the "credit for early action" legislation introduced in the Senate in the 105th Congress and the 106th Congress? If so, please provide this documentation, including a list of any recipients of this documentation.

Answer. Regarding the credit for early action legislation introduced in the Senate in the 105th and/or 106th Congress, EPA has developed two internal analyses which have been distributed to EPA staff only. In January 1999, an analysis entitled "Early Reduction Credit Proposals" was completed for Todd Stern, Special Assistant to the President for Special Projects.

Question. In EPA's fiscal year 2000 Annual Performance Plan it stated: "EPA will * * * build a program that provides appropriate credit for early action. (Page VI–30 of EPA fiscal year 2000 submission) What is EPA's statutory authority for developing a "credit for early action" program?

Answer. EPA stated in its fiscal year 2000 Annual Performance Plan: "[i]n 2000, EPA will expand its work with these industries to build a program that provides appropriate credit for early action." In its recent Climate Change Report to Congress, prepared in response to Senate Appropriations Report 105–216, p. 74–75, EPA described this concept more fully, stating that "EPA will expand its work with [key energy intensive] industries and work across the Administration to help develop the basis for a program that could provide appropriate credit for early action." This work furthers the Administration's goals. In his January 1999, State of the Union Address, President Clinton expressed his support for the concept of providing credit for early reductions of greenhouse gases.

EPA's statement in the fiscal year 2000 Annual Performance Plan was not intended to indicate that EPA will implement an early action credit program in fiscal year 2000, but rather that EPA will work to develop a conceptual framework for such a possible program. EPA will work with key industries to identify areas where and the means by which environmental and economic benefits could be obtained from early action to reduce greenhouse gases. EPA believes these are important first steps in considering how such a program might be structured. Information provided by energy intensive industries also provides a basis for evaluating the scope of the benefits that might be achieved through providing credits for early action.

EPA's primary source of statutory authority for these activities is section 103(a) and (b) of the Clean Air Act. Section 103 of the Clean Air Act requires the Administrator to establish a "national research and development program for the prevention and control of air pollution." As part of this program, section 103(a)(1) requires the Administrator to, "conduct, and promote the coordination and acceleration of, research, investigations, experiments, demonstrations, surveys, and studies relating to the causes, effects (including health and welfare effects), extent, prevention and control of air pollution." Section 103(b) provides that in carrying out subsection (a), the Administrator is authorized to "collect and make available, through publications and other appropriate means, the results of and other information, including appropriate recommendations by him in connection therewith, pertaining to such research and other activities." Section 103(g) of the CAA provides additional authority for some of the Agency's activities in this area. Section 103(g) provides that in carrying out subsection (a), "the Administrator shall conduct a basic engineering research and technology program to develop, evaluate, and demonstrate nonregulatory strategies and technologies for air pollution prevention." The program is to include among its elements, "[i]mprovements in nonregulatory strategies and technologies for preventing or reducing multiple air pollutants, including sulfur oxides, nitrogen oxides, heavy metals, PM–10 (particulate matter), carbon monoxide, and carbon dioxide, from stationary sources, including fossil fuel power plants. Such strategies and technologies shall include improvements in the relative cost effectiveness and long-range implications of various air pollutant reduction and nonregulatory control strategies such as energy conservation, including end-use efficiency, and fuel-switching to cleaner fuels." These Clean Air Act provisions authorize EPA to explore and develop innovative, experimental approaches for prevention and control of air pollution, and an early action credit program would be one such approach.

Other statutes provide additional general authority for and/or authority for specific aspects of EPA's activities in this area. Such statutes include: Pollution Prevention Act of 1990, 42 U.S.C. 13101 et seq.; National Environmental Policy Act of 1969, 42 U.S.C. 4321 et seq.; Global Climate Protection Act of 1987, 15 U.S.C. 2901; and Federal Technology Transfer Act, 15 U.S.C. 3710a.

CLIMATE CHANGE: GREENHOUSE GAS EMISSIONS—CREDIT FOR EARLY ACTION

Question. In October 1997, the President announced a three-stage, multi-year plan to reduce greenhouse gas emissions. One element was a proposal to provide credits

to companies that take voluntary action to reduce their greenhouse gas emissions. Legislation to authorize such program was introduced by Senator Chafee and others in both the 105th and 106th Congresses, but the Administration has not endorsed the Chafee legislation nor submitted its own legislation.

Answer. As part of its Green Lights and other voluntary programs, EPA requires that participating companies submit detailed information (project-by-project) on reductions. EPA spends considerable amounts of money to compile this detailed information. If a program to provide early credits were enacted, companies seeking such credits would presumably need to keep track of their reductions in order to justify their credits. If these companies were also participants in EPA's Green Lights or other voluntary programs, it is not clear that EPA would still need such detailed data. Thus, EPA might be able to reduce its funding level for Green Lights and other voluntary programs without reducing the effectiveness of these programs.

Question. Did the President's announcement increase company willingness to invest in energy-saving equipment? Please explain by providing the necessary supporting documentation. Did it increase willingness in the business community to sign up for Green Lights and other voluntary programs?

Answer. Since the President's announcement, the rate of private sector companies and other entities (e.g., schools, state or local governments, or other non-profits) newly joining partnership programs like ENERGY STAR Buildings and Green Lights has remained about the same. EPA's voluntary climate partnerships are continuing to grow at a steady pace and the number of partnerships now exceeds 7,000.

It does appear that there may have been an increase in overall private sector investment in energy efficiency over this period, paralleling the strong general investment trend in the U.S. economy over this time.

The President's announcement did spur increased participation on the part of companies and industries who came forward to participate in consultations between industry and government about voluntary industry-by-industry commitments to reduce greenhouse gases through the industry consultation process. A significant number of new, meaningful voluntary industry commitments have been announced in this period.

For example:

—United Technologies has committed to a sales weighted reduction of greenhouse gas emissions of 25 percent below 1997 emissions levels by 2007.

—British Petroleum has agreed to reduce their greenhouse gas emissions by 10 percent below 1990 levels by 2010.

—Shell has agreed to reduce their greenhouse gas emissions 10 percent below 1990 levels by 2002.

—Dow will reduce their energy use per unit of production by 20 percent by 2005.

—Dupont will reduce their greenhouse gas emissions 40 percent below 1990 levels by 2000.

—Through their global energy conservation, product design, and perfluorocompound emission reduction goals, IBM has committed to reduce 40 percent of their PFC emissions by 2002 per unit output using a 1995 baseline in semiconductor manufacturing. They have also committed to achieve energy conservation savings each year equivalent to 4 percent of annual electric and fuel use.

—Finally, the most recent announcement came from Motorola which will reduce emissions of PFCs by 50 percent from 1995 levels by the year 2010.

Question. Can you explain why, in nearly 18 months since the President first announced the "early credits" idea, the Administration has not submitted legislation on this issue? When do [you] expect the Administration to submit such legislation?

Answer. In his State of the Union message this year, the President pledged to work with members of Congress in both parties to reward companies that take early, voluntary action to reduce greenhouse gases. Rather than submit its own bill, the Administration believes it would be most efficient and productive to work with Congress on the basis of early credit proposals that have already been introduced, such as S.547 in the Senate, and similar legislation expected to be introduced in the House.

Question. If a program to provide "early credits" were to be enacted, what changes in EPA's voluntary programs would be appropriate? For example, would it still make sense for EPA to keep detailed company-by company, project-by-project records for EPA's partners?

Answer. While there are many uncertainties as to how a program to provide early credits would work, it is unlikely that EPA's voluntary programs would need significant changes. Partners in voluntary programs such as ENERGY STAR Buildings and Green Lights would need to continue to report to EPA on a company-by-company basis in order to track the company's progress in each particular voluntary

program, as well as the aggregate achievements of that program. EPA uses this company-submitted information to publicly recognize the accomplishments of companies and other organizations that make commitments under the program.

Question. How much of the $41.3 million requested for Buildings Initiatives will be spent to compile company data?

Answer. The $41.3 million requested to expand EPA's Buildings Programs will not to be used to compile company data for EPA's Buildings programs. The requested funding is intended to expand partnerships and provide essential information to organizations and consumers so that they can choose equipment and products that will not only save them money but reduce pollution. Current funding levels of these programs have been and will continue to be sufficient to collect and compile data on participant activities through the program. EPA has already established an efficient system for updating an existing database with new information from program partner reports. The program partners compile and report their own data in an agreed-upon format, so a relatively small proportion of EPA's expenditures for the voluntary programs is used for data compilation activities.

Question. Please explain why a company would need credits for greenhouse gas reductions. Does the Administration plan to put in place mandatory limits on companies combustion of fossil fuels and other activities that produce greenhouse gases? When would those limits take effect? How would company limits be determined?

Answer. As domestic and international policy developments on climate change unfold, a significant number of companies are considering whether to take actions now to reduce their greenhouse gas emissions in anticipation of a possible future market-based system to limit emissions. Many of those firms support having credits for early greenhouse gas reductions because they want to be assured that they will not be inadvertently penalized in a possible future market-based system, and that reductions they make before such a system takes effect will be appropriately recognized and rewarded. The Administration shares this view and thus supports the creation of a program for appropriately rewarding early action.

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CLIMATE CHANGE: GLOBAL CLIMATE ISSUE—EPA OUTREACH

Question. Has EPA sponsored, co-sponsored, or participated in any public meetings related to the global climate issue? If so, please provide the dates of the meetings, a list of participants, copies of as delivered presentations, and any presentation material used by EPA staff or produced as a result of a grant from EPA.

Answer. Please see Attachment 1. Attachment 1 includes two lists which summarize: (1) public meetings related to the global climate issue that have been sponsored or co-sponsored by EPA; and (2) other public meetings related to the global climate issue at which EPA staff have participated as presenters and/or exhibitors. These lists include public meetings that occurred in fiscal year 1999 (10/1/98 through 3/18/99, the date of your request) and at which climate change issues were specifically on the agenda. These lists cover EPA headquarters offices (EPA Regional office information will follow shortly). We have also attached copies of participant lists for the listed EPA sponsored or co-sponsored meetings, lists of participants for the listed meetings at which EPA participated (where available), and presentation materials (hand outs and/or overheads) where available.

Question. For any program sponsored or co-sponsored by EPA, how were/are decisions made about the participants in the program? Who is responsible for making these decisions? How does EPA assure that the views reflected are balanced?

Answer. It is EPA's policy to be as inclusive as possible in determining who should participate (speak/present/exhibit) in EPA-sponsored public events, in order to ensure that all constituencies and all sides of the issue are represented. For the

public meetings listed in our response to question #16, the EPA staff responsible for each meeting worked with other co-sponsors and stakeholders to identify qualified representatives from all appropriate sectors, including: industry; environmental groups; federal, state, and local government; and academia. Attendance at EPA-sponsored public meetings is open to all that are interested and the events are advertised through EPA mailings and in such media as the trade press, public press, and the Internet.

Question. Does EPA have plans for any more of these meetings? If so, please provide a current list of these as well as any updates?

Answer. Please see Attachment 2, which is a list of EPA-sponsored public meetings related to the global climate issue that are planned for the remainder of fiscal year 1999.

Question. Has EPA been involved in any activities involving consulting with countries implementing the Kyoto Protocol since the fiscal year 1999 VA HUD Appropriations was signed by the President on October 21, 1998? Have you been involved with Argentina? If so, what was the scope of the activity and who was involved? Please provide any documents related to this activity including trips taken and the names of participants?

Answer. EPA has supported climate change activities in developing countries since the negotiations leading up to the signing of the UN Framework Convention for Climate Change in 1992. As one of the key agencies supporting the U.S. Country Studies Program, an interagency program, EPA has supported cooperative work with numerous developing countries in the areas of inventories, mitigation, vulnerability and adaptation, and capacity building. EPA is now focusing its efforts on supporting capacity in inventories, economic analysis and modeling, technology cooperation, and linkages between climate mitigation and local pollution This work is being concentrated in a few key developing countries including Argentina, Brazil, Chile, China, Korea and Mexico. In Argentina EPA participated in several interagency trips (with Departments of State, Agriculture, Energy and Transportation) to discuss technical support concerning climate change to the Argentine Department of Natural Resources and Sustainable Development. This support focuses on the following technical areas: determine the baseline for GHG emissions; perform GHG inventory for 1997; revise the 1990 and 1994 GHG emission inventories; determine future emission projections; establish different mitigation scenarios and analyze their impacts, and costs/benefits; elaborate alternative proposals for GHG emission goals under the FCCC; and prepare a Second National Communication or a Revision of the Initial National Communication. EPA participants in these technical trips were Maurice N. LeFranc, Jr., Clare Breidenich, Leianne Clements and Peter Nagelhout.

Question. Has EPA provided any funds to state or local entities to begin the process of implementing the Administration's proposed climate policy, including the Kyoto Protocol? Provide the details of all grants to state and local organizations including the date of the grant, the funding level, agreed scope, principal contact and Requests for Proposals for the following periods:

(a) July 25, 1997 through July 23, 1998

(b) July 24, 1998 through October 21, 1998

(c) October 21, 1998 through April 28, 1999

Answer. EPA has supported climate change activities in developing countries since the negotiations leading up to the signing of the UN Framework Convention for Climate Change in 1992. As one of the key agencies supporting the U.S. Country Studies Program, an interagency program, EPA has supported cooperative work with numerous developing countries in the areas of inventories, mitigation, vulnerability and adaptation, and capacity building. EPA is now focusing its efforts on supporting capacity in inventories, economic analysis and modeling, technology cooperation, and linkages between climate mitigation and local pollution. This work is being concentrated in a few key developing countries including Argentina, Brazil, Chile, China, Korea, and Mexico. In Argentina, EPA participated in several interagency trips (with the Departments of State, Agriculture, Energy, and Transportation) to discuss technical support concerning climate change to the Argentine Department of Natural Resources and Sustainable Development. This support focuses on the following technical areas: determine the baseline for GHG emissions: perform GHG inventory for 1997; revise the 1990 and 1994 GHG emission inventories; determine future emission projections; establish different mitigation scenarios and analyze their impacts and costs/benefits; elaborate alternative proposals for GHG emission goals under the FCCC; and prepare a Second National Communication or a Revision of the Initial National Communication. EPA participants in these technical trips were Maurice N. LeFranc, Jr., Clare Breidenich, Leinne Clements and Peter Nagelhout.

Question. Has EPA provided any funding for studies of either domestic or international carbon emissions trading?

If so, please provide by May 15, 1999:

—(a) the names of the organizations or individuals receiving the grant;

—(b) the amount of the grant;

—(c) the documents describing the initial scope of the project;

—(d) the dates of initial contact and project initiation; and

—(e) copies of these reports or preliminary drafts

Also, please provide the Agency's statutory basis for pursuing these studies.

Answer. EPA provided funding for the following studies that deal with domestic and/or international carbon emissions trading:

(a) grant recipients:

(21) H. John Heinz III Center for Science, Economics and the Environment, Washington DC.

(22) Center for Clean Air Policy, Washington DC.

III. Resources for the Future, Washington DC.

(b) funding level and (d) project period

I. John H. Heinz III Center for Science, Economics and the Environment.

Fiscal year 1999/2000—Not funded.

Fiscal year 1998/1999—Funding Level: $100,000; Project Period: September 23, 1996–September 23, 1998.

Fiscal year 1997/1998—Funding Level: $100,000; Project Period: September 23, 1996–September 23, 1998.

II. Center for Clean Air Policy.

Fiscal year 1999/2000—Funding Level: $160,000; Project Period: August 1, 1999–July 31, 2000.

Fiscal year 1998/1999—Funding Level: $196,000; Project Period: August 1, 1998–July 31, 1999.

Fiscal year 1997/1998—Funding Level: $50,000; Project Period: July 1997–December 1997.

III. Resources for the Future

Fiscal year 1999/2000—N/A.

Fiscal year 1998/1999—Funding Level: $220,000; Project Period: July 1, 1997–June 30, 2000.

Fiscal year 1997/1998—Funding Level: $75,000; Project Period: July 1, 1997–June 30, 2000.

(c) and (e) Please see attached.

ATTACHMENT 1

The following two lists summarize: 1) public meetings related to the global climate issue that have been sponsored or co-sponsored by EPA; and 2) public meetings related to the global climate issue at which EPA staff have participated as presenters and/or exhibitors. These lists include public meetings that occurred in fiscal year 1999 (10/1/98 until 3/18/99, the date of your request).

EPA SPONSORED AND CO-SPONSORED PUBLIC MEETINGS

Meeting: Is Climate Changing Where the Wild Things Are?

Date/location: October 7–8, 1998, Washington, D.C.

Participant: David Gardiner, Assistant Administrator, Office of Policy

Meeting: Third Annual State and Local Climate Change Partners' Conference

Date/location: October 13–15, 1998, Albuquerque, NM

Participant:

Katherine Sibold, staff

Jane Leggett Emil, Director, Climate Policy and Programs Division

Steve Thompson, staff, EPA Region 6

Ronn Dexter, Director, Climate Outreach and Innovations Division

Jerry Clifford, Deputy Regional Administrator, Region 6

Jack Colbourn, staff, Region 9

Clay Ogg, staff

Shari Friedman, staff

Meeting: Air & Waste Management

Association: Second International Specialty Conference on Global Climate Change

Date/location: 10/14/98, Crystal City, VA

Participant: David Doniger, Counsel to the Assistant Administrator, Office of Air and Radiation

Meeting: Earth Technologies Forum

Date/location: 10/26–28/98, Washington, D.C.
Participant:
Peter Robertson, Deputy Administrator
Bob Perciasepe, Assistant Administrator, Office of Air and Radiation
David Doniger, Counsel to the Assistant Administrator, Office of Air and Radiation
Skip Laitner, staff

Meeting: The Importance of Air Traffic Management Modernization Action Plan to Climate Protection
Date/location: 10/7–10/98, Brussels, Belgium.
Participant:Stephen O. Andersen, Ph.D., staff

Meeting: Semiconductor Manufacturing Energy Efficiency Workshop
Date/location: 10/22/98, Austin, TX.
Participant: Jeanne Briskin, staff

Meeting: Global Climate Change: Science, Policy, and Mitigation/Adaptation Strategies
Date/location: 10/13–15/98, Washington, D.C.
Participant: Reid Harvey, Jennifer Macedonia, staff

Meeting: Electric Utilities Environment Conference on Science, Regulations & Impacts of SO_2, CO_2, O_3, NO_X & Mercury/EEI
Date/location: 1/11/99, Tucson, AZ.
Participant:
Skip Laitner, Jennifer Macedonia, staff
Brian McLean, Director, Acid Rain Division

CONFERENCES AT WHICH EPA STAFF HAVE PARTICIPATED AS SPEAKERS AND/OR EXHIBITORS

Meeting: The Nature Conservancy Seminar
Date/location: October 1, 1998, Edgartown, MA
Participant: Jim Titus, staff

Meeting: Rutgers University Seminar
Date/location: October 2, 1998, New Brunswick, NJ
Participant: Jim Titus, staff

Meeting: CoastFest 1998
Date/location: October 3, 1998, Brunswick, GA
Participant: Exhibit only

Meeting: Delaware Coast Day
Date/location: October 4, 1998 (Lewes, DE)
Participant:Jim Titus, staff

Meeting: Ocean Community Conference
Date/location: November 16–19, 1998, Baltimore, MD
Participant: Jim Titus, staff

Meeting: The Changing Face of Public Health
Date/location: January 21–22, 1999, Raleigh, NC
Participant:Exhibit only

Meeting: BioEnergy Meeting
Date/location: October 1998, Madison, WI
Participant:Exhibit only

Meeting: Town Hall Meeting
Date/location: Overland Park, Kansas, October 1998
Participant: Katherine Sibold, staff

Meeting: Fish Expo
Date/location: November 15–17, 1998, Seattle, WA
Participant: Exhibit Only

Meeting: RCRA National Meeting
Date/location: January 1999, Washington, D.C.
Participant: Henry Ferland, Ethan McMahon, staff

Meeting: R 99 Recovery, Recycling, Re-integration Congress
Date/location: February, 1999, Geneva, Switzerland
Participant:Eugene Lee, staff

Meeting: New Jersey Dept. of Env. Protection GHG Workgroup Meeting
Date/location: April 1999, Trenton, NJ
Participant:Eugene Lee, staff

Meeting: Resources for the Future Workshop on Emissions Trading Systems for Greenhouse Gas Emissions
Date/location: January 15, 1999, Washington, D.C.
Participant:
Robert Shackleton, Martin Ross, staff
Michael Shelby, Director, Energy & Transportation Sectors Division

Meeting: CCAP's "Greenhouse Gas Emissions Trading Dialogue Group"
Date/location: Quarterly meetings, Washington, D.C.
Participants:
Stuart Schare, Tracy Terry, John Thomas
Michael Shelby, Director, Energy & Transportation Sectors Division

Meeting: Clean Energy Working Group
Date/location: 12/10/98, Washington, D.C.
Participant: Robert Perciasepe, Assistant Administrator, Office of Air & Radiation

Meeting: Edison Electric Institute Air Quality Integration Dialogue
Date/location: 12/18/98, Washington, D.C.
Participant: Robert Perciasepe, Assistant Administrator, Office of Air & Radiation

Meeting: Federal Bar Association
Date/location: 1/27/99, Washington, D.C.
Participant:David Doniger, Counsel to the Assistant Administrator, Office of Air & Radiation

Meeting: National Association of State Energy Officials
Date/location: 2/19/99, Washington, D.C.
Participant: Robert Perciasepe, Assistant Administrator, Office of Air & Radiation

Meeting: Alliance to Save Energy: Talking Points to Save Energy
Date/location: 3/8/99, Washington, D.C
Participant: Robert Perciasepe, Assistant Administrator, Office of Air & Radiation

Meeting: Ohio Farm Bureau
Date/location: 3/10/99, Washington, D.C
Participant: Robert Perciasepe, Assistant Administrator, Office of Air & Radiation

Meeting: Global Climate Forum
Date/location: 1/28/99, Cambridge, MA
Participant: Reid Harvey, staff

Meeting:Energy Conservation Subcommittee of the National Association of Regulatory Utility Commissioners (NARUC)
Date/location: 11/8/98, Washington, D.C.
Participant: Skip Laitner, staff

Meeting: Energy/Environment Seminar, Johns Hopkins Paul H. Nitze School of Advanced International Studies (SAIS)
Date/location: 12/7/98, Washington, D.C.
Participant: Skip Laitner, staff

Meeting: Edison Electric Institute.
Date/location: 1/20/99, Washington, D.C.
Participant: Skip Laitner, Sam Napolitano, staff

Meeting: U.S. Advanced Ceramics Association Meeting
Date/location: 3/9/99, Washington, D.C.
Participant: Skip Laitner, staff

Meeting: Eastern Economics Association
Date/location: 3/12/99, Washington, D.C.
Participant: Skip Laitner, staff

Meeting: Emissions Trading: Extracting Revenue Opportunities for Your Company in an Emerging Commodity Market
Date/location: 12/7–8/98, Washington, D.C.
Participant:
Brian McLean, Director, Acid Rain Division
Jennifer Macedonia, staff

Meeting: Emissions Trading and Permit Allocation Conference
Date/location: 10/14–15/98, London, England
Participant: Brian McLean, Director, Acid Rain Division

Meeting: Briefing for Congressional staff with a focus on Acid Rain's experience with early action incentives
Date/location: 2/5/99, Washington, D.C.
Participant: Brian McLean, Director, Acid Rain Division

ATTACHMENT 2

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UPCOMING EPA SPONSORED AND CO-SPONSORED PUBLIC MEETINGS

Meeting: Climate Change: What Does It Mean for the Midwest?
Date/location: April 28, 1999, Kansas City, MO
Participant:
Dennis Grams, Regional Administrator, Region 7
David Gardiner, Assistant Administrator, Office of Policy

Meeting: Regional Conference on Potential Climate Change Issues in Florida's Coastal Communities
Date/location: May 26, 1999, Miami, Florida
Participant:
Jim Titus, staff (tentative)
David Gardiner, Assistant Administrator, Office of Policy (tentative)

Meeting: Technical Workshop on Sea Level Rise, Coral Bleaching, and other Potential Global Warming Impacts in Florida Keys
Date/location: May 27, 1999, Marathon, Florida
Participant: Jim Titus, staff (tentative)

Meeting: The Second International Symposium on Greenhouse Gases
Date/location: 9/8/99, Netherlands
Participant: Reid Harvey, staff

CONFERENCES AT WHICH EPA STAFF WILL PARTICIPATE AS SPEAKERS AND/OR EXHIBITORS

Meeting: Risk and Insurance Management Society Annual Conference
Date/location: April 11–16, 1999, Dallas, Texas
Participant: Exhibit only

Meeting: Electric Power 1999
Date/location: April 20–22, Baltimore, Maryland
Participant: Exhibit only

Meeting: National Town Meeting
Date/location: May 2–5, 1999, Detroit, Michigan
Participant: David Gardiner, Assistant Administrator, Office of Policy

Meeting: Public Risk Management Association Convention and Expo
Date/location: June 6–9, 1999, San Diego, California
Participant: Exhibit only

Meeting: Edison Electric Institute Annual Convention and Exposition
Date/location: June 13–15, Long Beach, California
Participant: Exhibit only

Meeting: National Association of Mutual Insurance Companies
Date/location: September 19–22, San Antonio, Texas
Participant: Exhibit only

Meeting: Coastal Issues Conference
Date/location: April 19–20, 1999, South Padre Island, Texas
Participant: Jim Titus, staff (tentative) and Exhibit

Meeting: Coastal Zone 1999 Conference
Date/location: July 27–29, 1999, San Diego, California
Participant: Jim Titus, staff (tentative) and Exhibit

Meeting: Maryland Coast Day
Date/location: September 18, 1999, Assateague Island, MD
Participant: Jim Titus, staff (tentative) and Exhibit

Meeting: CoastFest 1999
Date/location: September 25, 1999, Brunswick, GA
Participant: Jim Titus, staff (tentative) and Exhibit

Meeting: National Environmental Health Association Annual Educational Conference and Exhibition
Date/location: July 1, 1999, Nashville, TN
Participant: Exhibit only

Meeting: National Association of County & City Health Officials Annual Conference
Date/location: July 14–17, 1999, Dearborn, Michigan
Participant: Exhibit only

Meeting: American Meteorological Society Broadcasters Meeting
Date/location: June 18–25, 1999, Orlando, FL
Participant: John Foster, Karen Gibbons, staff, and Exhibit

Meeting: Radio and Television News Directors Association 1999
Date/location: September 29–October 2, 1999, Charlotte, North Carolina
Participant: Exhibit only

Meeting: U.S. Conference of Mayors Annual Conference
Date/location: June 11–15, 1999, New Orleans, LA
Participant: Exhibit only

Meeting: National Conference State Legislatures Annual Meeting
Date/location: June 24–28, 1999, Indianapolis, IN
Participant: Exhibit only

Meeting: National Association of Counties Annual Conference
Date/location: July 16–20, 1999, St. Louis, MO
Participant: Exhibit only

Meeting: National Association of State Energy Officials Annual Meetings
Date/location: September 19–20, 1999, Indianapolis, IN
Participant: Exhibit only

Meeting:International City/County Management Association Annual Conference
Date/location: September 26–29, Portland, Oregon
Participant: Exhibit only

Meeting: Izaak Walton League Annual Conference
Date/location: July 1, 1999, Williamsburg, VA
Participant: Karen Gibbons, staff, and Exhibit

Meeting: Federation of Fly Fishers Annual Conference
Date/location: August 1, 1999, Gatlinburg, TN
Participant: Karen Gibbons, staff, and Exhibit

Meeting: California Resource Recovery Conference
Date/location: June, 1999, Monterrey, CA
Participant: Exhibit only

Meeting: OECD Workshop on Extended Producer Responsibility and Waste Minimization Policy
Date/location: May 1999, Paris, France
Participant: EPA speaker to be determined

Meeting: National Recycling Coalition Annual Congress
Date/location: September 1999, Cincinnati, OH
Participant: EPA speaker to be determined

Meeting:Recycling Council of Alberta, "Frontiers in Waste Reduction"
Date/location: September 1999
Participant: EPA speaker to be determined

EPA's primary source of statutory authority for funding studies that deal with domestic and/or international carbon emissions trading is section 103(a) and (b) of the Clean Air Act. Section 103 of the Clean Air Act requires the Administrator to establish a "national research and development program for the prevention and control of air pollution." As part of this program, section 103(a)(1) requires the Administrator to, "conduct, and promote the coordination and acceleration of, research, investigations, experiments, demonstrations, surveys, and studies relating to the causes, effects (including health and welfare effects), extent, prevention and control of air pollution." Section 103(b) provides that in carrying out subsection (a), the Administrator is authorized to "collect and make available, through publications and other appropriate means, the results of and other information, including appropriate recommendations by him in connection therewith, pertaining to such research and other activities." Section 103(g) of the CAA provides additional authority for some of the Agency's funding of studies that deal with domestic and/or international carbon emissions trading. Section 103(g) provides that in carrying out subsection (a), "the Administrator shall conduct a basic engineering research and technology program to develop, evaluate, and demonstrate nonregulatory strategies and technologies for air pollution prevention." The program is to include among its elements, "[i]mprovements in nonregulatory strategies and technologies for preventing or reducing multiple air pollutants, including sulfur oxides, nitrogen oxides, heavy met-

als, PM–10 (particulate matter), carbon monoxide, and carbon dioxide, from stationary sources, including fossil fuel power plants. Such strategies and technologies shall include improvements in the relative cost effectiveness and long-range implications of various air pollutant reduction and nonregulatory control strategies such as energy conservation, including end-use efficiency, and fuel-switching to cleaner fuels."

Other statutes provide additional authority for EPA's activities in this area. Such statutes include: National Environmental Policy Act of 1969, 42 U.S.C. 4321 et seq. and the Global Climate Protection Act of 1987, 15 U.S.C. 2901.

CLIMATE CHANGE: MEETING IN KANSAS CITY, MO

Question. April 28, 1999 Meeting in Kansas City, Missouri. Who selected the speakers for the Kansas City event? Who defined the "balance" in terms of participants. Please provide a description of the credentials of the speakers, whether they receive government funding, and, if funding has been received, which agency has provided the funding and for what.

Answer. EPA sought advice and input from a variety of sources outside the Agency at every stage of the planning and production of the event in order to strive for balance. In the very beginning stages of planning, we asked 40 organizations and governmental bodies to cosponsor the conference. At various times, we asked for their help in identifying, contacting, and arranging for speakers and other cosponsors. We later asked all of our initial contacts to help with suggested lists of participant invitees and publicity, whether or not they had chosen to cosponsor the event. For example, a Missouri-based non-profit organization, Bridging the Gap, cosponsored the Kansas City conference and provided us with a mailing list of approximately 900 business and governmental addresses to which we sent invitations. The Missouri Chamber of Commerce asked for and received flyers to do a special mailing. The Missouri Farm Bureau did their own mailing on the meeting as well.

The biographies of the speakers for the conference are attached. Six of the speakers are employed by the federal government: Dennis Grams, Regional Administrator of USEPA, Region 7; David Gardiner, Assistant Administrator, Office of Policy, USEPA; Glen Overton, Regional Administrator for the General Service's Administration's Heartland Region; Dr. David Easterling, Principal Scientist at the National Climatic Data Center; Joseph Aldy, Senior Adviser at the President's Council of Economic Advisers; and Val Jensen, Director of the Chicago Regional Office of the Department of Energy. As far as we know, the only ones who work for non-federal organizations that have received government funding are the ones to whom the Office of Economy and Environment (OEE) in EPA have provided money. They are the following:

Anita Randolph and Steve Mahfood both work for the Missouri Department of Natural Resources (DNR). The Missouri DNR received money from EPA/OEE in 1991 to conduct a statewide energy survey, in 1994 to do an inventory of greenhouse gases, and in 1995 to produce a state action plan to evaluate mitigation options.

George Moody works for the City of Overland Park, Kansas. From 1993 to present, the International Council for Local Environmental Issues (ICLEI)has received funding from EPA/OEE to support the "Cities for Climate Protection Program". Overland Park has been a participant in the program and receives technical support from ICLEI, but no direct funds from OEE.

Question. Which speaker will document the uncertainty in the science?

Answer. The April 28 conference in Kansas City addressed uncertainties in the science of climate change in a number of ways. Eugene S. Takle, Ph.D., professor of atmospheric science at Iowa State University, gave a talk entitled, "What is Global Warming and How Do We Know It's Happening?" In his speech he repeatedly referenced the uncertainties involved in long-range projections of any scientific phenomenon, including the statistical ranges of validity in the scientific data he presented regarding observed and projected trends in climate change. David R. Easterling, Ph.D., principal scientist at the National Climatic Data Center (NCDC), spoke on "Droughts, Floods, and Other Weather-related Impacts on the Midwest." He reported data that had been documented by scientists at NCDC as well as projections that the center's scientists are making about possible future events that may occur in the Midwest, should climate trends continue. He, too, acknowledged some of the uncertainties inherent in such projections and some of the controversy surrounding the scientific debate. Participants in the audience were given the opportunity to ask both Dr. Takle and Dr. Easterling questions about their research; many opinions varying from those of the two scientists were presented by audience members.

Question. Which participant will discuss the inadequacy of the models to predict local effects?

Answer. Eugene Takle noted that global climate models have poor resolution at the regional and local level, although he demonstrated that the models do a good job at replicating observed trends in climate on a global scale.

Question. Which speaker will give the non-governmental assessment of the international negotiations?

Answer. The Missouri Coalition on Global Climate Change provided a speaker, Christopher C. Horner, Esq., member and liaison of the Cooler Heads Coalition, to give a non-governmental assessment of the international negotiations regarding climate change.

Question. Which participant will give the economic assessment in contrast to the Administration's discredited analysis?

Answer. Christopher Horner included remarks in his speech about economic assessments that had been performed outside the government that differed from assessments produced by economists within the federal government. David Martin, director of governmental affairs at Kansas City Power and Light, made mention of the differing economic reports during his speech. In addition, several participants from the audience questioned the government economist, Joseph Aldy from the Council of Economic Advisers, about differing analyses and assessments after his speech. Many question/answer periods were provided throughout the day in order to assure a forum for open, balanced discussion of the issues.

Question. Which participant will discuss the impacts on small business from the viewpoint of economic harm?

Answer. Several of the speakers talked about the potential economic harm to small businesses from the impacts of climate change. In particular, James W. Russell, Ed.D., vice president for outreach at the Institute for Business and Home Safety, talked about the money lost by businesses because of recent severe weather events. Several climate models indicate an increase in precipitation intensity, suggesting a possibility for more extreme rainfall events due to climate change.

In addition, David Martin of Kansas City Power and Light discussed the potential economic impact of the Kyoto Protocol on electric utilities and ratepayers, noting that climate change is one of the leading issues facing utilities today. Christopher Horner discussed the potential negative economic impacts of the Kyoto Protocol on jobs, Gross Domestic Product, and international competitiveness.

Question. How and when was notice of this event provided to interested parties? If a distribution (mail, electronic mail, or facsimile) was made of any notice, please provide this list.

Answer. In total, more than 5,000 invitations were sent to diverse lists of potential participants. We placed announcements on at least two Internet mailing lists and the U.S. EPA Kansas City-based Region 7 web page. We put a notice on the Region 7 "Headliners" page, which provides regulatory announcements to the public. Notices were placed in bulletins of various public and private organizations in Iowa and Missouri. We issued press releases and a press advisory from Region 7. We did a mailing to press contacts of the 100 largest newspapers and electronic media organizations in Region 7. We provided press packets in advance to those who requested them (Kansas City Star, Wichita Eagle Beacon, etc.) We worked with each state Energy Office in the Region (Kansas, Missouri, Iowa and Nebraska) to get them to alert their clients about the meeting. And in planning of the meeting we talked with the state Energy Offices, business organizations, energy organizations, a number of university personnel, and others. All of this was done in an effort to assure that the cosponsors, speakers, and participants represented a balance of backgrounds and viewpoints on the issue of climate change.

Though many of our co-sponsors and other interested parties asked for information about the conference throughout the months of January and February 1999, and received phone calls, emails and faxes in reply, all formal notices were sent during the months of March and April, 1999, including postal and electronic mailings using "distribution lists". The lists we used are attached.

In addition to the mailings we did, were mailings sent out by various groups who preferred sending their own notices along with or instead of the flyers we produced. Those provided flyers by us were: Heartland Solar Energy Industries Association, 100; Bridging the Gap, 500; Metropolitan Energy Center, 100; Missouri Department of Natural Resources, 50; Mid America Regional Council, 50; Department of Energy, Denver Regional Support Office, 50; Department of Energy, Kansas City Plant, 100; Competitive Resources Incorporated, 50; General Services Administration, 50; and Missouri Coalition for Global Climate Change, 200.

Question. When was this event initially planned? Who were the participants in the planning?

Answer. Planning for this conference began in March 1998. As stated above, a committee of EPA staff at Washington Headquarters and at EPA's Region 7 Office in Kansas City approached approximately 40 organizations to help in cosponsoring the event, identifying speakers, and inviting participants. One of these organizations, Bridging the Gap, participated in several conference calls in the later stages of planning (January through March 1999) to set up some of the logistics.

Question. What other events are planned for the balance of this fiscal year? Please provide the dates, preliminary agendas, and planned speakers.

Answer. There is just one other such climate change event planned for the rest of this fiscal year. The title of that conference will be "Climate Change: What Does It Mean for South Florida?" It will be held May 26 and 27, 1999, in Miami and in the Keys. Each venue will host a half-day event to provide information about the potential impacts of climate change on South Florida's economy, infrastructure, and natural resources. Strategies and sustainable solutions for reducing the potential risks associated with global warming and sea level rise will also be addressed. Confirmed speakers include: Dr. Stephen P. Leatherman, director of the International Hurricane Center at Florida International University; L. Benjamin Starrett, a fellow at the Growth Partnership, Collins Center for Public Policy; Dr. Pamela Hallock, professor of marine science, University of South Florida; and Dr. Harold C. Wanless of the Department of Geological Sciences at University of Miami.

Question. What Members of Congress have been invited to this program? What Congressional staff have been invited to this program? When were they invited?

Answer. Congresswoman Jo Ann Emerson and Congressman McCarthy Benson were both invited to the climate change conference in Kansas City held April 28. The invitations that were sent to Representatives Emerson and Benson were intended to include the entire staff of their offices, as were all the conference invitations we sent to government, nonprofit and private business offices. Both Members of Congress were sent invitations in our initial mailing to invitees about March 20, 1999, and in a subsequent "reminder" mailing about April 10, 1999.

CLIMATE CHANGE: GREENHOUSE GAS EMISSIONS CREDIT FOR EARLY ACTION

Question. On April 15, 1998, EPA entered into a proposed consent decree with the Natural Resources Defense Council (NRDC) that included an agreement to study how CO_2 emissions would be controlled. This step appears to be an effort towards implementation of the Kyoto Protocol. Why did EPA entertain the possibility of regulating CO_2 when the original October 1994 consent agreement with NRDC made no mention of CO_2? Did EPA decide to take this step after it realized that it had no authority to proceed to regulate CO_2 based on an April 10, 1998 General Counsel memo on this subject to the Administrator?

Answer. The settlement agreement that you refer to calls for a multiple pollutant analysis that looks at the relationship among the four most significant air pollutants from electric power generation: NO_X, SO_2, CO_2, and mercury. In agreeing to undertake that analysis, EPA proposed simply to update a series of multi-pollutant analyses of utility emissions that were first undertaken more than two years ago. The updated analysis called for in the proposed agreement was specifically intended to inform a decision that EPA must make under the Clean Air Act on whether to regulate mercury emissions from electric power plants.

Multiple pollutant analysis of utility emissions makes sense because pollution control strategies to reduce emissions of these pollutants are highly inter-related. Strategies to reduce emissions of any one pollutant from power generation can have effects of differing magnitude on emissions of the other pollutants. The cost and other impacts of control strategies for these pollutants are also highly interdependent. Multiple pollutant analyses examine these inter-relationships and can provide valuable information to the electric power industry, the public, Federal agencies, and Congress about the relationships among policy choices to address the major pollutants from this industry.

The options that were examined in the study are hypothetical approaches to emission controls on the electric power industry for each pollutant and do not represent the EPA or Administration position on how any of these pollutants should be reduced in the future. Specifically with regard to carbon dioxide, the Administration has committed not to implement the Kyoto Protocol without the advice and consent of the Senate.

Although the Agency has legal authority to regulate CO_2 as an air pollutant under provisions of the Clean Air Act if the Administrator makes certain determinations (see Memorandum of Jonathan Cannon, General Counsel, April 10, 1998), the Administrator has not made any such determinations.

CLIMATE CHANGE: CLIMATE SCIENCE

Question. Has EPA factored into its budget and programs the 1998 recommendations of the National Research Council regarding science priorities? If so, please provide the document that describes the issues raised by the National Research Council and the detailed plan to respond to these issues. If not, please provide this analysis by March 15, including the funding requirements.

Answer. Yes. EPA, along with the entire US Global Change Research Program (USGCRP) incorporated the recommendations of the National Research Council (NRC) into the development of its programs. This consideration is reflected in the fiscal year 2000 USGCRP Our Changing Planet annual report to Congress and the USGCRP's fiscal year 2000 Implementation Plan. (A draft of this report has already been delivered to Congress by the USGCRP.) It is also reflected in EPA's new Research Strategy for the Global Change Research Program, which is still being drafted and will soon go through a rigorous, external peer review.

One example of how EPA responded to the recommendations of the NRC is its new support for Human Dimensions research as part of its assessment program. The NRC identified a wide range of Human Dimensions research questions that should be considered by the USGCRP. EPA is coordinating with other federal agencies to address many of these questions. EPA is working with other federal agencies to ensure that efforts are not duplicated and that each agency focuses on specific human dimensions questions related to its own program and niche within the USGCRP.

Humans have many different impacts on natural systems, including changes in land use, industrial processes, agricultural and forest management practices, and emissions of air and water pollutants. Humans also respond to the effects of global change. Human dimensions research entails understanding how humans, who are an integral component of the Earth system, contribute and respond to global change. Research on the environmental effects of human activities is critical for understanding long-term global change. The NRC's report reaffirmed the need to articulate how the science of global change is important to people and society. The new assessment-oriented EPA Global Change Research Program incorporates considerations of "human dimensions" into both its assessment activities and its foundation research program. In the assessment program, this will occur in two ways: (1) through ongoing engagement of stakeholders to define the specific measures of change that are of interest; and (2) through coordination of findings from the social sciences with those from the physical and biological sciences to attain a policy-relevant perspective. In the foundation research program, the near-term priorities for human dimensions research that are relevant to EPA's Global Program include understanding how humans, who are an integral component of the Earth system, contribute and respond to global change.

Question. The October 16, 1998 issue of Science carried the story about the possibility that North America appears to be a massive sink for carbon. The article " A Large Terrestrial Carbon Sink in North America implied by Atmospheric and Oceanic Carbon Dioxide Data and Models" presents evidence that North America (US + Canada) sops up enough carbon each year "to cover every ton of carbon discharged annually by fossil fuel burning in the United States and Canada. " The recommendations for further study included:

—Intensive atmospheric sampling and ecological field studies to identify the location and cause of North American terrestrial CO_2 uptake,

—New atmospheric measurements to include Eurasia, South America, Africa, and Australia,

—Studies to better characterize oceanic CO_2 uptake, particularly in the Southern Hemisphere, and

—Reduced uncertainty in atmospheric transport modeling.

Has EPA developed a program to address these issues? If so, what funds are budgeted?

Has EPA had any discussions with Canadian authorities to address CO_2 monitoring as a joint scientific effort? If so, what are the plans?

Answer. EPA is no longer conducting any research related to the carbon cycle (which includes analysis of carbon sinks). This is an area of disinvestment for EPA's Global Program, given its redirection towards a more assessment-oriented program with primary emphasis on understanding the potential consequences of global change for human health, ecosystems, and socioeconomic systems in the United States. EPA is no longer doing carbon cycle work. Within the context of the entire USGCRP, other federal agencies now have responsibility for the carbon cycle work.

ISSUES IN THE 1998 NAS/NATIONAL RESEARCH COUNCIL ANALYSIS OF SCIENCE UNCERTAINTIES AND THE OCTOBER 1998 HANSEN NAS PAPER

Question. In October 1998 Jim Hansen published a paper in the Proceedings of the National Academy of Sciences entitled "Climate Forcings in the Industrial Era". Key conclusions included:

—The forcings that drive long-term climate change are not known with an accuracy sufficient to define future climate change.

—Quantitative knowledge of all significant climate forcings is needed to establish the contribution of deterministic factors in observed climate change and to predict future climate.

The paper identified a number of important areas for further research that should be addressed in the fiscal year 2000 budget:

Aerosols.—advanced capability for global satellite measurement of aerosol scattering and absorption properties.

Aerosols-clouds.—coordinated research program including accurate global measurement of aerosol and cloud changes, as well as *in situ* field studies and aerosol modeling.

Land-use.—comprehensive historical data on land-use change and increased realism of land processes in climate models.

Solar variability.—need to monitor and understand.

Has EPA reviewed this paper as input to its research funding request? If so, please provide the detailed analysis of the issues and the original EPA budget request (not the President's budget request)? If not, please provide this analysis by April 30, 1999.

Answer. EPA has not reviewed this paper as input to its research funding request because all of the uncertainties identified by Hansen in his paper relate to the development of global circulation models that predict future climatic conditions. EPA no longer is involved in the development of climate models. This is an area of disinvestment for EPA's Global Program, given its redirection towards a more assessment-oriented program with primary emphasis on understanding the potential consequences of global change for human health, ecosystems, and socioeconomic systems in the United States. EPA is no longer doing climate modeling (in the same way that it is no longer doing carbon cycle work). Within the context of the entire USGCRP, other federal agencies now have responsibility for the carbon cycle work.

It is important to note that EPA coordinates closely with all other federal agencies in the U.S. Global Change Research Program (USGCRP) and benefits from the work being done by the agencies developing climate models. EPA is part of the larger USGCRP and is involved in the development of the USGCRP's fiscal year 2000 implementation plan and the USGCRP's Our Changing Planet annual report to Congress. Through this process, EPA coordinates its activities with those of other federal activities. Opportunities to cooperate with other federal agencies are also identified.

Question. In 1999, Tim Barnett, Scripps Institution of Oceanography, ran 11 models and concluded: "There is no model that consistently agrees well with the observations." Is EPA using any models to predict the effects of global climate change on a regional or local level? If so, what models are being used?

Answer. EPA's assessments do not make predictions of the effects of future climate change on a regional or local level. EPA uses input from climate models to define scenarios of potential climate futures. That is, the scenarios are used to understand the sensitivity and vulnerability of human and ecological systems to potential future climate change, but not to make actual predictions of future conditions. All of the regional assessments being sponsored by the EPA as part of the National Assessment effort use state-of-the-art climate scenarios generated by the Canadian and British climate modelers. In some cases, these model outputs are used as input to Regional Climate Models in order to develop scenarios for future climatic conditions are a regional level. Also, EPA—and the regional coordinators it is sponsoring in the research community—are using the VEMAP model output to understand the potential changes in vegetation that may occur as the climate changes.

EPA has conducted one study that assigns probabilities to particular future effects of climate change: The Probability of Sea Level Rise, which was published in October 1995. This study, conducted by the Office of Policy, Planning, and Evaluation, developed probability-based projections that can be added to local tide-gauge trends to estimate future sea level rise at particular locations around the coast of the United States.

Question. Since, according to the Hansen paper, as well as others, models are not capable of predicting natural variability and global effects, how can EPA justify

using these models to predict effects on a smaller, "microscopic scale" as planned for the 3 regional assessments (Mid-Atlantic, Great Lakes, & Gulf Coast)?

Answer. EPA's assessments of the potential consequences of climate change and variability on the United States rely on a diversity of information. Some of the EPA assessment work uses input from climate models to define scenarios of potential climate futures. For example, all of the regional assessments being sponsored by the EPA as part of the National Assessment effort use state-of-the-art climate scenarios (specifically ones that are generated by the Canadian and British climate modelers). It must be emphasized that the climate model output is viewed as scenarios, not predictions of future climate. They are being used to understand the sensitivity and vulnerability of human and ecological systems to potential future climate change, but not to make actual predictions of future conditions.

It is also important to understand that the regional assessments are not limited to scenarios generated by climate models. The assessments also use other information to illustrate the potential consequences of climate variability and change for human health and ecological systems. In addition to climate model output, EPA's assessment work also relies on historic data to understand the sensitivity of human and ecological systems to change (e.g., changes in the profile of the Blackwater National Wildlife Refuge as sea level has risen during the past 50 years). Also, plausible "what if" scenarios are used to illuminate the sensitivity of various systems. These sensitivity analyses help to define the potential risks and opportunities posed by climate change and variability to human health, the ecosystems, and social well-being.

Question. Because of these substantial modeling problems, what is the basis for EPA conducting a "Health Sector Assessment" in fiscal year 2000?

Answer. An important goal of the Health Sector Assessment is to understand the various pathways through which weather and climate may affect human health (i.e., to understand the sensitivity of human health to weather and climate). That is, the Health Sector Assessment is attempting to understand how important changes in weather and weather extremes (e.g., heat waves; storms) are for human health even under current climatic conditions. A better understanding of the sensitivity of human health to weather and weather extremes under current climatic conditions is essential before one can assess the potential effects of climate change and variability on human health. Also, this research into current sensitivities yields immediate benefits to society by enabling the public health community to develop better systems for responding to the risks posed by weather and climate (e.g., extreme heat and extreme cold).

These research and assessment activities do not rely upon climate change models.

It is also important to understand that analyses being done in the Health Sector Assessment of potential consequences of future climate change are not limited to scenarios generated by climate models. The assessments also use other information to illustrate the potential consequences of climate variability and change for human health. In addition to climate model output, the assessment work also relies on historic data to understand the sensitivity of human to change. Also, plausible "what if" scenarios are used to illuminate the sensitivity of various systems. These sensitivity analyses help to define the potential risks and opportunities posed by climate change and variability to human health and social well-being.

The human health sector is looking at how climate affects human health in the United States and at how climate change and variability might affect our health. For example, heat waves can cause death and illness, especially among the elderly poor. Air pollution, which is worse in hot weather, can make people with respiratory disease sicker and can make breathing harder for everyone. People can be hurt or even killed in severe storms and floods, or can be made sick by unclean storm water. A change in climate might increase the risk of exposure to disease-carrying rodents and insects.

The health sector team will analyze scientific research and government data on our country's health and how climate change might affect our health. In addition, the team may develop a limited number of quantitative models of projected or possible future health impacts, where reliable data is available.

The eleven members of the health sector team come from a range of government, academic, and private institutions, including the U.S. Centers for Disease Control, the Environmental Protection Agency, the Johns Hopkins University School of Public Health, Harvard Medical School, the University of South Florida, the National Oceanic and Atmospheric Administration, and the Electric Power Research Institute.

COEUR D'ALENE SUPERFUND

Question. Since the federal government has continued to spend huge sums of taxpayer money on studies and additional research outside the 21 square mile Bunker Hill Superfund site, does the Agency have an end plan or remedy in mind? What is that plan?

Answer. The purposes of the Superfund process are: (1) to determine the nature and extent of contamination; (2) to identify existing and potential risks to human health or the environment; (3) to evaluate cleanup options; and (4) to identify a cleanup plan. EPA is in the investigation and evaluation phase of the process at this time and does not have a specific remedy identified. The remedy proposed will be a result of the RI/FS process and input from affected stakeholders and communities.

Question. How much money has been spent on the RI/FS (remedial investigation and feasibility study) outside the existing 21 square mile Superfund site?

Answer. EPA estimates that as of 5/2/99, approximately $10,200,000 in cost associated with work in the Basin, including the RI/FS and the costs associated with litigation. In addition, EPA has incurred $750,000 conducting residential and school soil removals outside of the existing 21 square mile Superfund site.

These costs are estimates and have not been reconciled by EPA finance personnel. All site costs are reconciled as part of the cost recovery process which occurs when the sites reach completion.

Question. How much more do you anticipate spending on the RI/FS?

Answer. EPA estimates spending an additional $6.1 million in fiscal year 1999 and approximately $8.8 million in fiscal year 2000 to complete the RI/FS for the Basin. These costs are estimates; actual cost will be dependent upon factors that are unknown at this time, such as the nature and extent of contamination found, the need for treatability studies, and input from a large number of stakeholders involved in the Basin.

Question. How long do you think the RI/FS will take?

Answer. EPA hopes to have the RI/FS completed in fiscal year 2000. However, schedule modifications may be necessary depending on timely receipt of funding, the findings of the study, and additional requirements resulting from stakeholder input.

Question. When do you anticipate EPA will be involved in more cleanup efforts in the Coeur d'Alene Basin rather than simply to continue studies?

Answer. EPA has been involved in numerous cleanup actions in the basin since 1993. Examples include early removal actions at the Success and Douglas tailings piles. In addition, since 1997, EPA has been conducting early actions at residential and school properties and in common use areas such as parks and beaches. EPA has also used its removal authority in the basin to support actions by other parties such as the State trustees and the mining companies. These removal actions do not address the overall contamination that is present in the basin. The RI/FS will provide the information needed to determine what appropriate actions must be implemented for a comprehensive remedy to protect human health and the environment.

Question. Can EPA pursue any cleanup activities in the Basin without completing the RI/FS?

Answer. Even before completing the RI/FS, EPA is presently conducting cleanup activities in the Coeur d'Alene basin. However, these actions in themselves may not permanently protect human health and the environment. Permanent protection may only be achieved by addressing the various sources of contaminants in the basin, which may include individual outfalls and waste piles, or segments of river banks or stream beds. In order to determine what comprehensive long-term actions need to be taken in the basin, EPA needs to conduct the RI/FS.

Question. How could damages have been assessed (under the NRD lawsuit) when an RI/FS had not been conducted? Isn't this backward?

Answer. The damages associated with injuries to natural resources may be calculated whether or not an RI/FS has been completed. However, in the present litigation, the United States has argued to the district court that it would be most logical to determine the amount of natural resource damages after determining the appropriate cleanup actions through the RI/FS and Record of Decision. Accordingly, the district court has decided that the actual dollar amount of natural resource damages would be determined in a second trial following a first trial on liability and production of the Record of Decision (ROD) for the Coeur d'Alene Basin.

Question. Is the RI/FS being used to support the NRD lawsuit? If not what is the purpose of the RI/FS?

Answer. EPA is conducting the RI/FS in the basin because we believe that there are significant human health and ecological risks associated with releases of mining wastes. These risks must be accurately identified so that appropriate cleanup actions may be selected to protect human health and the environment. In addition,

data and analyses from the RI/FS process will be made publicly available and can be used by various parties. For example, data developed by the RI/FS may be used to develop Total Maximum Daily Loads for rivers and other waterbodies under the Clean Water Act and may be relevant to the NRD litigation.

Question. Is the EPA still considering the expansion of the 21 square mile Superfund site?

Answer. The United States' position remains that the Bunker Hill NPL facility extends to all areas with mining contamination in the Coeur d'Alene Basin. While the district court's contrary determination is being appealed, EPA may proceed with formal NPL listing action to ensure that all affected areas of the basin are included in an NPL facility. At this time, however, no preliminary determinations have been made and no decisions will be made prior to further coordination with state, local, and tribal governments and a period for formal public comment.

Question. Is EPA willing to consider a legislative remedy to the Basin's problems?

Answer. At the present time, it is too early to make any determinations as to the type(s) of remedy(ies) that may be necessary to address the contamination in the basin; therefore, it is premature for EPA to consider a legislative remedy. The RI/FS process was designed to determine the extent of contamination and to develop cleanup alternatives. Once the RI/FS is complete, a remedy is selected with stakeholder and community input. EPA believes that this public process is the appropriate method for selecting a remedy in the basin.

Question. What is the TMDL standard that's been set for the Superfund site in Kellogg?

Answer. A final TMDL standard has not yet been established for the Bunker Hill Superfund site in Kellogg. In April, 1999 the United States Environmental Protection Agency (EPA) and the State of Idaho Division of Environmental Quality issued a draft TMDL for public comment for dissolved cadmium, lead and zinc in surface waters of the Coeur d'Alene River Basin in Idaho. Waste load allocations are based on river flow. The draft TMDL document is currently out for public comment. In that draft document, the most stringent wasteload allocations for the Bunker Hill Central Treatment Plant (CTP), at the lowest 7-day average daily river flow that occurs with a 10-year return period, are: 4.23E–03 pounds/day for cadmium; 1.30E–02 pounds/day for lead; and 3.09E–01 pounds/day for zinc.

Questions. Can this standard be met by the EPA in their management of effluent at the site?

Answer. The EPA is currently developing a work plan to carry out a treatability study to determine the extent to which the wasteload allocations noted above can be achieved at the CTP. EPA will be able to make that determination once the treatability study has been conducted and the results are available for review.

CARNEY SITE, ST. MARIES, IDAHO

Question. What is EPA's intention for the Carney site in St. Maries where there is creosote leakage from underground storage tanks?

Answer. EPA intends to complete characterization of creosote contamination at the site and determine what additional actions, if any, need to be taken to prevent or mitigate the further release of creosote to the St. Joe River.

Question. What types of cleanup activity is occurring?

Answer. To date, the City of St. Maries and Carney Products Company have performed a Superfund removal action under a Unilateral Administrative Order (UAO) with the EPA, to remove exposed creosote and creosote-contaminated soil from the bank of the St. Joe River. They have also completed a removal site evaluation under the UAO to characterize the extent of contamination in soils and groundwater.

Question. Do you anticipate clean up in conjunction with the city/county?

Answer. It is likely that additional cleanup action will be required to mitigate extensive creosote contamination present in bottom sediments of the St. Joe River and to prevent further release of creosote from the site. The City of St. Maries has been identified as a potentially responsible party (PRP) and may be responsible, along with other PRPs, for this work.

Question. Is the EPA recommending this site for the NPL?

Answer. EPA has just recently received the data from the site investigation, that will be used to calculate a preliminary Hazard Ranking System Score. This evaluation will determine whether the site is eligible for the NPL.

REGIONAL HAZE RULES

Question. Last year, in the EPA Appropriation Conference Report, Congress encouraged EPA to re-propose the Regional Haze Rule. How do you feel you responded to this report language?

Answer. The EPA gave serious consideration to the congressional and other recommendations to re-propose the regional haze rule. However, we decided that re-proposal would not be necessary for a number of reasons. First, the EPA provided an extensive opportunity for comment on the proposal, including an extension of the original comment period by six weeks. More than 1200 comments were received on the proposal, many of which requested EPA to move forward with the rule.

Second, EPA provided a second comment period in September 1998 on a notice of availability of additional information that became available after the close of the initial comment period. This information included the regional haze SIP timing requirements included in the TEA–21 legislation, adopted in June 1998, and a June 1998 letter including significant comments from the Western Governors' Association, developed with input from a broad range of stakeholders.

Third, over the course of the proposal period, EPA engaged in many meetings and discussions with interested stakeholders on various aspects of the rule. EPA was very aware of stakeholder views on the range of issues in the proposed rule. The issues raised by those requesting re-proposal generally were issues already under consideration by EPA due to comments received on the proposed rule or the notice of availability.

Fourth, EPA believed that a re-proposal would only serve to further delay the finalization of the regional haze program when its statutory deadline had already been exceeded. In fact, several environmental groups later issued a notice of intent to sue the Agency for failure to issue the rule in accordance with the statutory schedule for action.

As we anticipated at the time we decided not to repropose the rule, the final rule reflects many changes that are significant issues identified in public comments.

Question. Approximately 15 Governors from throughout the country requested EPA to re-propose the Regional Haze Rule, even after last fall's comment period. Why did you ignore these requests? What specific contact concerning this rule did you have with Governors on this rule prior to its issuance.

Answer. EPA considered these requests for re-proposal, and we also considered requests from the Governors of Utah, California, Maine, Vermont and New Hampshire who urged that we proceed with the regional haze rule. For the reasons noted above in the response to the previous question, EPA decided not to re-propose the final rule.

Since the close of last fall's comment period, we have had the following specific contacts with Governors related to the Regional Haze Rule:

(1) November 13, 1998 letter from Robert Perciasepe, EPA, in response to October 5, 1998 letter from Florida Governor Lawton Chiles.

(2) December 1, 1998, Meeting with Governor Leavitt of Utah.

(3) December 9, 1998 letter from Midwest Governors' Conference signed by Governors of Indiana, Kansas, Wisconsin, Michigan, Ohio, Illinois, Minnesota, Iowa, Missouri, Nebraska, South Dakota, and North Dakota.

(4) January 4, 1999 letter from Southern Governors Association to the President signed by Governors of Virginia, North Carolina, Tennessee, Kentucky, Mississippi, Missouri, Arkansas, West Virginia, Alabama, Oklahoma, and Louisiana.

(5) January 27, 1999. Meeting with Midwest Governor's conference.

(6) February 8, 1999 meeting with EPA and Southern Governors' Association to discuss Regional Haze Rule and Regional Planning. March 24, 1999 meeting with the Southern Governors' Association.

(7) March 30, 1999 letter from Southern Governors' Association to Lydia Wegman, EPA.

(8) March 5, 1999 letter to Vice President Gore from Governor Shaheen of New Hampshire and Governor Dean of Vermont.

(9) April 6, 1999 letter to Vice President Gore from Governor King of Maine.

(10) March 24, 1999 letter from Governor Davis of California.

(11) April 15, 1999 letter from Governor Leavitt of Utah on behalf of the Western Governors' Association. April 15, 1999 meeting with Western Governors' Association.

(12) April 21, 1999 letter from Robert Perciasepe, EPA in response to March 20, 1999 letter from Colorado Governor Owens.

Question. If all power plants in the West were subjected to Best Available Retrofit Technology (BART), what degree of visibility improvement would you expect in the West?

Answer. Power plant sulfur dioxide emissions are a significant contributor to sulfate concentrations in the West, and sulfate particles are a significant contributor to visibility impairment in the West. We have estimated that sulfates contribute about 30 to 60 percent of the aerosol light extinction on the worst visibility days in most western Class I areas. We do not, however, have a precise estimate of the fraction of that sulfate contribution that is due to power plants, nor do we have an

available estimate of the degree of visibility improvement that would be achieved from BART-level controls in the West. It should be noted that the BART provision does not affect all power plants in the West, but rather potentially affects any power plant with the potential to emit more than 250 tons of any visibility impairing pollutant that was placed in operation between August 1962 and August 1977. However, to the extent that sulfate is a significant contributor to class I area visibility impairment, BART level emission controls on power plants would be expected to achieve a significant improvement in visibility.

Question. What is the statutory authority for a "regional BART" in view of the specific source requirement?

Answer. In establishing appropriate BART emission limits section 169A(a)(2) of the Clean Air Act requires States to take into account the following factors:

—The costs of compliance;
—The energy and nonair quality environmental impacts of compliance;
—Any existing pollution control technology in use at the source;
—The remaining useful life of the source; and
—The degree of improvement in visibility which may reasonably be anticipated to result from the use of such technology.

The statutory language is clear that the State should consider "the existing pollution control technology at the source" and "the remaining useful life of the source." The statute also requires the States to consider "the degree of improvement in visibility which may reasonably be anticipated to result from the use of such technology." EPA interprets the language "from the use of such technology" to refer to the general application of BART to sources subject to BART. As a result, EPA believes that it reasonable to interpret this provision as requiring the State to consider, as part of its source-specific analysis, the cumulative impact of applying retrofit controls to all sources subject to BART to estimate the degree of visibility improvement which may reasonably be anticipated to result from the use of BART.

Question. What will be the cost of imposing the Regional Haze Rule on power plants? On stationary sources generally?

Answer. The Regional Haze rule provides States with the opportunity to make decisions on reasonable progress goals, emissions management strategies, and best available retrofit technology. Until those decisions are made by the States, the cost of the regional haze rule for power plants and other stationary sources is unknown.

However, in order to comply with the requirements of Executive Order 12866 and the Congressional Review Provisions of the Small Business Regulatory Enforcement Fairness Act, the U.S. Environmental Protection Agency completed an illustrative assessment of the potential annualized cost of the rule in 2015, a year near the end of the first long term progress period. The scope of the illustrative cost analysis included 4 hypothetical reasonable progress goals and two sets of control strategies. For the example strategies analyzed, the estimated range of power plant costs is $248 million (for a control strategy which provides for the use of fugitive dust controls and is aimed at a 1.0 deciview improvement in 15 years) to $595 million (for a control strategy which precludes the use of certain fugitive dust controls and is aimed at a 10 percent deciview improvement in 10 years). These cost estimates are in 1990 dollars and represent 23 and 16 percent of the corresponding total cost estimates. For the same scenarios, the range of estimated cost for non-utility sources with industrial classification codes is $787 million to $2858 million in 1990 dollars.

We stress that the above estimates are illustrative, and that States have considerable discretion to establish their own reasonable progress goals so long as they consider the statutory factors and take into account the results of the analyses required by the rule. In addition, States are responsible for selecting and adopting control strategies, and have flexibility to select cost-efficient programs, including those which provide for emissions trading across emission source categories.

QUESTIONS SUBMITTED BY SENATOR MIKULSKI

ORIMULSION: CONCLUSIVE REPORT ON RESEARCH

Question. From correspondence I have seen that has been sent to colleagues of mine who have inquired about the research on the use of Orimulsion as a fuel, I understand that research will be conducted this calendar year. I agree that this is an appropriate time frame. Therefore, am I correct in expecting that a conclusive report on Orimulsion will be issued from the EPA by the end of the year?

Answer. A report on Phase 1 research activities is planned to be submitted for OMB review by the end of the fiscal year and should be available to Congress by the end of the calendar year. Phase 1 research activities are pilot-scale testing of

air emissions from Orimulsion, toxicology testing of particulate matter captured during the pilot-scale tests, a review of existing scientific results, and a preliminary environmental assessment of using Orimulsion as a fuel for power generation.

The Orimulsion Technology Assessment Plan (OTAP) states that the research program will be completed in three phases, if necessary. The OTAP calls for an evaluation of the Phase 1 results before making a decision as to whether further work will be necessary to address questions found during Phase 1. If further study is required to adequately address remaining questions, the report of Phase 1 results will be issued and will include a discussion of the remaining questions and additional research requirements. If scientific results indicate no further work is necessary, the Phase 1 report will be conclusive, and it is unlikely the Agency will proceed with Phase 2 and 3.

ORIMULSION: RESEARCH FUNDING

Question. Is there adequate funding that is currently dedicated to the research activity that will allow EPA to complete its conclusive report by year's end? If not, how do you plan to obtain such funding from existing sources to permit the completion of the report by the end of 1999?

Answer. There is adequate funding to complete the planned Phase 1 activities, which are scheduled to be submitted for OMB review by the end of the fiscal year. Phase 1 activities include: pilot-scale testing of air emissions from Orimulsion, toxicology testing of particulate matter captured during the pilot-scale tests, a review of existing scientific results, and a preliminary environmental assessment of using Orimulsion as a fuel for power generation.

QUESTIONS SUBMITTED BY SENATOR LEAHY

DIOXIN REASSESSMENT STUDY

Question. It is my understanding that EPA has been drafting a dioxin reassessment study and plans to release it by the end of this year. As we found with the Mercury Report to Congress, a factual basis detailing emission volumes, sources, and health considerations is needed for developing legislative proposals and to shape the public policy debate. Please provide to the Subcommittee your timetable for completing the study, interim milestones and deliverables leading up to release of the final reassessment.

Answer. EPA's Dioxin Reassessment effort is producing three documents:

Estimating Exposure to Dioxin-like Compounds.—This document, discusses chemical/physical properties, sources, environmental levels and background exposures and site-specific assessment procedures.

Health Assessment Document for 2,3,7,8–TCDD and Related Compounds.—This document discusses pharmacokinetics, epidemiology, cancer, various noncancer health effects and dose-response.

Integrated Summary and Risk Characterization for Assessment of 2,3,7,8–TCDD and Related Compounds.—This document summarizes the findings of the health and exposure documents and integrates the information to reach general conclusions about the impacts of dioxin like compounds on human health and specifically identifies the risks that may be occurring in the general population at background exposure levels. The risk characterization articulates the strengths and weaknesses of the available evidence and presents assumptions made and inferences used. It is meant to provide a balanced picture of dioxin science for use by risk managers inside and outside of EPA.

The process for developing these documents has been open and participatory. They have all been developed in collaboration with scientists from inside and outside the Federal Government. Each document has undergone extensive internal and external review, including review by EPA's Science Advisory Board (SAB). In their 1994 review, the SAB recommended substantive revisions to both the Dose-Response Chapter of the Health Effects Document and the Risk Characterization. These two sections were to be revised with the participation of and input from a broad cross-section of outside interests from both the public and private sectors, then submitted for external peer review, and subsequently brought back to the SAB for re-review. In addition, the SAB suggested adding a de novo chapter on the Toxic Equivalency Factors (TEF) to gather in one place the discussion and scientific information on the complex issue and use of TEFs for dioxin and dioxin-like compounds.

Another major part of the dioxin reassessment activity is the exposure assessment. During the SAB's review of the draft assessment, the Board recommended some revisions to the dioxin emissions inventory that were included in the draft ex-

posure assessment document. In response to both SAB comments and public comments on this section, EPA has substantially revised the source inventory and held a two-day external peer review meeting for expert scientific review of the draft document in June 1998. Currently, the exposure assessment is undergoing revision and incorporation of the peer reviewed inventory. As recommended by the SAB, this section will not undergo any further review by the Board. Information from the exposure assessment has been feeding into the revision of the Integrated Summary and Risk Characterization.

Status and Schedule

Integrated Summary and Risk Characterization:
—Internal EPA review—June 1999
—External review—July 1999
—External Peer Review—September 1999
—SAB review—November 1999
TEF Chapter:
—Internal EPA review—June 1999
—External review—July 1999
—External Peer Review—September 1999
—SAB review—November 1999
Dose-Response Modeling Chapter:
—Internal review—December 1996/January 1997
—External Peer Review—March 1997
—Writing Team Meeting—July 1999
—SAB review—November 1999
Completed reassessment: Publically available—Expected Early 2000

It is important to note that EPA remains committed to a fully open and participatory process as it finalizes the dioxin reassessment.

Note: All dates are contingent on the extent and nature of the peer review comments.

KNOWN OR SUSPECTED CARCINOGENS

Question. The Occupational Health and Safety Administration (OSHA) under the Department of Labor maintains a list of "known or suspected carcinogens." Many, if not all, of these have been reported on several years in the Toxics Release Inventory reports. I would appreciate receiving an analysis that looks at emissions of "known or suspected carcinogens" for each of the past five years. Please provide the following three reports for 1993—1997 with the total change since 1993: (1) the top 20 3-digit SIC codes for on-site releases and total releases, (2) releases of OSHA carcinogens by state, and (3) on-site releases and total releases by chemical and media. For each "known or suspected carcinogen" and associated industry, I would like to know whether a regulatory emissions control strategy is in place (e.g., a final MACT standard has been promulgated) or, where a strategy is not yet in place, EPA's current schedule for developing and implementing a strategy.

Answer. In addition to providing an analysis of air, water and land releases from the TRI data (see attached charts), EPA can provide an analysis of air releases (emissions) from the National Toxics Inventory (NTI). The NTI contains much of the air release information from TRI, which is self-reported by industry, but also includes additional data. For example, while the 1996 TRI contains estimates of air toxics emitted from about 13,000 facilities, the 1996 National Toxics Inventory (NTI) contains emissions estimates of air toxics emitted from more than 38,000 facilities.

The TRI requires manufacturing facilities and facilities in seven new sectors to report annual chemical releases and other chemical waste management. Although the NTI includes various other sources of emissions (i.e., mobile and area, in addition to point sources), the NTI relies on emission estimates, and, as such, the NTI emission data varies in quality and completeness among source categories, geographic location, and estimation method.

EPA has a baseline NTI which represents data for the period 1990–1993, and a draft NTI for 1996. The NTI contains estimates of 188 hazardous air pollutants from point, area, and mobile sources. Of these 188 hazardous air pollutants, 134 have been classified by either EPA or the International Agency for Research on Cancer as carcinogens (list is attached).

The emissions data in the NTI could be presented by Source Classification Code (SCC) and/or MACT code, which is more closely aligned with the source of emissions than would be the SIC code, which is related to the economic sector. An analysis that could be done to summarize carcinogen emissions and identify regulatory strategies which are targeting these emissions is:

Use baseline NTI data (1990–1993) and 1996 draft NTI data to compare carcinogenic hazardous air pollutant emissions by source category nationally and for each state. Identify source categories with existing and planned MACT standards, and industries for which the Agency has other types of regulatory activities planned or in place (for example, control technology guidelines to reduce volatile organic compounds, which are a precursor to ozone formation).

Question. Lastly, I would like to know whether EPA currently coordinates with OSHA or has plans to begin working with OSHA, to ensure that workers and people living in the proximity of significant sources of "known or suspected carcinogens" are being adequately protected from these emissions.

Answer. EPA began discussions with OSHA this Spring on the potential to coordinate a number of air toxics regulations with OSHA regulations. On June 17–18, 1999, EPA, OSHA and NIOSH jointly sponsored a workshop on "Common Sense Approaches to Protecting Workers and the Environment." At this workshop, EPA and OSHA acknowledged that they would work cooperatively on a number of toxics issues.

To the extent possible, the Agency plans to include OSHA review prior to proposal of future air toxics regulations. In addition, EPA and OSHA are in the process of coordinating on worker exposure issues. Specifically, EPA has committed to help address any major issues that may exist where reductions in environmental emissions inadvertently have an adverse effect on worker exposures. Also, OSHA plans to provide EPA with quantitative risk assessments to help with EPA's priority-setting and efforts to address emissions impacting people living in the proximity of significant sources of air toxics. Staff from both Agencies plan to meet later this year to further coordinate these efforts.

Below is a list of 134 HAPs that either EPA or IARC have classified as carcinogens. Most of these are listed singly under section 112(b) of the Clean Air Act Amendments, but some (particularly PAHs) fit within HAP categories.

	Ratings
EPA:	
A	Known.
B	Probable.
C	Possible.
D	No evidence.
IARC:	
1	Known.
2A	Probable.
2B	Possible.
3	No evidence.

Compounds classified by EPA and/or IARC as known, probable, or possible human carcinogens.

Chemical name	CAS No.	EPA	IARC
4-Aminobiphenyl	92671		1
Radon	14859677		1
N,N-dimethylaniline	121697		3
Diethyl sulfate	64675		2A
Styrene oxide	96093		2A
2,4/2,6-Toluene diisocyanate mixture (TDI)	26471625		2B
2,4-Toluene diisocyanate	584849		2B
4,4'-Methylenedianiline	101779		2B
Acetamide	60355		2B
Anisidine	90040		2B
Dibenzo(j)fluoranthene	205823		2B
Dimethyl	68122		2B
Ethyl carbamate	51796		2B
N-Nitrosomorpholine	59892		2B
Styrene	100425		2B
Vinyl acetate	108054		2B
Arsenic and Compounds	7440382	A	1

Chemical name	CAS No.	EPA	IARC
Asbestos	1332214	A	1
Benzene	71432	A	1
Bis(chloromethyl)ether	542881	A	1
Chloromethyl methyl ether	107302	A	1
Chromium (VI) Compounds	18540299	A	1
Vinyl chloride	75014	A	1
Benzidine	92875	A	.....
Coke Oven Emissions	8007452	A	.....
Nickel refinery dust	NI–DUST	A	.....
Nickel subsulfide	12035722	A	.....
Radionuclides	Radio	A	.....
Nickel and Compounds	7440020	A	2B
Beryllium and Compounds	7440417	B1	1
Cadmium and Compounds	7440439	B1	1
Ethylene oxide	75218	B1	1
Acrylonitrile	107131	B1	2A
Formaldehyde	5000	B1	2A
Aniline	62533	B2	3
Bromoform	75252	B2	3
Captan	133062	B2	3
Chlorinated dibenzofurans (as 2,3,7,8-equivalents)	furans	B2	3
1,2-Dibromo-3-chloropropane	96128	B2	.....
1,2-Diphenylhydrazine	122667	B2	.....
1,2-Tropyleneimine	75558	B2	.....
2,3,7,8-Tetrachlorodibenzo-p-dioxin	1746016	B2	.....
2,4,6-Trichlorophenol	88062	B2	.....
2,4-Toluene diamine	95807	B2	.....
3,3'-Dimethylbenzidine	119937	B2	.....
7,12-Dimethylbenz(a)anthracene	57976	B2	.....
alpha-Hexachlorocyclohexane (a-HCH)	319846	B2	.....
beta-Hexachlorocyclohexane (b-HCH)	319857	B2	.....
Carbazole	86748	B2	.....
Chlorinated dibenzo-p-dioxins (as 2,3,7,8-equivale)	dioxins	B2	.....
Chrysene	218019	B2	.....
DDE	72559	B2	.....
Dichloroethyl ether	111444	B2	.....
Hexachlorodibenzo-p-dioxin, mixture	19408743	B2	.....
Methyl hydrazine	60344	B2	.....
Nickel carbonyl	13463393	B2	.....
Propoxur	114261	B2	.....
Propylene dichloride	78875	B2	.....
Selenium sulfide	7446346	B2	.....
technical Hexachlorocyclohexane (HCH)	608731	B2	.....
1,3-Butadiene	106990	B2	2A
4,4'-Methylene bis(2-chloroaniline)	101144	B2	2A
Acrylamide	79061	B2	2A
Benzo(a)anthracene	56553	B2	2A
Benzo(a)pyrene	50328	B2	2A
Dibenz(a,h)anthracene	53703	B2	2A
Dimethyl sulfate	77781	B2	2A
Epichlorohydrin	106898	B2	2A
Ethylene dibromide	106934	B2	2A
Nitrosodimethyla	62759	B2	2A
Polychlorinated biphenyls	1336363	B2	2A
Vinyl bromide	593602	B2	2A
1,1-Dimethylhydrazine	57147	B2	2B
1,3-dichloropropene	542756	B2	2B
1,4-Dioxane	123911	B2	2B
2,4/2,6-Dinitrotoluene (mixture)	25321146	B2	2B

Chemical name	CAS No.	EPA	IARC
2,4-Dinitrotoluene	121142	B2	2B
2-Nitropropane	79469	B2	2B
3,3'-Dichlorobenzidine	91941	B2	2B
3,3'-Dimethoxybenzidine	119904	B2	2B
Acetaldehyde	75070	B2	2B
Antimony trioxide	1309644	B2	2B
Benzo(b)fluoranthene	205992	B2	2B
Benzo(k)fluoranthene	207089	B2	2B
Benzotrichloride	98077	B2	2B
Benzyl chloride	100447	B2	2B
Bis(2-ethylhexyl)phthalate	117817	B2	2B
Carbon tetrachloride	56235	B2	2B
Chlordane	57749	B2	2B
Chloroform	67663	B2	2B
DDT	50293	B2	2B
Dichlorvos	62737	B2	2B
Ethyl acrylate	140885	B2	2B
Ethylene dichloride	107062	B2	2B
Ethylene thiourea	96457	B2	2B
Heptachlor	76448	B2	2B
Hexachlorobenzene	118741	B2	2B
Hydrazine	302012	B2	2B
Indeno(1,2,3-cd)pyrene	193395	B2	2B
Lead and Compounds	7439921	B2	2B
Methylene chloride	75092	B2	2B
o-Toluidine	95534	B2	2B
Pentachlorophen	87865	B2	2B
Propylene oxide	75569	B2	2B
Toxaphene	8001352	B2	2B
Lindane	58899	B2–C	.....
Tetrachloroethene	127184	B2–C	2A
Trichloroethylene	79016	B2–C	2A
1,1,2,2-Tetrachloroethane	79345	C	3
1,1,2-Trichloroethane	79005	C	3
Acrolein	107028	C	3
Allyl chloride	107051	C	3
Dibromochloromethane	124481	C	3
Hexachlorobutadiene	87683	C	3
Hexachloroethane	67721	C	3
Parathion	56382	C	3
Pentachloronitrobenzene	82688	C	3
Trifluralin	1582098	C	3
Cresols (mixed)	1319773	C	.....
Cyanazine	21725462	C	.....
Ethylidene dichloride	75343	C	.....
Isophorone	78591	C	.....
m-Cresol	108394	C	.....
Mercuric chloride	7487947	C	.....
Methyl chloride	74873	C	.....
Methyl iodide	74884	C	.....
Methyl mercury	22967926	C	.....
Naphthalene	91203	C	.....
o-Cresol	95487	C	.....
o-Phenylphenol	90437	C	.....
p-Cresol	106445	C	.....
Quinoline	91225	C	.....
Vinylidene chloride	75354	C	.....
p-Dichlorobenzene	106467	C	2B

Chemical name	CAS No.	EPA	IARC
Nitrobenzene	98953	D	2B

TRI ON-SITE AND TOTAL RELEASES OF OSHA CARCINOGENS, BY STATE, 1993–1997

Question. Odd pattern B did one new plant open up in 1995?

Answer. Wyoming—Two facilities account for most of the increase from 1994 to 1995 in total releases of carcinogens in Wyoming. FMC Corp. in Sweetwater, WY reported other chemicals in 1994 but did not report any OSHA carcinogens until 1995. The large increase is in benzene (64,000 pounds of air emissions). Frontier Refining Inc. in Cheyenne, WY reported 8,861 pounds releases of benzene in 1994 (mostly air emissions) and 25,495 pounds of releases of benzene in 1995 (mostly air emissions). The total increase in OSHA carcinogens from 1994 to 1995 from these two facilities is 78,392 pounds. The total increase for Wyoming is 82,994 pounds. Therefore, these two facilities account for 94 percent of the increase in total release of OSHA carcinogens in Wyoming from 1994 to 1995.

Question. Washington, D.C., Explain the total release change.

1994	5
1995	255
1996	250
1997	.....

Answer. The facility that reported these numbers is the Bureau of Engraving and Printing. This facility has reported to TRI as a federal facility since 1994. The above mentioned numbers are transfers to dispose of nickel.

Question. Louisiana—Explain the increase from 1996 to 1997.

Answer. Two facilities account for the majority of the change from 1996 to 1997. Borden Chemicals & Plastics Ops. LP, LA HWY. 73 & 30, Geismar, LA reported an increase of 1,627,322 pounds. This increase was primarily benzene. Monsanto-Luling, 12501 River Rd., Luling, LA reported an increase of 1,516,000 pounds. This increase was primarily formaldehyde.

Question. Is the reporting universe the same from 1993–1997?

Answer. For the purpose of this table (TRI On-site and Total Releases of OSHA Carcinogens, by State, 1993–1997), the reporting universe is the same for 1993 to 1997. The same list of chemicals is used for comparison across all years, see Anote at bottom of table regarding this issue.

Question. If not, should EPA be comparing 1993 to 1997?

Answer. N/A—answer provided above.

MERCURY THRESHOLDS AND EMISSIONS

Question. On March 12, 1999, the Governors of the seven New England states wrote to you urging that EPA adopt "dramatically lower reporting thresholds for mercury and expand reporting sectors to include all the largest sources of mercury emissions." The letter went on to state that "the proposed limit of 10 pounds is far too high and will not help state efforts to achieve virtual elimination of anthropogenic mercury emissions." How has EPA responded to the Governors? Please provide the subcommittee a copy of that response.

Answer. The EPA's Administrator received the attached letter dated March 12, 1999, from the New England Governors Conference, Inc., urging EPA to adopt activity thresholds for mercury dramatically lower than the Agency's preferred option of 10 pounds as proposed in the January 5, 1999 proposed rule expanding and modifying the EPCRA section 313 reporting requirements for persistent bioaccumulative toxic (PBT) chemicals. The letter was routed to the Office of Pollution Prevention and Toxics where it was logged into the docket [#OPPTS 400132] created for receiving comments on the proposed rule.

Guided by the requirements and principles of the Administrative Procedures Act, the Agency will consider the views of those who commented during the public comment period which closed April 7, 1999. Typically, all of the comments received are logged-in, categorized by issue and evaluated as part of the development of the final rule, which is currently scheduled to be issued in late October 1999. As required by law, the Agency will respond to significant comments in the preamble to the final rule, and the Agency also prepares a more detailed Response to Comments document.

The Agency received well over 37,000 submissions to the docket (including 35,000 postcards expressing a similar comment) on the proposed rule. The activity threshold level for reporting EPCRA section 313 PBT's is of concern to many constituents.

The Agency received numerous comments regarding the threshold levels as proposed, including recommendations similar to those submitted by the New England Governors Conference, Inc. Serious consideration will be given to those concerns regarding the threshold levels for mercury and the other relevant PBT chemicals in our deliberations toward development of a final rule.

NO_x TRADING PROGRAM

Question. Regarding the NO_X trading program, what are EPA's plans and timetable for implementing environmental measures of progress for this program? Will those measures reflect regional differences?

Answer. The Acid Rain Program will be developing and operating the NO_X Allowance and Emissions Tracking Systems for the NO_X Budget Program, as requested by the 12 States of the Ozone Transport Region (OTR). This is in addition to administering the SO_2 and NO_X provisions under Title IV of the Clean Air Act. The first year of compliance for this program is 1999 (with the first compliance certification process being conducted by EPA for the OTR States in the first quarter of 2000). Over 900 facilities will require certification of emissions monitors and will report quarterly emissions to EPA beginning in 1999. The OTR program is expected to increase EPA's allowance trading activities by approximately 50 percent over the Acid Rain Program.

Beginning in 1999, we expect that the OTR NO_X Budget Trading program will result in approximately a 50 percent reduction of NO_X emissions from the 1990 baseline; this level will be maintained annually through 2002. These reduction will be over and above those achieved through implementation of Title IV of the Clean Air Act Amendments. As with other programs under Title I of the Clean Air Act, the OTR States are required to conduct audits to ensure that the Program is providing expected environmental outcomes. These audits will be conducted every three years beginning in 2002.

LAKE CHAMPLAIN: SURVEY OF FISH AND GREAT LAKES EPIDEMIOLOGICAL STUDY

Question. On page II–19 of your fiscal year 2000 request, the Agency lists one of the activities to help meet the goal of ensuring safe drinking water, fish, and recreational waters continued work on a "nationwide survey of toxic residues in fish and complete epidemiological studies in the Great Lakes * * * on health effects of exposure to selected bioaccumulative toxics." Is there an opportunity for Lake Champlain to be included in this survey? What would be the cost of including Lake Champlain in the study and does the Agency have any plans to expand the survey outside of the Great Lakes?

Answer. There is a chance that Lake Champlain will be included in the national fish tissue survey to determine the extent to which fish in waters of the United States are contaminated with persistent bioaccumulative toxic chemicals. A set of 900 lakes was randomly selected for this study. Lake Champlain was not included in this set. The random selection was based on latitude/longitude positions. Upon making an actual physical check of the randomly selected sites, we are finding that some of the information in the geographic database was not correct. Thus, we suspect that many of the 900 in the first set will not meet the study definition of a lake. If and when the sample size falls below 750 lakes, we will make subsequent selections of 25 lakes from a second sample of 900 lakes in the U.S. Lake Champlain is one of the randomly selected lakes in this second set; so there is a chance that it will be selected.

The Agency will collect and analyze two composite samples of fish (one bottom fish species and one predator/sport fish species) at each sampling site. We expect that the two samples will cost about $8,000 each to analyze. Costs to physically collect the samples in the field for the lakes in New York and Vermont could range from $2,000 to $4,000. Thus, we expect that total costs for obtaining and analyzing the samples from Lake Champlain, if selected, would range from $18,000 to $20,000.

The Great Lakes National Program Office also conducts a fish contaminant program in the Great Lakes in conjunction with the Great Lakes States. Although this program does not include Lake Champlain, information and lessons learned in the Great Lakes program are transferable to other fish contaminant programs (e.g. the nationwide fish survey).

The Great Lakes epidemiological studies are conducted by the Agency for Toxic Substances and Disease (ATSDR). These studies are generally local in nature and would not include Lake Champlain.

LAKE CHAMPLAIN: GREAT LAKES PROGRAM

Question. EPA is requesting an increase over the fiscal year 1999 enacted funding level to reduce transboundary threats in shared North American ecosystems through the Great Lakes National Program. Again, is there an opportunity for Lake Champlain to be included in this program? What type of activities are currently being undertaken under this program?

Answer. Lake Champlain is not directly included in the Great Lakes National Program, which is established by statute, Section 118 of the Clean Water Act, and international agreement, the Great Lakes Water Quality Agreement with Canada (GLWQA). The Clean Water Act and GLWQA both describe the program as encompassing bodies of water "at or upstream from the point at which [the St. Lawrence River] becomes the international boundary between the United States and Canada" (quoting from the Great Lakes Water Quality Agreement). Lake Champlain is downstream from this point.

Notwithstanding this limitation, EPA's Great Lakes activities do benefit Lake Champlain because of the similarity of the environmental problems of both, particularly invasive species, persistent toxics, and nutrients. EPA's Great Lakes National Program Office acts as a laboratory to pilot ways of addressing those problems. Much of what is learned in the Great Lakes is applicable to Lake Champlain.

Under the Clean Water Act, GLNPO oversees fulfillment of EPA's international commitments under the U.S.-Canada Great Lakes Water Quality Agreement. It monitors Lake ecosystem indicators; manages and provides public access to Great Lakes data; helps communities address contaminated sediments in their harbors; supports local protection and restoration of important habitats; promotes pollution prevention through activities and projects such as the Binational Toxics Strategy with Canada; and provides assistance to implement community-based Remedial Action Plans for Areas of Concern and for development and implementation of Lakewide Management Plans. Assistance is provided in all of these areas through grants and the provision of direct technical support. In addition, to support efforts for the Lake Champlain Management Conference the fiscal year 2000 budget requests $1 million.

LAKE CHAMPLAIN: ACTION PLAN TIME FRAME

Question. There has been considerable interest within Vermont and New York for speeding up the timeframe for the Lake Champlain Action Plan from 20 to 10 years. Focusing on the action items where EPA is identified as a key federal partner, how much annual funding would be required for EPA to meet the goals of the Action Plan within 10 years? Since additional agricultural non-point cost share funding is required to accelerate phosphorus reduction, will EPA consider committing funds to supplement those currently made available by USDA and the states of Vermont and New York?

Answer. Accelerating the Lake Champlain Basin Program (LCBP) implementation plan from 20 years to 10 years relates only to phosphorus reduction goals. The LCBP's Opportunities for Action plan was completed in October 1996 and is based on a 20-year phosphorus reduction schedule. Opportunities for Action states that the estimated annual cost needed to implement a phosphorus reduction strategy in the Lake Champlain Basin is about $12.6 million. This would achieve all in-lake phosphorus standards except those established for the southern portion of the Lake and Missisquoi Bay.

On May 18, 1999, the LCBP Steering Committee discussed the growing public interest associated with accelerating the Lake Champlain phosphorus reduction strategy time frame from 20 years to 10 years. Although the Steering Committee embraced the general concept as a worthy goal, it was decided more analysis is needed to determine the feasibility of accelerating the time frame. In making this decision, the Steering Committee must ensure that

—We look at this issue holistically (recognizing both point and nonpoint source needs);
—The 10-year implementation time frame is a realistic program goal;
—The public and regulated community are aware of the time frame reassessment;
—Natural Resources Conservation Service (NRCS) technical support will increase in the LC Basin during the next 10 years;
—Funding will not be obtained at the expense of other key Clean Water programs; and,
—Future growth issues are factored in.

The Steering Committee supported an evaluation of this idea. An outline is now being developed to discuss the formation of a focus group to consider the strengths and weaknesses of this proposal. The focus group will determine a realistic time

frame for achieving phosphorus goals (20 years as originally intended, 10 years, or other) and additional issues associated with technical feasibility, cost, staffing, implementation, and monitoring of success. The focus group will report back to the Steering Committee in September.

With respect to supplementing USDA and state funding, EPA has provided and continues to provide millions of dollars in Clean Water Act funds to Vermont and New York which can be used to implement agricultural nonpoint source pollution control practices. The funding provided through the Clean Water Act is obligated to the States, who in turn make specific funding decisions.

CLEAN LAKES PROGRAM (SECTION 314): 319 PROGRAM FUNDING

Question. EPA has stated that it intends to fund Clean lakes Program (Section 314) elements as part of the 319 program. How much funding from the 319 program in fiscal year 1998 and 1999 was used to address the elements of the Clean Lakes Program such as water quality monitoring, feasibility studies and lake demonstration projects? How does this compare to when the 314 program was funded separately from the 319 program?

Answer. In recent years, EPA has encouraged states to use the section 319 Nonpoint Source Program to support the lakes and reservoir work which was previously done under the section 314 Clean Lakes Program. In our guidance, we have emphasized that the Clean Lakes Program elements (e.g., Statewide Lake Water Quality Assessments to assess water quality across a state, Phase I Diagnostic/Feasibility Studies to determine the causes of pollution in a specific lake and to recommend control actions, Phase II Restoration and Protection Implementation Projects to implement needed controls, and Phase III Post-Restoration Monitoring Studies to monitor the effectiveness of projects)which were previously funded under the section 314 Clean Lakes Program are eligible for funding under the section 319 Nonpoint Source Program. (Questions and Answers on the Relationship Between the Sec. 319 Nonpoint Source Program and the Sec. 314 Clean Lakes Program, US EPA., Nov. 1996, can be found on the Internet at: http://www.epa.gov/owow/NPS/Section319/q percent 26a.html).

EPA developed a section 319 Grants Reporting and Tracking System (GRTS) with the States to track mutually agreed upon mandatory data elements for all section 319 grants. GRTS shows that states are using section 319 to support restoration and protection activities for lakes and reservoirs. However, states do not always refer to their lakes activities using historic Clean Lakes Program element nomenclature i.e., Lake Water Quality Assessments, Phase I studies, etc.

To estimate section 319 resources directed specifically to lakes and reservoirs in fiscal year 1998 (GRTS data is not yet available for fiscal year 1999), EPA queried the tracking system to identify section 319 projects where "lake," "reservoir," or "pond" are included in the project title and also where states identify only lakes as the water body type benefitted in the project. The tracking system shows that in fiscal year 1998 about 9.2 percent of reported section 319 program funds were used in specific projects for lakes, reservoirs or ponds (see Table 1 for a national summary and Table 2 for specific lakes projects funded by States in 1998). Based on these figures, we estimate that nationally $9.7 million in section 319 grants were provided to directly benefit lakes and reservoirs in fiscal year 1998.

In addition, we queried the GRTS tracking system to determine the amount of section 319 funds that states identified as benefitting multiple water body types e.g., projects that benefit lakes as well as other water bodies in a watershed such as streams, rivers, wetlands, etc. The query identified $17.4 million of section 319 funds for fiscal year 1998 that states report benefit multiple water bodies (again, fiscal year 1999 data is not yet available).

While it is difficult to determine exactly how much of the above funds benefit lakes, clearly a portion of these funds support the objective of restoring and protecting lakes and reservoirs. These projects that benefit multiple water body types run the gamut of nonpoint activities i.e., from statewide educational programs, to specific watershed projects, to support for state/local nonpoint source personnel.

Thus, in addition to the section 319 program funds which are used in specific projects for lakes, reservoirs or ponds, a portion of the projects that benefit watersheds as a whole also help to protect and restore lakes. Further, in fiscal year 1999, funds appropriated for the section 319 program doubled from $100 million to $200 million. We expect that with this increase in resources we will see an increase in the amount of lakes work funded under section 319.

Regarding your second question, in 1994, the last year that the section 314 Clean Lakes Program was funded, Congress appropriated $5 million for the program. Fol-

lowing is the percentage of these funds which were awarded for the various Clean Lakes Program elements in fiscal year 1994:

—43 percent were invested in Statewide Lake Water Quality Assessments;

—34 percent were invested in Phase 1 projects;

—19 percent were invested in Phase II projects; and

—4 percent were invested in Phase III projects.

We do not have comparable data in the GRTS system to directly compare how much of the section 319 grants are being used for the Clean Lake Program elements. But as the above data indicates, a considerable amount of lakes work is being funded under section 319. Further, while projects may not be identified as "Phase I" or "Phase II" projects, similar lakes-related work as was funded under section 314 is now funded under the section 319 program. Table 1 Amount of Lakes Work Funded Under the Section 319 Nonpoint Source Program in fiscal year 1998

TABLE 1.—AMOUNT OF LAKES [1] WORK FUNDED UNDER THE SECTION 319 NONPOINT SOURCE PROGRAM IN FISCAL YEAR 1998

Fiscal year	Amount of 319 funds appropriated (in millions)	Amount of 319 funds reported in 319 tracking system as of 5/3/99 (in millions)	Amount of lakes work reported by states [2]	Percent of reported 319 funds used for lakes work	Estimated national total amount of appropriated funds used for lakes work [3]
1998	$105	$51	$4.7	9.2	$9.7

[1] For the purposes of this table, "Lakes" refers to lakes as well as reservoirs and ponds.

[2] This includes section 319 projects where "lake," "reservoir" or "pond" is included in the project title, and also projects where states identify only lakes as the water body type benefitted in the project.

[3] The percentage of section 319 funds used for lakes by states which reported is assumed to be the same for all non-reporting states, multiplied by the total section 319 funds appropriated.

TABLE 2.—CWA SECTION 319 PROJECTS WITH "LAKES" IN THE PROJECT TITLE OR IN THE WATER BODY TYPE: FISCAL YEAR 1998

Project title	State	Amount
LAKE W Q A IN THE BLACK WARRIOR RIVER BASIN	AL	$41,800
LAKE ACWORTH RIPARIAN BUFFER & WETLAND DETENT	GA	$315,000
LAKE LANIER WATERSHED NPS IMPROVEMENT PROJ	GA	$262,804
CLEAR LAKE ENHANCE. & RESTOR. PROJ	IA	$80,000
STORM LAKE WATERSHED PROJECT	IA	$58,000
CASCADE RESERVOIR W S RDS & FORESTED LANDS	ID	$100,000
PROJECT: BIG PAYETTE MARINA PROJECT	ID	$27,750
PITTSFIELD NATIONAL MONITORING PRO	IL	$30,000
PROBABLITY BASED LAKE SURVEY	IN	$15,000
SPRING MILL LAKE	IN	$112,500
DONNELL LAKE	MI	$7,323
DONNELL LAKE (MSU)	MI	$39,677
PICKERAL CROOKED LAKES	MI	$200,000
INTEGRATED CROP MANAGEMENT SPEC	MO	$133,000
CLEAN LAKES NEUSE RIVER STUDY	NC	$55,051
OLIVE CREEK LAKE—SALT VALLEY CLEAN LAKES	NE	$120,000
STANDING BEAR LAKE MGMT. PROGRAM (56–9810)	NE	$148,897
98–E BONITO LAKE CRITICAL AREA TREATMENT	NM	$59,468
INDIAN LAKE WATERSHED PROJECT	OH	$105,880
LAKE EUCHA WATERSHED IMPLEMENTATION PROJECT	OK	$619,598
GREAT LAKES INITIATIVE	PA	$94,500
LACKAWANNA LAKE WATERSHED ASSESSMENT	PA	$19,500
LAKE GALENA ACCELERATED LAND TREATMENT PROG	PA	$116,100
CROOKED CK/LAKE WALLACE BIO-ASSESS	SC	$30,400
FIRESTEEL CK/LAKE MITCHELL WATERSHED	SD	$20,000
LAKE HENDRICKS WATERSHED	SD	$213,152
LAKE POINSETT WATERSHED PROJECT	SD	$20,000

TABLE 2.—CWA SECTION 319 PROJECTS WITH ''LAKES'' IN THE PROJECT TITLE OR IN THE WATER BODY TYPE: FISCAL YEAR 1998—Continued

Project title	State	Amount
RAVINE LAKE WATERSHED PROJ-PHASE II	SD	$20,000
SHADEHILL LAKE PROTECTION	SD	$20,000
STATEWIDE LAKE ASSESSMENT	SD	$20,000
OAK CREEK/LAKE TRAMMELL W Q PROJECT.	TX	$500,000
WQMP IMPLEMENTATION ASSISTANCE	TX	$878,926
PROJECT: SALT LAKE CO. SOURCE PROTECTION	UT	$20,000
LAKE WATERSHED ASSESSMENT AND MONITORING	WA	$128,619
LAKE WHATCOM W S—COOP DRINKING WATER PRO	WA	$48,000
WHEELING CK & MOUNTWOOD PARK LAKE	WV	$34,506
Total 1998		$4,715,451

NONPOINT SOURCE POLLUTION PROJECTS

Question. The EPA is requesting authorization for new flexibility to allow states to allocate up to 20 percent of their Clean Water State Revolving Fund for nonpoint source pollution projects. If this authorization is granted, how will EPA monitor the use of these funds and will there by any requirements for coordination with the USDA Natural Resources Conservation Service priority watershed areas under the Environmental Quality Incentives Program? Will the states have the flexibility to use the funding by either their agriculture department or their environmental agency?

Answer. EPA will monitor and track the use of the CWSRF nonpoint source and estuary management grant funds through the existing CWSRF National Information Management System (NIMS). Each year states submit data for NIMS regarding all loan activity and the types of projects funded. The additional grant flexibility will allow states to provide grant resources (not to exceed 60 percent of project costs) separately, or in combination with loans to make projects affordable. All proposed CWSRF activities are discussed in each state's annual Intended Use Plan (IUP), which describes the funds available and proposed projects. The IUP is made available to the public for comment. Actual CWSRF activities are described in Annual Reports as well as NIMS.

There are no requirements for coordination with USDA. However, under the Clean Water Action Plan, all States have developed Unified Watershed Assessments delineating their priority watersheds for restoration activities and are now working on specific Watershed Restoration Action Strategies for these watersheds. EPA and USDA are committed to work with States to target and mutually marshal all available funding that can help restore State priority watersheds, including CWSRF and EQIP funds.

The state agency designated to receive the CWSRF capitalization grant will receive the entire state allotment. Up to 20 percent of that allotment may be used for nonpoint source or estuary management grants, at the state's discretion. In most cases, state environmental agencies have direct responsibility for the CWSRF program and state agricultural agencies have a leadership role on EQIP. States do, however, have the flexibility to determine how to best use and coordinate these funds to meet their high priority agricultural nonpoint source needs. Projects that the Agricultural Department wants to fund would need to be included in the state's 319 Nonpoint Source Management Plan or 320 Estuary Comprehensive Conservation and Management Plan, as well as the CWSRF Integrated Priority List. Many state CWSRF loan programs have already developed partnerships with state Agricultural Departments to provide CWSRF loans for nonpoint source projects. For instance, Delaware, Minnesota, West Virginia, and Ohio work with NRCS to identify needed agricultural Best Management Practices, design projects, and develop cost estimates before making a CWSRF loan.

QUESTIONS SUBMITTED BY SENATOR HARKIN

ANIMAL WASTE: LIVESTOCK PERMITS FUNDING

Question. I am told that many states lack the personnel to make the regular inspections of large animal feeding operations that would be required for meaningful

environmental oversight under the Clean Water Act. What additional funding is EPA making available to states to implement the Administration's directives on livestock permits? What funding do you think could effectively be used in 2000?

Answer. In fiscal year 1999, the President requested and Congress appropriated a $20 million dollar increase in Clean Water Act (CWA) Section 106 grants for State and Tribal water quality program administration. The fiscal year 2000 President's Budget continues this grant increase. These additional funds can be used by States for programs including inspections to address concentrated animal feeding operations (CAFOs), which are regulated under the CWA permitting program. Also, EPA has awarded a $5 million dollar grant to America's Clean Water Foundation (ACWF). ACWF, working with the National Pork Producers Council, will train individuals to do environmental assessments of pork production facilities.

One of the actions in the Strategy is for EPA and USDA to develop a joint evaluation of the costs and benefits of this Strategy and the options that may be considered in developing revised CAFO regulations. Currently EPA is focusing on the C–B for the revised CAFO rules. We also plan to work with USDA to develop a joint evaluation of the Cost Benefits of developing and implementing Comprehensive Nutrient Management Plans (CNMPs). EPA and USDA are also working with our State partners on ways to coordinate our respective programs to achieve the needed water quality goals through proper manure management. In the near term, EPA and USDA will continue to support ways to use existing programs such as Section 319 (Nonpoint Source), Section 106 State Program Funds) and Environmental Quality Incentives Program (EQIP) to support implementation of the Strategy. At the same time, EPA and USDA expect that the private sector will provide key support for helping producers, both technically and financially, to ensure that the 1.37 billion tons of manure produced by AFOs is managed in a way that protects water quality.

ANIMAL WASTE: RESEARCH AND DEVELOPMENT TECHNIQUES FOR POLLUTION STANDARD

Question. The development of a new generation of management tools and technologies for handling manure at large-scale livestock operations is essential for environmental protection. I understand EPA is currently revising its effluent guidelines to specify the kinds of technological approaches livestock operations should use to limit water pollution. What funding is EPA making available for the research and development of a range of affordable technologies that will help livestock producers comply with stricter pollution standards?

Answer. EPA is funding studies to identify a new generation of management tools and technologies in support of the effluent guidelines regulation. Most of this work focuses on technology operating on a full-scale basis at existing animal feeding operations. The focus of the studies is to better understand the performance of some of these technologies and to quantify the costs to install, operate and maintain these technologies.

Through the Effluent Guidelines effort, EPA has contracted with North Carolina State University. They have provided EPA with expertise gained through their research at the Animal and Poultry Waste Management Center. Other studies being done by EPA to examine technology include:

—Evaluation of the economic and environmental feasibility of combustion of poultry litter for energy recovery on the Eastern Shore of the Chesapeake Bay. (3/99)

—Poultry waste incinerator pilot project in Maryland. (in process)

—Six-State Animal Waste Consortium (IN, IA, NC, MI, OK, MO) research. Since the proposals are currently being evaluated by a review panel, it is uncertain how many of them may deal with researching affordable technologies. (in process)

—Partial funding of a study in Texas evaluating the feasibility of a centralized manure processing facility for dairy waste. (9/98)

As part of the outreach and education effort that must follow the issuance of these revised regulations, EPA will provide guidance to the livestock producers regarding manure treatment and how to determine the best method for managing their manure to comply with the regulation.

ANIMAL WASTE: REGIONAL MECHANISM FOR MANURE MANAGEMENT

Question. I believe that in certain areas of the country, where livestock production is most concentrated, we need to establish regional mechanisms for treating and distributing manure and fertilizer products. A number of European countries have adopted this kind of approach, and I think it would relieve the burden on individual producers to adopt new treatment technologies and deal with excess manure. Is

EPA taking a solid look at what technologies are being used in Europe and elsewhere in the World that might be adopted in our country?

What is EPA doing to help states and local governments establish regional approaches to manure management and to provide information about some of the advanced technologies that are available? What research is EPA doing in this area?

Answer. EPA has met with representatives of European governments and companies conducting business in Europe and has become familiar with European programs, especially those employed in the Netherlands.

EPA agrees that regional mechanisms will be necessary for some areas to deal with excess manure, and will encourage businesses that attempt to establish these mechanisms. For example, EPA has evaluated the centralized incineration of poultry litter to generate electricity on the Eastern Shore of the Chesapeake Bay.

EPA's Region III, the Agency's representative at the Poultry Dialogue, has worked closely with the poultry industry and businesses interested in providing regional mechanisms for handling excess manure. Region III has worked with the poultry processors to encourage them to take a lead in identifying the technology that best suits their needs and the needs of their growers.

POLLUTION PREVENTION AND THE FEDERAL GOVERNMENT: BIO-BASED EPPS

Question. What has the EPA accomplished in moving forward towards increasing the government's purchase of bio-based EPPs, as required by the Executive Order?

Answer. Under Executive Order 13101, the USDA is responsible for issuing a bio-based products list, and the EPA is responsible for issuing guidance for Federal agencies to use in identifying environmentally preferable products. Bio-based products and environmental preferable are defined differently under the Executive Order. Our objective is to identify areas of overlap that can benefit both efforts.

For example, in developing the guidance on environmentally preferable products, we are identifying rapidly renewable bio-based products in our category of products with positive environmental attributes. In working with NIST on life cycle assessment decision support software, we are evaluating product categories that include bio-based alternatives.

In addition, there are federal pilot projects underway or being planned in 17 product categories. 12 of those categories have bio-based alternatives. They include:

—printing, where the products include soy-based inks and bio-based press cleaners;

—alternative fiber paper, made from annual crops (e.g., kenaf) or agricultural waste (e.g., wheat, rye, or rice straw) which would have been burned;

—degreasers, where aqueous-based solvents serve as alternatives to halogenated solvents in parts washing.

We are actively seeking opportunities to further the federal goals of promoting bio-based products in our environmentally preferable purchasing efforts.

Question. What are the barriers that EPA sees in aggressively implementing Executive Order 13101 and moving the government towards bio-based EPPs?

Answer. The most significant barrier is the lack of infrastructure to support and sustain environmentally preferable purchasing. Our new emphasis on pilots, especially those enlisting traditional voluntary standard setting organizations (like Underwriters Laboratories and the National Sanitation Foundation) to help develop environmental standards, is aimed at building the critical infrastructure at reduced cost to the government.

New EPP tool development contributes to infrastructure, as well. We are developing a series of tools for federal purchasers, including a training program, a database of existing environmental standards, and an assessment tool to incorporate life cycle considerations in procurement decisions (developed by NIST). We are trying to build this program as much as possible upon existing private sector capabilities and expertise.

Competing goals have been an obstacle. Procurement officials have struggled to reconcile environmentally preferable purchasing with the goals of procurement reform and there have been sharp conflicts over trade and environmental concerns. In addition, industry has generally opposed efforts to make environmental impacts of products another factor on which they must compete.

Question. The Committee provided an additional $1 million for this initiative in the fiscal year 1999 budget. How are those added funds being used?

Answer. The primary use for these funds will be to engage voluntary standard setting organizations in developing environmental standards and in developing tools to train and provide environmental information to federal procurement officials. The funding break out is as follows:

Pilots ($405K)

The National Technology Transfer and Advancement Act of 1996 obliges the federal government to utilize standards and processes developed by voluntary consensus-based organizations. We are drawing on the private sector's capacity to develop environmental standards, as they have for performance and safety, with this mandate. In particular, we are looking to the traditional standard-setting organizations which operate on voluntary and consensus basis.

We recently published a Federal Register notice soliciting private sector involvement in identifying environmentally preferable products and services. Several organizations, including Underwriters' Laboratories, the National Sanitation Foundation, and ASTM, are very interested in this effort and we anticipate that they will move forward with developing environmental standards for one or more product categories. Although this approach is still in the beginning stages, we have received very positive reception from stakeholders in federal agencies, in congressional offices, and in some environmental organizations.

Tools to reach procurement officials ($310K)

We are developing tools for procurement officials, to help them understand how to bring environmental factors into purchasing decisions. We are supporting the development and refinement of the National Institute of Standards and Technology (NIST)'s life cycle assessment software which measures the environmental and economic performance of building products. We are also developing a series of tools to help federal purchasers understand the concepts of environmental preferability and to facilitate access to available environmental standards about products from a variety of sources. These tools, which will be accessible through the EPP web-site in May, are anticipated to be integrated into the Federal Acquisition Institute's training for procurement officials.

Outreach ($235K)

Outreach includes case studies, the EPP Update Newsletter, outreach to federal agencies, and the EPP website.

Coordination ($50K)

Coordination includes funds for Office of Federal Environmental Executive, and support for the "summit" meeting of state/local/federal green purchasing programs.

RADON STANDARDS: AIR MITIGATION-TECHNICAL ASSISTANCE TO SMALL WATER SYSTEMS IN RURAL AREAS

Question. EPA is moving forward with a drinking water standard for radon which is usually associated with air pollution.

I understand that EPA is looking at a set of standards that may set two different levels depending on whether a water system is also engaged in a mitigation program to reduce radon levels in the air. Clearly, air mitigation is a new area for water systems. I believe they would need considerable technical assistance, particularly for our smaller systems in rural areas.

If EPA moves ahead with such a dual standards system, what kinds of support do you think would be appropriate to provide for smaller water systems? What do you estimate would be an appropriate annual cost of such a federal effort?

Answer. The radon rule will be one of the first to follow the new cost-benefit analysis requirements of the 1996 Amendments to the Safe Drinking Water Act (SDWA) and will be based on an innovative framework designed to provide flexibility in risk reduction. The statute provides for a Maximum Contaminant Level (MCL) as well as an alternative (higher) Maximum Contaminant Level (AMCL) coupled with a multimedia mitigation program to reduce radon in indoor air from soil gas. If EPA promulgates an MCL "more stringent than necessary to reduce the contribution to radon in indoor air from drinking water to a concentration that is equivalent to the national average concentration of radon in outdoor air," SDWA requires the Agency to establish an AMCL. The level of the AMCL is thus linked to the average outdoor radon level.

If an AMCL is established, EPA must publish guidelines for state multimedia radon mitigation programs. States may develop (and submit to EPA for approval) a multimedia mitigation program to mitigate radon levels in indoor air. EPA must approve state multimedia mitigation programs if they are expected to achieve "equal or greater health risk reduction benefits" than compliance with the MCL alone. If EPA approves a state multimedia mitigation program, public water supply systems within the state may comply with the AMCL. If states elect not to develop multimedia mitigation programs, public water systems may develop their own such programs and submit them to EPA for review and approval.

We do not expect that State multimedia mitigation programs will require that water systems be responsible for any more than meeting the AMCL for radon in drinking water. Systems must, however, provide information to their customers (through the Consumer Confidence Reports) regarding whether they are meeting the MCL or the AMCL. Other entities within the state will need to implement programs for the reduction of radon in indoor air which comes from soil gas, as is the case with the current voluntary state radon-in-air reduction programs. We expect that many states will consider and adopt state multimedia mitigation programs, thereby obviating the need for public water systems to consider doing so independently. Until states make decisions regarding whether or not to implement multimedia mitigation programs, and until water systems consider their own options, it is difficult to estimate what kinds of, and how much, support will be appropriate to provide for the needs of smaller water systems. Under any circumstance, however, EPA plans to provide both financial and technical assistance to aid in the implementation of this rule. In addition, states are authorized to use up to 2 percent of their annual Drinking Water State Revolving Fund capitalization grant to provide technical assistance to systems serving 10,000 or fewer people.

RADON STANDARDS: INCREASED COSTS FOR RADON ABATEMENT IN WATER

Question. I am told that there are about 160 deaths associated with radon in water compared to 15,000 to 20,000 from air borne radon. This is according to a 1998 National Academy of Sciences Report.

I am also told that the annualized cost of radon abatement in water is estimated to be about $24 million nationwide per year on average to meet a 4000 pico-curies per liter standard. It rises to $100 million at a 1000 pico-curies standard and $800 million at a 100 pico-curies standard. Is that correct?

Answer. The estimated annual costs of radon abatement mentioned above, are drawn from EPA's Health Risk Reduction and Cost Analysis (HRRCA). The HRRCA was published in the Federal Register in February 1999 as required by the 1996 Amendments to the Safe Drinking Water Act (SDWA). The 4000 pico-curies per liter standard is the standard that will be proposed as the alternative Maximum Contaminant Level (AMCL) and is based on the recommendations contained in the National Academy of Sciences (NAS) report, referred to above. The 1996 SDWA Amendments require that if EPA promulgates a Maximum Contaminant Level (MCL) "more stringent than necessary to reduce the contribution to radon in indoor air from drinking water to a concentration that is equivalent to the national average concentration of radon in outdoor air," the Agency must establish an AMCL. The other two standards listed above reflect a range within which an MCL will most likely be established.

We believe the opportunity to realize equal or greater human health protection at lower cost from reducing radon in indoor air was the principal motivation for the option developed by Congress in the 1996 SDWA Amendments, which provide for the AMCL and multimedia mitigation alternative. We support this approach and will reflect this in the regulation, supporting guidance, and in technical assistance to states and public water systems.

RADON STANDARDS: EFFECT OF RADON RULE

Question. Will the likely radon rule create a situation where we will be forcing water systems and their customers to spend large sums in order to bring the danger of drinking water to a point far below that of breathing regular outdoor air?

Answer. It is likely that the Maximum Contaminant Level (MCL) will create a standard that will result in radon levels from drinking water in indoor air below the national average concentration of radon in outdoor air. To address this possibility, the 1996 Safe Drinking Water Act (SDWA) Amendments require that if EPA promulgates an MCL "more stringent than necessary to reduce the contribution to radon in indoor air from drinking water to a concentration that is equivalent to the national average concentration of radon in outdoor air," the Agency must establish an Alternative Maximum Contaminant Level (AMCL). The level of the AMCL is linked to average outdoor radon levels. The AMCL coupled with a multimedia mitigation program to reduce radon in indoor air from soil gas is designed to provide a less costly alternative for mitigating radon in indoor air while still providing effective public health protection. We support this approach and will encourage states to develop multimedia mitigation programs that will enable the water systems in their states to meet less stringent and more cost effective AMCL. Individual water systems have the option of developing multimedia mitigation programs in the event that states elect not to do so.

RADON STANDARDS: IMPACT OF RADON REDUCTION ON SMALL WATER SYSTEMS

Question. Coming from Iowa, I have a special concern for the impact on small systems. And, for small systems the costs can be very high indeed. While the cost of radon reduction might be $6 per person in New York, it would be $20 in Des Moines and $34 in a system with a couple thousand users. For the smallest systems the costs really escalate further going to well over $300 per user for systems with fewer than 100 people. And there are a great many systems like that in Iowa.

I know you cannot give a figure for what is the maximum sum that should be spent. But, I want to know if this subcommittee can have your commitment that you will take personal care to establish standards for systems that consider the real economic realities of smaller systems?

Answer. The Administration and EPA are committed to establishing standards that fully consider the real economic realities of small public water systems. We are acutely aware of the fact that, due in large part to poor economies of scale, regulatory costs per household dramatically increase for the smaller public water systems. Among other steps aimed at fully considering the concerns of small public water systems, we convened a panel under the terms of the Small Business Regulatory Enforcement and Fairness Act (SBREFA) in which we specifically discussed and reported on small entity concerns. This report will be a part of the supporting documentation accompanying the proposed rule. This panel process was informed by several meetings that we conducted with approximately 20 representatives of small drinking water utilities from around the country. One specific output of that process will be an identification in the proposed regulation, and supporting guidances, of affordable and simple-to-operate water treatment technologies for small systems.

As mentioned in our response to some of your related questions on the radon provisions of the 1996 Amendments to the Safe Drinking Water Act (SDWA), we also think the most economical and cost-effective means of compliance with this regulation, in general, will be for small systems to meet the higher, alternative Maximum Compliance Level (AMCL).

QUESTIONS SUBMITTED BY SENATOR BYRD

NO_X SIP CALL: IMBALANCE BETWEEN CONTROL BURDEN AND NONATTAINMENT

Question. On September 24, 1998, the EPA signed the regional nitrogen oxide state implementation plan (NO_X SIP Call) requiring substantial reductions in emissions of nitrogen oxides from various stationary sources in 22 Eastern states. The allocation of the emission reduction burden appears to be inequitable and clearly in conflict with the alleged purpose of the rule, which is to assist downwind states in attaining ozone standards. The burden placed on states like West Virginia is extremely high compared to many of the Northeastern states. Given the fact that the EPA itself has acknowledged that local source controls are more effective at reducing ozone than reductions made at sources hundreds of miles away, how can you justify this clear imbalance between the imposition of the control burden and the need to address remaining nonattainment problems?

Answer. As you may be aware, the United States Court of Appeals for the District of Columbia Circuit has recently issued two opinions that may impact the NO_X SIP Call. On May 14, 1999, the court issued an opinion regarding the ozone and particulate matter air quality standards that EPA revised in July 1997. American Trucking Associations v. EPA, Nos. 97–1440, 97–1441 (D.C. Cir.). We disagree with this decision and are recommending that the Department of Justice take all necessary legal steps so that these important public health protections may move forward. On May 24, 1999, the court stayed the September 30, 1999 SIP submittal date for the NO_X SIP call pending further court action. *State of Michigan* v. *EPA*, No. 98–1497 (D.C. Cir.). We are currently analyzing the impact of these opinions on several of our air quality programs, including the NO_X SIP Call. We hope to have a more complete picture of the impacts in the near future.

By way of background, the EPA worked in partnership with the 37 easternmost States and the District of Columbia, industry representatives, and environmental groups to address ozone transport. From May 1995 to June 1997, the Ozone Transport Assessment Group (OTAG) held meetings to identify and evaluate strategies for reducing long-range transport of ozone and ozone precursors. This planning body was brought together in recognition that ozone is not only a local issue, but must be addressed as a regional problem. This multi-year collaboration resulted in the most comprehensive analysis of ozone transport ever conducted.

The OTAG and EPA modeling analyses indicate that upwind emissions from States such as West Virginia contribute significantly to downwind nonattainment

problems. As a result, upwind emitters contribute to unhealthful levels of ozone. It was EPA's judgment when it issued the NO_X SIP call that upwind States should reduce at least the portion of their emissions for which cost-effective controls are available. Further, it should be recognized that the major urban nonattainment areas have been required to incur control costs for ozone precursors since the early 1970's. These controls have already led to substantial reductions in ozone levels. In addition, EPA has reviewed the status of the northeastern States' efforts to comply with the requirements of the 1990 Clean Air Act Amendments and has found that these States have completed the vast majority of the SIP submission requirements. In cases where those States have not made the required submissions, they are subject to sanctions under the Clean Air Act.

NO_x SIP CALL: ANALYSIS OR STUDIES ON IMPACT OF INDIVIDUAL AIR QUALITY

Question. In the past two years, the EPA has promulgated four major new regulatory requirements and has focused much attention on the electric utility industry to achieve the air quality goals set forth in them. These rules include: (1) a new national ambient air quality standard for ozone; (2) a new national ambient air quality standard for fine particulates (PM 2.5); (3) the NO_X SIP call in 22 Eastern States; and (4) a regional haze rule designed to improve visibility in national parks, forests, and wilderness areas. In addition, the EPA is in the process of finalizing a new rule to reform the existing New Source Review regulatory program affecting existing sources of power generation. The cumulative affects of these actions, if they withstand judicial review, will be to drive up the cost of electricity and force the premature retirement of some existing plants. These policy objectives clearly appear to be in conflict. It is troubling to me that these air quality issues are seemingly being addressed with little regard for the associated economic, energy supply, and national security implications associated with their intended implementation. Has the EPA done any analyses or commissioned any studies to determine how these individual air quality regulations will cumulatively impact specific states of industries and their ability to comply with these regulations?

Answer. As mentioned previously, the United States Court of Appeals for the District of Columbia Circuit has recently issued two opinions that may impact various air quality programs, including some of the ones you mention. The answer that follows does not reflect how these decisions may impact our programs, which we are currently analyzing.

In response to your specific question the EPA has conducted several studies which addressed the rules identified in the question and the electrical power generation sector. These included the Clean Air Power Initiative Study, 1996; the Regulatory Impact Analyses for the Particulate Matter and Ozone National Ambient Air Quality Standards and Proposed Regional Haze Rule, 1997; the Regulatory Impact Analysis for the NO_X SIP call, 1998; and, the Regulatory Impact Analysis for the Final Regional Haze Rule, 1999.

These assessments are designed to look at the incremental effects of separate but related rule makings. The results of these analyses illustrate the complementarity amongst the related rules. Since ozone and particulate matter share some of the same precursor gases, control strategies designed to reduce emissions of these precursors can lower ambient concentrations of both pollutants. Also, because of the interrelationship between these pollutants and their precursors, strategies aimed at meeting the national ambient air quality standards (NAAQS) for both pollutants will also improve visibility at mandatory Federal Class I Areas. For example, the Final Regulatory Impact Analysis for the Regional Haze Rule found that mandatory Federal Class I areas in the Midwest/Northeast and Southeast met or exceeded a variety of illustrative reasonable progress goals through 2018 as a result of strategies targeted at the particulate matter and ozone NAAQS. Hence, although we have issued multiple rules responding to different mandates, the impacts are not necessarily additive.

Although the EPA has not done a cumulative assessment, the aforementioned economic studies do address the energy supply and economic considerations. In fact, the Department of Energy is part of the interagency review process for the Regulatory Impact Analyses. But, there are limits to these as well as cumulative impact studies especially given the discretion the States have in designing State implementation plans, emission management strategies, and reasonable progress goals for Regional Haze. Such caveats are noted in the various Regulatory Impact Analyses.

In addition, EPA has conducted extensive analyses of the impacts of the NO_X SIP call. The Agency assumed only cost-effective and technically feasible NO_X controls when developing the State budgets and supported those assumptions with analyses in the docket. In the Agency's report, Analyzing Electric Power Generation Under

the CAAA, EPA investigated the impacts of the control levels assumed in the SIP call on the electric generation sector and found controls of .15 lb/mmBtu were cost-effective (about $1500/ton). In the Agency's report, Feasibility of Installing NO_X Control Technologies by May, 2003, EPA looked specifically at the ability of the electric generation sector to install control technologies in the time frame required by the NO_X SIP call and found that this sector should be able to comply with the regulations. In addition, the Agency examined the impacts of a section 126 rulemaking or a Federal Implementation Plan on small entities as well as municipally-owned entities.

NO_x SIP CALL: NO_x REDUCTIONS COMPLIANCE DEADLINE

Question. The electric utility industry and several states have raised concerns about the ability to comply with very stringent NO_X reduction requirements in a very short time frame without threatening the reliability of electrical supply in the affected and neighboring states. Midwestern electric utilities will have to take many of their facilities offline to install new NO_X controlling technologies under the NO_X SIP Call. This could place additional pressures on the electricity grid because the seasonal window for installing these technologies is limited so as not to disrupt the power supply during high demand periods. Given these limited time frames, the North American Electric Reliability Council is preparing a comprehensive report to assess this issue. If it should determine that the compliance deadline poses a certain threat to the reliability of electricity, will the EPA be willing to extend the compliance deadline to alleviate this problem?

Answer. As mentioned previously, the United States Court of Appeals for the District of Columbia Circuit has recently issued two opinions that may impact various air quality programs, including the NO_X SIP Call. The answer that follows does not reflect how these decisions may impact our programs, which we are currently analyzing.

In response to your particular question the EPA looked thoroughly at the issue of threats to the reliability of electricity in developing the NO_X SIP Call compliance dates and found that reliability problems should not emerge. See Feasibility of Installing NO_X Control Technologies by May, 2003, EPA, September 1998. However, in response to concerns about the potential effects of the rule on the availability of electricity, the final rule creates an additional pool of emission credits for each State to use. States may issue the emissions credits to sources that achieve their emission reductions earlier than required or to sources that demonstrate a need for relief from the compliance deadline.

The North American Electric Reliability Council (NERC) raised the NO_X SIP Call as a concern for the future in its 10-Year Reliability Assessment report last fall in the executive summary. Two other studies, one by a section of NERC, the MAIN region, and a second by M.J. Bradley and Associates, did not find that the SIP call would cause a reliability problem.

The Ozone Transport Assessment Group (OTAG) that worked together for two years to address the ozone transport issue was a partnership of the 37 easternmost States, the District of Columbia, EPA, environmental groups, and industry representatives, including the utilities industry. EPA has worked with the utilities industry in this and other capacities and will continue to work with utilities to develop and implement cost-effective pollution controls without compromising the industry's ability to provide service to its customers.

EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL ON ENVIRONMENTAL QUALITY AND OFFICE OF ENVIRONMENTAL QUALITY

STATEMENT OF GEORGE T. FRAMPTON, JR., ACTING CHAIR

Senator BOND. In order to accommodate Senator Craig, we will now call Mr. Frampton up and ask him to begin with a—if you would a summary of your opening statement as briefly as possible and we will then turn to Senator Craig. We welcome you to the committee.

We are in the home stretch. Mr. Frampton, welcome before this committee.

Mr. FRAMPTON. Mr. Chairman, thank you for the opportunity to appear before you and to present the President's proposed budget on environmental quality. Since I have not worked with this subcommittee in my 4 years with the Interior Department, I've tried to get around to see each person personally before this hearing. I did not succeed in this but I hope to be able to succeed in doing that in the coming week, those members I did not get to see before.

I have submitted a written statement. You have our budget justification. Since I know that you and Senator Craig want to get to questions, let me just take a minute to summarize. We are asking for an increase for fiscal year 2000 of $345,000 for a total amount of $3,020,000. It is the same we asked for last year and the year before.

The principal need that I see, as the new acting chair here since November, is to have a few more staff people to work on issues that relate to building partnerships between Federal agencies and stakeholders and partnerships between Federal agencies and State and local governments not only in the administration of environmental impact statements and reviews, but in just seeing that the Federal family speaks with one voice and works with State and local government. Two examples, Mr. Chairman, and then I will conclude.

There was some discussion this morning about the Food Quality Protection Act. That is an example of a situation in which Congress passed really a landmark statute. Tremendous opportunity is there to improve health. But after it passed, people realized what some of the ramifications were for manufacturers and for people who grow the produce. And CEQ was instrumental in making sure that EPA and the U.S. Department of Agriculture could get together and create a process that would give the folks who were regulated and who would grow the products some sense that it would be based on science and it would be rational.

I am sorry that last week some of the environmental folks walked away. I think we are going to go ahead and do this right

and I think CEQ is a part of that. I hope we will be successful in the future and I hope those people come back.

The second example is last fall the Governors of Oregon, Washington, California and Alaska wrote to the Vice President asking that the Government set up a coastal salmon fund, the money going directly to the Governors and the Tribes to help them deal with salmon restoration challenges. There is a proposal in the President's budget fiscal year 2000 to do that. They asked that we make sure that the money got to the Governors with a minimum of paperwork and rules but that there was a system for accountability.

PREPARED STATEMENT

These are the kinds of issues that I think CEQ is uniquely well positioned to work on. It is for these kinds of programs that we are asking for a budget increase. With that, Mr. Chairman, I hope to answer any questions.

[The statement follows:]

PREPARED STATEMENT OF GEORGE T. FRAMPTON, JR.

Mr. Chairman, Senator Mikulski, members of the Subcommittee: I am pleased to appear before you today to testify on behalf of President Clinton's fiscal year 2000 budget request for the Council on Environmental Quality (CEQ) and the Office of Environmental Quality (OEQ) (hereinafter collectively referred to as CEQ). The President's request is the same as in fiscal year 1999—$3,020,000 and 23 Full Time Equivalent (FTE) staff positions, an increase of $345,000 over CEQ's enacted fiscal year 1999 budget. The increased budget request reflects the President's ongoing commitment to a CEQ that fully satisfies its statutory obligations under the National Environmental Policy Act (NEPA).

Before outlining for you some of CEQ's major accomplishments this past year, and our objectives for the coming year, I would like briefly to describe our agency, the role it plays in the Federal family, and how we have defined our mission under the leadership of President Clinton.

CEQ was created by the Congress in 1969 with strong bipartisan support amid growing concern about the state of our environment. NEPA, the statute that established CEQ and defined its goals and responsibilities, is truly a landmark law. It declares it to be the policy of the Federal government "to use all practicable means and measures * * * to create and maintain the conditions under which man and nature coexist in productive harmony, and fulfill the social, economic, and other requirements of present and future generations of Americans." CEQ strives to serve those ends in a number of ways. The agency advises and assists the President in developing environmental policies and legislation; assesses and reports on trends in environmental quality and recommends appropriate response strategies; coordinates the environmental activities of all federal agencies and departments; fosters cooperation among federal, state and local governments, the private sector and the public; oversees agency implementation of the environmental impact assessment process; and mediates disputes regarding the adequacy of such assessments and the policy judgments inherent in them.

This is an ambitious portfolio for a small agency, and one of utmost importance to our Nation. Twenty-nine years after Congress so wisely sought fully to integrate environmental concerns into federal decision making; our challenges have grown only more daunting, and the need for innovative solutions all the more imperative. Our actions are guided by three core principles. First—and this is clear in the very words of our authorizing statute—our goal is not to balance the environment and the economy as if they are competing interests, but rather to demonstrate their fundamental interconnection. The choice between the economy and the environment is a false one. The economy and the environment can and must go hand in hand. Second, we must move beyond the chronic conflict that too often characterizes environmental decision making and forge collaborative approaches that meet our common needs. And third, we must devise innovative, common sense solutions that achieve the greatest protection for our environment while minimizing the burden on taxpayers and the regulated community.

I am pleased to report that CEQ has made great strides in advancing these principles, both as we carry out our day-to-day responsibilities and through focused efforts to reshape federal environmental programs.

CEQ is working to reinvent the way government goes about protecting our environment. For instance, CEQ has helped forge public-private partnerships to protect water quality through incentives to landowners and to produce the cutting-edge technology that will triple the fuel efficiency of the American car. We are encouraging collaborative efforts to protect habitat before species become endangered and to avoid future flood damage by offering communities a range of options in preparing for and responding to floods. We are promoting job creation through support for the $180 billion-a-year environmental technology industry. We are working with federal agencies to streamline regulations and environmental reviews, saving precious time and taxpayer dollars. And we helped formulate the Administration's climate change policy, which would harness market forces to achieve cost-effective reductions in greenhouse gas emissions.

CEQ is working to break gridlock and resolve longstanding disputes. For instance, CEQ intervened to resolve a ten-year impasse among federal resource agencies, state environmental agencies, and a local development agency concerning the development of a Special Area Management Plan for the Hackensack Meadowlands in Northern New Jersey. We are hoping to conclude this process, and to develop a better model for comprehensive wetlands planning that provides certainty to the regulated community and closer partnership with state regulators, while enhancing environmental protection.

CEQ is working to formulate comprehensive policy and coordinate the environmental actions of all federal agencies. For instance, CEQ coordinated land acquisition strategy with regard to the Everglades restoration, including closing on the transaction involving the Talisman tract in the Everglades Agricultural Area; helped to develop the Administration's initiative to reduce environmental health and safety risks to children; and oversees a series of initiatives to harmonize our environmental policies as they affect America's farmers and ranchers.

CEQ provides an institutional avenue to address special needs and concerns that cannot be addressed in a timely manner without the discipline and focus that CEQ can bring to the process. Recently, Representative Lowey asked to expedite an interagency process because the opportunity to dredge Mamaroneck harbor would have been lost if decisions had been delayed past the first of the year. Just last week, we helped Governor Vilsack resolve disputes among Federal and State agencies concerning permits for the urgently needed closing of agriculture drainage wells in Iowa.

Finally, CEQ is working to restore and preserve precious environmental values for future generations of Americans. Over the past year, we have played a critical role in efforts to protect Yellowstone, the Everglades, and our oceans.

In fiscal year 1999 CEQ has an approved level of 23 FTE positions. This staffing level is below the total allowed by the fiscal year 1993 enacted level, which itself was less than half the historic peak for the agency. I believe the fiscal year 2000 budget request will permit CEQ to fulfill its statutory requirements and make continued progress toward the goal of common sense, cost-effective environmental protection.

PARTNERSHIP PROGRAM

In the fiscal year 2000 budget request, CEQ is proposing additional funding to enhance its ability to assist federal departments and agencies in responding to requests from states, metropolitan and local governments, and businesses for partnership opportunities. For example, the Administration's fiscal year 2000 budget proposes funding:

—to promote smart growth, where local governments have already developed plans and are seeking federal partners;
—to protect open space including greenways in urban, suburban, and near-urban areas;
—to promote the retention of agricultural land near expanding residential areas in traditional agricultural use;
—to protect sensitive habitat in the context of metropolitan, regional, and ecosystem planning; and
—to clean up and restore bays, estuaries, and rivers.

These programs pose new partnership opportunities, but additional potential challenges for CEQ.

The President's budget proposals provide the resources that state and local governments and community leaders need to advance local and regional initiatives for

environmental protection in partnership with the Federal government. Building more effective partnerships increases the need for the leadership and discipline CEQ can bring to issues that involve numerous agencies with very different missions. This is illustrated by our involvement in our ongoing major partnerships which include the following: the Natural Communities Conservation Planning process in which Orange, San Diego, and Riverside Counties in southern California are doing comprehensive planning with cities, real estate developers, environmentalists, businesses and scientists and the federal government to avoid future Endangered Species Act and Clean Water Act mandates; Everglades Restoration; the use of Habitat Conservation Plans (HCPs) with timber companies in the Southeast and Northwest; restoration of the San Francisco Bay-Delta (CALFED); a recent Utah land purchase; and the protection of Sterling Forest in New York and New Jersey.

We believe that there are additional opportunities for more effective partnership. This new partnership approach could foster many additional opportunities. For example:

The Governors of California, Oregon, Washington and Alaska and the tribes have asked for new federal funding for coastal salmon restoration plans to be developed and implemented by the States, and have also asked for federal coordination by the Acting Chair of CEQ to ensure that the federal agencies are working together in a partnership with the state on these important plans. The Executive of King County and the mayors of Seattle and other cities around Puget Sound have asked for a similar effort to assist their MetroSmart Growth Initiative in a way that also helps them and major businesses in the area recover salmon as well as preserve open space and plan urban and suburban densities.

In northern New England, bipartisan legislation has been introduced seeking federal funding, technical assistance, and coordination to allow the states (and nonprofits) to purchase easements protecting the working forests from development and pollution. This legislation would advance the overall goal of preserving the quality of rivers, the working forests, timber-dependent communities, open spaces, and access to recreation for millions of Americans—not only those of the region but those within a day's drive of these vast forests.

As issues of watershed degradation, loss of open space and agricultural land, and sprawl attract the attention of more Americans as a premiere "quality of life" issue, urban metropolitan and state governments which bear the principal responsibility for addressing these issues are seeking federal funding, federal technical assistance, and limited strategic use of federal mandates to make their jobs easier (or, in some cases, remove federal barriers to solutions).

Only CEQ in many cases can provide the coordinated federal agency response that is helpful in forging these partnerships. No single individual at CEQ is tasked to respond to these initiatives. We believe that a program allowing us to devote a senior staff member to undertake such efforts will pay countless dividends to state and local government and their business and environmental partners.

ACCOMPLISHMENTS OF THE COUNCIL ON ENVIRONMENTAL QUALITY

Over the past year we have endeavored to live up to the promise of NEPA—exercising fully our responsibility to coordinate policy and resolve disputes, advancing a new way of doing business, promoting consensus-based decisions, providing advice and guidance, responding to emergencies and resolving interagency disputes as early as possible, thus avoiding the need for more formal, time-consuming processes. We also have worked very hard to respond to matters raised by the Congress last year. This portion of my testimony will report on some of our achievements during the past year and on some projects that we hope to accomplish in the coming year.

STATUTORY INTEGRATION

CEQ is identifying sites for pilot projects that integrate compliance requirements under a range of statutory authorities and programs. The purpose of this effort is to develop local, on-the-ground models of comprehensive environmental planning that build on the objectives and principles explored by the Center for Strategic and International Studies (CSIS), the National Academy of Public Administration, the Keystone Center, and others (see The Environmental System in Transition: Final Report of the Enterprise for the Environment (CSIS 1998)). Ideally, these models would provide more effective resource protection strategies while offering greater certainty and flexibility to the regulated community. In many cases, initial planning done under the Endangered Species Act, particularly for HCPs, can be the building block or the model for more comprehensive strategies that employ a "no surprises" approach incorporating a broader array of statutory requirements. The following examples suggest promising areas for this approach.

Pacific Northwest.—Successful coordination among Federal, state, and tribal resource agencies to respond to threatened and endangered salmon has established framework for regional coordination under the Endangered Species Act and the Clean Water Act. An integrated approach would expand this model to integrate remedial work under Superfund and the Natural Resource Damage programs and offer expedited resolution of compliance and restoration issues for responsible parties.

Southern California.—Dairy producers in the Santa Ana Watershed have asked for CEQ's assistance in integrating agricultural and clean water requirements in the area. Residents in Irvine and Newport, California, have asked for CEQ's assistance in expanding their Natural Communities Conservation Plans (HCPs in Orange County and San Diego County) under the Endangered Species Act (administered by the Department of the Interior and the National Oceanic and Atmospheric Administration) to incorporate a comprehensive wetlands management plan under the Clean Water Act (administered by the Army Corps of Engineers and the Environmental Protection Agency (EPA)).

DISPUTE RESOLUTION

CEQ is a mediator between agencies and our efforts often prevent stalemates and litigation.

The U.S. Institute for Environmental Dispute Resolution, established by Congress in 1998, is open for business in fiscal year 1999. The Institute is authorized to resolve environmental disputes among federal agencies or between a federal agency and a non-federal party, as well as offering training and other services associated with alternative dispute resolution. Congress placed the Institute under the auspices of the Morris K. Udall Foundation, which was established in 1992 as an independent agency of the Executive branch and is governed by a Presidentially-appointed, Senate confirmed board. Because the Institute's role is linked to the NEPA and CEQ's role in interagency dispute resolution, Congress made CEQ an ex officio member of the Udall Foundation Board when it created the Institute. In that role, CEQ has been helping to advise the leadership of the Institute as it establishes its program. In addition, under the authorizing legislation, CEQ must concur in federal interagency disputes being referred to the Institute.

CEQ worked with the Idaho Congressional Delegation to ensure that the Air Force and the Bureau of Land Management worked together to provide a streamlined and efficient NEPA analysis upon which to base a decision on the Idaho Bombing Range. Further, CEQ worked with the Congressional delegation to provide sufficient mitigation measures to ensure the habitat for the bighorn sheep and other sensitive species was preserved.

A large number of the nation's hydropower facilities will be under consideration for relicensing by the Federal Energy Regulatory Commission (FERC) in the near future. These relicensing processes involve consideration of a number of environmental issues within the expertise and jurisdiction of a variety of Executive Branch agencies including the Departments of Agriculture (USDA), Commerce, Interior and the EPA. CEQ is working with a team of all agencies involved in the relicensing process including the FERC to ensure consistency and efficiency of consideration of environmental issues during the relicensing process.

CEQ has worked with the Departments of Defense, Transportation, and the EPA, and interested Members of Congress to address serious public health, environmental, and worker safety concerns that have been raised in connection with export of surplus vessels for scrapping by overseas scrapping yards. This work culminated in an Administration decision (September 23, 1998) to extend for one year an initial moratorium on overseas ship-scrapping while agencies work to identify opportunities to scrap surplus vessels under appropriate safeguards in U.S. yards. CEQ will continue to oversee implementation of the directive as well as to decide any requests for exceptions.

CEQ managed an interagency team including the Federal Aviation Administration, Department of Interior, National Park Service and Department of Transportation to craft a solution to the contentious issue of parks overflights. This effort culminated in issuance of final rules governing overflights in Grand Canyon and Rocky Mountain National Parks published on October 31, 1997, which balanced the needs of aircraft operators with those who prefer maximizing quiet in those parks. Administration work continues on additional aspects of the Grand Canyon issue including drafting of new flight corridors. In addition, CEQ coordinates the ongoing work on a national rule to provide general guidance to those grappling with these issues in other parks, as well as to interagency efforts to ensure that any regulation of overflights deemed necessary is streamlined, efficient, and fair to all concerned.

An advisory group of stakeholders established as part of this interagency effort to assist the agencies has produced a template for this rule that also has been a model for legislative initiatives to address this issue.

POLICY COORDINATION

As mandated by the National Environmental Policy Act, CEQ's role is to advise the President on environmental policy matters and coordinate activities of the federal agencies and departments with regard to environmental matters that cross agency jurisdictional lines. In the past year, CEQ has played a role in the development and coordination of policies that have more effectively integrated environmental, economic, and social objectives into federal decision making. Outlined below are a few recent efforts undertaken by CEQ.

CEQ has coordinated the federal response to the environmental threat and public health concerns associated with Pfiesteria piscicidia, the organism linked to massive fish kills in Maryland, North Carolina, and Virginia. After pfiesteria outbreaks resulted in closure of several Chesapeake Bay tributaries in the summer in 1997, CEQ organized the work of federal agencies to provide affected states with needed federal support, ensuring that federal resources were deployed effectively and wisely. CEQ has been monitoring the work of involved federal agencies through regular meetings to develop a coordinated research strategy and to ensure that other steps are closely coordinated and responsive to the states. CEQ also worked directly with Congressional offices to arrange briefings for the delegations of affected states to keep Members fully informed concerning the Administration's efforts. On August 6, 1998, Chief of Staff Erskine Bowles announced targeted support for North Carolina in response to a significant pfiesteria outbreak in the Neuse River. CEQ coordinated this response.

CEQ continues its work with EPA and USDA, the co-chairs of the Clean Water Action Plan announced by President Clinton on February 19, 1998, to coordinate the efforts of all of the federal agencies in addressing the second generation of water quality protection under the Clean Water Act. Through the Action Plan, CEQ is developing and supporting a series of locally-led water quality initiatives, beginning with the Administration's Seacoast Estuary initiative in New Hampshire, which will cut in half the time required to reopen shellfish beds that have been closed by polluted runoff.

CEQ has overseen a series of initiatives to harmonize our environmental policies as they affect America's farmers and ranchers. CEQ has worked with USDA to focus conservation programs on environmental goals. CEQ developed the Administration's process for ensuring that agricultural groups and other affected constituencies are effectively heard as EPA implements tougher public health protections under the Food Quality Protection Act. CEQ is coordinating the work of the White House Wetlands working group on a new policy for wetlands delineation on agricultural lands, so that farmers and ranchers, to the extent the law permits, will get reliable wetlands guidance from one agency. Working with USDA and interested states, CEQ has accelerated development of Conservation Reserve Enhancement Program agreements, such as those announced recently in Oregon and Washington, which deliver more than $200 million in new support in each state for farmers acting to protect critical habitat and water quality.

CEQ has initiated a dialogue among academics, citizen groups, and interested Federal agencies concerning the erosion of citizen access to courts to enforce environmental laws, particularly with respect to community right-to-know about toxic releases. We expect that this dialogue will help shape legislative proposals that could be considered as freestanding legislation or in the context of major statutory reauthorizations.

To celebrate the U.N. Year of the Ocean, the Administration held a National Oceans Conference in Monterey, California in June, 1998. The conference, co-chaired by the Department of Commerce and the Department of Navy, involved departments and agencies that manage programs affecting the oceans, a vital natural resource. CEQ is monitoring progress toward implementing those proposals.

Working with the Domestic Policy Council, other White House offices, and affected agencies, CEQ helped to develop President Clinton's initiative to reduce environmental health and safety risks to children. A Presidential Executive Order, which was announced on April 21, 1997, requires federal agencies to assign high priority to addressing these risks, to strengthen policies to protect children, to coordinate agency research focused on children's health, and, as suggested by the report of the National Academy of Sciences, to ensure that agency standards take into account special risks to children. The Administration's fiscal year 2000 contains an expanded effort to achieve these objectives.

The Administration's effort to restore the Everglades made significant progress in 1998. The Army Corps of Engineers released the draft "restudy" of the Everglades ecosystem and went through an extensive public comment period. CEQ coordinated land acquisition strategy, including closing on the transaction involving the Talisman tract in the Everglades Agricultural Area. CEQ continued to help resolve interagency disputes involving Everglades restoration including the issues involved in the preparation of the Supplemental Environmental Impact Analysis on the redevelopment of Homestead Air Force Base and measures needed to ensure the protection of the Cape Sable Seaside Sparrow.

A NEW WAY OF DOING BUSINESS

The Clinton Administration is committed to reinventing the way government operates so that it works better and costs less. CEQ continues to take the lead in reinventing federal environment policy by encouraging approaches that work to reduce burdens, break gridlock, provide incentives, and build partnerships with state and local government and the private sector. Below are some examples of how CEQ accomplishes this task.

The introduction and spread of invasive species in the United States is a major ecological and economic problem for diverse environments and economies in the United States. Invasive species are generally considered to be the second biggest threat to native wildlife (following habitat destruction). Approximately $5 billion per year are spent by ranchers and farmers in this country for noxious weed control, and indirect costs in losses to crop and rangeland productivity are estimated at about $7.4 billion per year. Utilities spent $3.1 billion over the last ten years to control invasive species.

To address this difficult problem in a coordinated, systematic manner, the President recently issued an Executive Order on invasive species. The Order establishes an interagency council to coordinate federal efforts to address this problem, as well as an advisory committee to involve state, tribal and local governments, scientists, commercial interests, conservation organizations and academic institutions in developing and implementing solutions.

CEQ has worked with EPA, the Chemical Manufacturers Association, and the American Petroleum Institute on a challenge to industry to produce basic public health data on the 3000 chemicals now in high-volume use in the United States. Under a voluntary agreement announced on October 14, 1998, U.S. chemical firms have agreed to a schedule to produce all of this data and to make the data available to the public. CEQ is working to support the domestic effort by ensuring continued Administration pressure on overseas firms and governments to contribute their fair share to the testing effort.

CEQ initiated and is overseeing an ongoing process to develop administrative reforms to guide programs for restoring natural resources and recovering damages for the costs of such restoration. This process is a response to concerns among natural resource trustees about the extent to which federal and state cleanup programs take natural resource issues into account and strong concern in the business community that natural resource trustees might require cleanup measures that would be inconsistent with remedial steps required by EPA and state response agencies responsible for toxic waste cleanup.

As part of President Clinton's initiatives for reforming environmental regulation, CEQ coordinated the development of bipartisan alternative compliance legislation to provide greater regulatory flexibility to firms that can achieve superior environmental results at reduced cost. This bill, introduced in the Senate by Senator Lieberman and in the House by a bipartisan coalition of Members, builds on the success of EPA's Project XL program, enabling EPA to overcome statutory impediments to greater program flexibility. CEQ will coordinate the Administration's work in advancing this or similar proposals and is currently working with Members of Congress who have been developing new alternative compliance proposals as the basis of bipartisan legislation in the 106th Congress.

The President's Council on Sustainable Development (PCSD) is a federal advisory committee that includes members of the President's cabinet, corporate CEOs, national environmental leaders, local officials, and representatives of other interests. CEQ is the lead agency coordinating the work of the PCSD. In March 1996, the PCSD produced a report entitled, "Sustainable America; A New Consensus for Prosperity, Opportunity, and a Healthy Environment." Since 1996, the PCSD has continued to work to implement recommendations in "Sustainable America," as well as developing new policy recommendations for the Administration. The PCSD is also the sponsor of the "National Town Meeting for a Sustainable America." This event will occur from May 2 to May 5, 1999. The hub event will be in Detroit, Michigan, with

concurrent events to be held simultaneously in communities across the nation. The National Town Meeting will serve as a means to foster and promote innovative practices in business, in government, and in communities that can help harmonize our nation's economic, social, and environmental goals.

Among the recommendations contained in the PCSD's "Sustainable America" report, are policies to build more sustainable communities, including recommendations concerning "collaborative regional planning." These recommendations reflect a growing concern across the nation about the traffic congestion, loss of open space, and reduction of quality of life that can result from sprawl development. They also respond to growing interest in encouraging greater cooperation among cities, suburbs, and surrounding rural areas within a region to address transportation and land use issues that cross local jurisdictional boundaries. These issues will remain a high priority at CEQ in the year ahead.

NEPA REINVENTION

One of the overarching goals of CEQ is to achieve higher levels of environmental protection with lower costs and less red tape. CEQ has made important strides in improving the way NEPA operates in its day-to-day administration. Improving NEPA implementation fundamentally is the purpose of the NEPA Reinvention Project, a multi-phased effort aimed at the NEPA process across all federal agencies. CEQ was given a small increase in fiscal year 1999 appropriations to build on our work to reinvent NEPA through this project. However, a statutory restriction in the CEQ appropriations bill continued a prohibition on the use of agency detailees by CEQ, preventing CEQ from using a detailee to support NEPA reinvention work in fiscal year 1999 as CEQ had in fiscal year 1997.

Last year, CEQ was able to make notable progress in our efforts to reinvent NEPA. For example:

CEQ has been working with the Army throughout the year to provide advice and assistance in streamlining its NEPA regulation. We expect in the coming year the Army will issue a draft regulation for public comment.

CEQ has been working with the Department of Energy throughout the last year in its efforts with NEPA reinvention by participating in a symposium hosted by the National Association of Public Administrators. A final report was issued by NAPA on further actions DOE should take to make their regulations more efficient and effective.

CEQ has been working with the National Oceanic and Atmospheric Administration (NOAA) to streamline the NEPA process that is part of the national marine sanctuaries' management plan revision process. The majority of the nation's twelve national marine sanctuaries will be revising their management plans within the next few years, and CEQ has worked with the sanctuary managers and NOAA headquarters to establish a blueprint for moving forward with revisions in an organized, efficient and timely manner.

In energy policy, CEQ has started to work with the appropriate agencies to expedite review of natural gas pipeline projects and has also supported the Federal Energy Regulatory Commission's recent proposal to eliminate ex parte requirements for purposes for the environmental impact assessment process.

Mr. Chairman, Senator Mikulski and members of the Subcommittee, as the Acting Chair of CEQ, I am committed to continue the work that our agency was chartered to do 29 years ago. CEQ plays an important role in making sure that the federal family speaks with one voice on environmental issues. With the modest additional resources that we have requested, we can fulfill this role with an even greater effectiveness. I look forward to working with you in the coming year.

Thank you for the opportunity to appear before the Subcommittee. I am happy to answer any questions you might have.

Senator BOND. Thank you very much, Mr. Frampton. Senator Craig.

CEQ RESPONSIBILITY

Senator CRAIG. Thank you very much, Mr. Chairman.

George, it is good to have you before the committee and I hope we can reschedule the meeting. We were not able to get together today. I have got several areas I would want to visit you about.

I guess the value of the length of time we spent with Carol gave me time to read your testimony because I had not had that oppor-

tunity yet. Let me suggest one thing to you, which is my first impression of it, and I know a first impression is not the best approach. I am a bit astonished at the broadened, wide range of responsibility that you suggest CEQ ought to have or does have. I say that because I always felt, as many do, that some of these problems we have can best be solved at a more local level, and I am not sure that CEQ is headed in that direction.

FISH MITIGATION PROCESS

For instance, you cite on Page 5 of your testimony that you have successfully coordinated or are successfully coordinating among Federal, State and Tribal resource agencies to respond to threatened and endangered species of salmon in the Northwest. That is something I am spending much time on in the West and in the Northwest. Quite honestly, I am not aware of any successful coordination yet. I am very aware of struggling, power struggles, lawsuits and a region that now feels very, very threatened by the potential impact of decisions made by Federal agencies as it relates to a fish mitigation process.

And I suggest to you that there is not yet time to take credit for having solved a problem that is still in the phases of being designated. And tragically the lines are still getting drawn out there as to how big the battle is going to be over this issue. That is a tragedy. That is my first reaction.

DIFFERENT PURPOSES

Let me also suggest, you conclude in your testimony that CEQ plays an important role in making sure—you mention the Federal family speaks with one voice and you cite. I want the right hand and the left hand of Government to know what they are doing. Let me suggest to you, and you know it, that U.S. Fish and Wildlife Service is required to protect and enhance fisheries throughout the country. FERC is required to balance that interest with the need for power development. And my guess is those are two very different roles. And I am not sure that FERC speaks of coordinating actively with Fish and Wildlife Service. There are different purposes. Isn't there a natural relationship that agencies must have, some degree of understanding? That is another concern.

So I guess the question is if CEQ's job is to oversee the balancing work of FERC and if that is the case, who is in charge? And the same thing would be with U.S. Fish and Wildlife Service.

I have grown to be very concerned that CEQ gets into micromanaging decision making that goes on in other agencies simply because of where it rests in the hierarchy of any administration and sometimes that becomes a political decision and not a decision based on good science. It is the politics of the administration or of the day, instead of the right decision coming out of the process of long term working it through the laws of these different agencies.

I would tell you that not on my watch will CEQ become the super agency of managing the Federal Government. I don't think that was our intent. And if that is where it appears to be headed, then it will be my intent to work with the Chairman to make sure that doesn't happen.

I want you to have tools but I do not want you to have the power to cram it down Interior or U.S. Fish and Wildlife or FERC's throat that which they, by law, by policy of the Congress and Government have the right to do.

I guess that is my question and my concern, George.

Senator BOND. What was the question?

Senator CRAIG. It is a multiple.

Mr. FRAMPTON. Let me try to put a question together and——

Senator CRAIG. First of all, are you planning to become a super agency?

Mr. FRAMPTON. No. I think it is—you asked me for a personal response and I gave that. After 4 years at the Interior Department, which was a very good preparation for coming to CEQ because I have seen this from an agency perspective. And I have no desire to either run or micro-manage agencies. In fact, to the contrary. I have said for the last few months and keep saying to my own staff and others from the agencies and the White House, we are here to help the agencies do their job and make them work together and solve discontinuities and help them work with State and local governments. We are not here to run their programs. So that is a strong philosophy that I have, to push things back to the agencies where they belong.

On the salmon issue, I did not intend in my testimony to take credit for any great coordination to be achieved, only to identify a great challenge. I agree with you, there are terrible problems, lots of agencies, Tribes and States. But CEQ was created in some part by Congress in 1969 as a place free of what commentators have called agency bias, commitment to a particular regulatory scheme or a particular agency mission, to try to harmonize different agency objectives and also to balance them with social and economic considerations.

So I think there is an important role for CEQ. But it is the role of a mediator and a catalyzer, not the role of a czar.

Senator CRAIG. Thank you. Mr. Chairman, thank you for the courtesy.

Senator BOND. Thank you very much, Senator Craig.

SUPERFUND

Mr. Frampton, I am interested in discussing Superfund. What you said yesterday, we are looking at introducing a limited Superfund bill. But is it not time to begin to ramp down the program? Are we reaching the conclusion on Superfund?

Mr. FRAMPTON. Senator, it is certainly a mature program. The point that I made to the Environment and Public Works Committee yesterday was that perhaps unlike 6 years ago, cleanup has been accelerated. Most of the fundamental cleanup, at that time, decisions have been made. And while the administration has been very committed to work toward comprehensive reform over the last several years, perhaps we need to work on a few things to speed it up. I think that the program is naturally ramping down but the administration does support obviously, the reauthorization of the Superfund Act because without that the program, we will go off the boat ramp into the water pretty quickly.

Senator BOND. But we are moving to the point where we are cleaning up the most significant ones. So there is less of an urgency for any new resources in it.

Mr. FRAMPTON. I think there is a need for 5 or 6 more years of significant resources but we are looking toward a time around 2005 when a very substantial amount of the site construction will be completed.

CEQ'S COORDINATION ROLE

Senator BOND. You mentioned in your discussions earlier, in your testimony that you coordinated activities in the Federal Government. Do you see areas where you can assist in coordinating with our partners? We have talked a lot about devolution of environmental responsibilities to State and local entities. What role do you see CEQ playing? And do you have any specifics on where you may be heading in working with Governors or others to devolve additional environmental responsibilities to State and local governments where it could be more expeditiously handled and where the results might be quicker?

Mr. FRAMPTON. I think the coastal salmon fund that I mentioned is to provide resources—to have the Federal Government to rely on those States to do their own salmon recovery plan. I think there are a number of new initiatives in the President's proposed budget for this year which try to respond to the philosophy that we cannot do everything by regulation, and put some resources on the ground.

Administrator Browner talked about Better America Bonds, whether it is wetland protection or urban recreation, to try to put the money and decision making in local government. The same thing is true of the Clean Air Fund that is proposed in EPA's budget.

BETTER AMERICA BOND

Senator BOND. Let me assure you that we do not have the money for those new priorities when we are talking about devolving those responsibilities.

You have heard many comments on the Clean Water SRFs. We are going to fund that before we fund any of those new things. And, frankly, when you look at the Build a Better America, that bonding activity to get EPA into local land use management, you are going to have to convince a lot of people who will have to vote to overcome my objection before you ever see that one see the light of day. When we are talking about devolving responsibilities, this is not a year where we are going to find new dollars.

Mr. FRAMPTON. I understand what you are saying. Just to respond to the Better America Bond issue for a second. The proposal here uses EPA as the conduit because the purpose is for, among other things, clean water and brownfields and people working those fields, but it is going to be an interagency program. EPA is simply a conduit.

Number two, there is nothing in that proposal for the new tax-exempt bond system that involves EPA or any Federal agency in any way in any land-use decisions. All the initiatives to propose bond issues to use the money that comes in will be with State, local and county governments.

Senator BOND. And my State has developed an 8-percent sales tax for conservation needs. I think that is the appropriate way. It enables the State, in this instance, to be the conservation agency to implement. We have land and water conservation funds and I think this Build a Better America bond is—has not too rosy a future. I would not spend a lot of time devoting energies to how that is going to be implemented.

Mr. Frampton, I thank you for your testimony. For the record, I am going to add—do you have any further questions?

Mr. FRAMPTON. No, Mr. Chairman.

CHEMICAL SAFETY BOARD

Senator BOND. I am going to add a brief statement about the Chemical Safety Board which is subject to the jurisdiction of this committee. Concerns have been raised by the operations of the board and based on the questions we asked, the General Accounting Office is to do a formal review of the board. GAO is presented in testimony.

The General Accounting Office has identified significant problems with the timeliness and with inappropriate resource allocation, including the fact that there are as many external affairs personnel as there are investigators. About two-thirds of the board's contract dollars is not related to investigation.

And the board has had problems managing its contracts because it has no formal written procedures for staff to follow in awarding and managing contracts. Ineffective use of resources resulted in an announcement recently not to begin any new investigations this fiscal year, but the year is only half over.

[The information follows:]

[The General Accounting Office, April 29, 1999]

CHEMICAL SAFETY BOARD: STATUS OF IMPLEMENTATION EFFORTS

(By David G. Wood)

Mr. Chairman and Members of the Subcommittee: We appreciate this opportunity to provide a statement for the record for use in the Subcommittee's hearing on the fiscal year 2000 budget request for the Chemical Safety and Hazard Investigation Board (the Board). The Board recommends steps to enhance industrial safety based on its investigations of accidental release of toxic and hazardous chemicals and its other activities. The Board was funded at $4 million in fiscal year 1998, its first year of operation, and $6.5 million in fiscal year 1999. The Board is required to submit its budget request concurrently to the Office of Management and Budget (OMB) and the Congress. For fiscal year 2000, the Board has requested $12.5 million while the President's budget, after OMB's review, has requested $7.5 million for the Board.

You expressed concern that the new organization's operational costs, especially salaries, might grow too quickly and become excessive. At your request, we reviewed the status of the Board's efforts to carry out its mission. Specifically, we are providing information on the status of the Board's (1) investigations and recommendations, (2) pay structure and use of staff, and (3) contracting activities. We are also providing information on our concerns about the Board's actions.

In summary, we found the following:

The Board has undertaken 11 full-scale investigations of chemical incidents and issued reports with recommendations on 2 of them. In addition, draft reports are in process for the remaining investigations. The Board's recommendations have aimed at encouraging industry and government agencies to upgrade their procedures, training, and communication of hazards.

As of February 1, 1999, the Board had 20 employees widely distributed among its offices, such as investigations, general counsel, and external relations, and 4

Board members. The average compensation is about $89,000 in salary and benefits. The Board expects this average compensation to be reduced to about $68,000 if it receives approval to hire up to 60 employees.

We identified eight contracts between the Board and other entities that cost $100,000 or more. The total cost of the 8 contracts was about $3 million. About one-third of this amount directly supported the Board's investigations. The balance involved acquiring such goods and services as the development of a web site, the establishment of a chemical incident data base, and the production of an informational video.

We have two main concerns about the Board's actions to date. First, the Board has not updated its August 1997 Business Plan to reflect the unanticipated backlog of ongoing investigations. Critical to any effective plan for addressing this backlog is an examination of how the Board chooses cases to investigate and how it allocates its existing and future resources. Second, the Board has not instituted formal, written procedures for its staff to follow in awarding and managing contracts. Such procedures can help ensure adequate internal controls and help avoid some contracting problems encountered by the Board.

BACKGROUND

The Board was created as an independent agency under the Clean Air Act Amendments of 1990.[1] However, the Board did not become operational until 1998 because of funding constraints. The act directed the Board to (1) investigate and report on the circumstances and probable causes of any accidental release of toxic or hazardous chemicals resulting in a fatality, serious injury, or substantial property damages; (2) recommend measures to reduce the likelihood or the consequences of accidental releases and propose corrective measures; and (3) establish regulations for the reporting of accidental releases. The act authorized the Board to conduct research and studies with respect to the potential for accidental releases and to issue reports concerning the prevention of chemical accidents to the Environmental Protection Agency (EPA) and Occupational Safety and Health Administration (OSHA). Furthermore, the Board is to coordinate its activities with other federal agencies such as the National Transportation Safety Board (NTSB) and OSHA.

According to relevant legislative committee reports, the Board is modeled after the NTSB, which retained the lead role in investigating transportation-related chemical incidents. The Board has no enforcement authority and a very limited regulatory role. Because the EPA and OSHA also have responsibilities in responding to chemical incidents, the Board has developed memorandums of understanding with these agencies to coordinate efforts and minimize potential duplication if they are investigating the same incident.

Chemical incidents occur regularly and often have serious consequences. According to a Board report, during the period 1987 to 1996, about 605,000 known chemical incidents occurred, including about 250,000 chemical incidents that occurred at fixed locations occupied by industrial and commercial businesses and about 260,000 incidents related to the transportation of chemicals.[2] On average, 127 incidents per year involved fatalities.

STATUS OF INVESTIGATIONS AND RECOMMENDATIONS

To carry out its mission of enhancing industrial safety, the Board conducts full-scale investigations and limited investigations (called reviews) of chemical incidents and makes recommendations. The status of these activities is discussed in the following sections.

Investigations

By statute, the Board investigates accidental chemical releases resulting in a fatality, serious injury, or substantial property damage. These investigations often involve extensive site visits, evidence collection, and analytical work. Because of limited resources, the Board decides where to initiate investigations. In these decisions, it weighs such factors as the expected impact of its work and the potential for similar incidents at other locations. The Board uses in-house and contractor staff, but assigns leadership to its own staff. The lead investigator is expected to direct the work, visit the site as necessary, and manage the report writing process. While the Board currently follows the Department of Energy protocols for accident investigations, it is now developing its procedures and expects to complete them by next year.

[1] 42 U.S.C. § 7412(r)(6).

[2] The 600K Report—Commercial Chemical Incidents in the United States, 1987–1996. February 1999.

The Board started five full-scale investigations in 1998 and, through March 30, six in 1999.[3] Of the 11 investigations, 2 from 1998 have been closed and in each case, a report was issued. The first investigation took about 9 months and the second about 11 months from start to finish. Draft reports are in process for the remaining three investigations begun in 1998 and the six investigations begun in 1999.

Reviews

The Board conducts reviews when resources are not available to perform a field investigation, but knowledge about an incident could still provide valuable information for preventing future incidents. A review is performed within the Board's offices and relies mainly on documents and reports from other federal agencies and state agencies, as well as the companies' internal investigations. According to the Board, it takes about 40 days to gather and analyze information, which may not be available until 6 months after the incident, and additional time may be used to verify the facts and resolve legal and technical issues.

The Board started 14 reviews in 1998 and 9 in 1999. The Board has not issued any reports stemming from its reviews. As of March 30, 1999, it had closed 6 reviews with no report, was preparing a draft report for 3 ongoing reviews, and had yet to begin drafting a report for 14 ongoing reviews. According to an agency document, the six reviews were closed without reporting because, among other reasons, information was insufficient or conflicting, and some cases had limited application. Board officials told us, however, that the draft reports for the ongoing reviews are expected to result in valuable information for preventing future incidents.

Recommendations

As of March 30, 1999, the Board made a total of 22 recommendations in its two issued reports. The first report, dated September 1998, involved an accident at the Sierra Chemical Company in Nevada, where four workers were killed. The report contained 16 recommendations. The Board directed 10 recommendations to Sierra Chemical and other explosive manufacturers, 3 to the Institute of Makers of Explosives, 2 to the Department of Defense, and 1 to the Nevada Occupational Safety and Health Enforcement Section. The recipients of the first report have agreed to take corrective actions on 3 recommendations and are considering whether to take actions on the remaining 13.

The second report, dated February 1999, involved an accident at a Union Carbide plant in Louisiana, where 1 worker was killed. The report contained six recommendations. The Board directed two recommendations to Union Carbide and one each to the National Institute for Occupational Safety and Health, OSHA, the Center for Chemical Process Safety, and the Compressed Gas Association. The Board has received a formal response from Union Carbide and is aware of actions being considered by two other recipients of the recommendations. The company identified new safety policies that it would follow.

The Board's recommendations have aimed at encouraging industry and government agencies to upgrade their procedures, training, and communication of hazards. For example, the Board suggested that explosive manufacturers evaluate their safety programs to ensure that (1) written operating procedures are specific to the process being controlled; and (2) procedures and chemical hazards are communicated in the languages understood by personnel. It also suggested that the Institute of Makers of Explosives develop safety training guidelines and distribute the Board's report to its member companies. A listing of each recommendation and its status is provided in appendix I.

To obtain recipients' reactions to the Board's recommendations, we contacted the Department of the Army and OSHA. Officials from both agencies told us that the reports were on target. An Army official indicated that his agency was considering the recommendations, and an OSHA official confirmed that the agency intended to implement the recommendation.

A Board official said the Board plans to have a system in place to track recommendations by the spring of 1999. According to a draft directive, this system will be called the Safety Recommendation Tracking System and will track recommendations from the time they are issued until they are closed. The system will be used to follow-up on open recommendations and keep a permanent record of all recommendations.

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[3] Unless otherwise noted, all references to years will be fiscal years.

CURRENT AND PLANNED STAFFING LEVELS, RESPONSIBILITIES, AND SALARIES

The Board established a single-location organization with a central management office and five program functions, located in Washington, D.C.

Current Staffing Level and Responsibilities

As of February 1, 1999, the Board had 24 employees, including 4 of the 5 Board members. It expects to grow from 24 to 30 employees, including an additional board member, by the end of fiscal year 1999 and to 60 employees by the end of 2000 if its budget request of $12.5 million is approved. According to its August 1997 Business Plan, the Board planned to grow to 88 employees in 2000, but it has now extended its timeline for this level of staffing to the end of 2001.

Table 1 identifies the allocation of staff, both current and planned, and assigned responsibilities in the agency organizational structure.

TABLE 1.—THE BOARD'S STAFFING LEVELS, CURRENT AND PLANNED, AND RESPONSIBILITIES, BY ORGANIZATIONAL UNIT

Office	Current staffing (2/1/99)	End of 1999 staffing (planned)	End of 2000 staffing (planned)	Responsibilities
Board member	3	4	4	Reviews and approves reports recommendations end regulations.
Chairman/Chief Executive Officer and Management.	4	7	9	Provides daily program supervision and ongoing operational planning and evaluation; provides budgeting technical writing and overall support to the organization.
General Counsel	3	3	9	Provides full range of administrative and programmatic legal services.
Safety programs	1	2	7	Directs design of safety policies and programs for the Board; oversees recommendations.
Investigations	5	6	13	Conducts accident investigations and reviews; prepares reports.
External relations	4	4	9	Disseminates public and media information; acts as liaison with business and academia; conducts governmental relations and international activities.
Information technology	4	4	9	Oversees information technology systems and operational programs; conducts administrative operations.
Total	24	30	60	

Note: The head of the Office of General Counsel also acts as head of the Office of Safety Programs.

Source: The Chemical Safety Board.

Salaries

As of February 1, 1999, the Board had one GS–7 staff member, one GS–12, two GS–13s, 16 GS–14s or above, and 4 Board members. With this grade structure in place, the average annual salary is $81,146, excluding benefits, for on-board employees. (See app. II for more details.) Combining salaries and benefits, the average annual compensation per employee will be an estimated $89,100 at the end of 1999. Board officials said that the 1999 average salary will decrease as the Board hires more employees and the personnel base on which the average salary is computed increases. In fact, the Board is requesting $4.1 million in personnel compensation and benefits in 2000 for 60 positions; that would result in an average annual compensation package, combining salaries and benefits, of $68,183 per employee in 2000.

In a proposal to the Office of Personnel Management, the Board asked approval for six senior executive positions. After consulting with OMB, the Office of Personnel Management approved one permanent and two temporary positions. The Office said that it was awaiting the completion of this ongoing GAO study and it was obligated to maintain a reduced number of senior executives in the government. The Office of Personnel Management told the Board that its request would be re-evaluated during the fall, 2000–2001 biennial assessment period.

CONTRACTING ACTIVITIES

The Board contracted with outside entities to help carry out its mission during 1998 and 1999. Excluding the contract for renting office space, we identified eight

contracts costing $100,000 or more.[4] The total cost of these contracts was about $3 million. Table 2 provides information on these contracts.

TABLE 2.—BOARD CONTRACTS OF $100,000 OR MORE, 1998 AND 1999

Contractors	Purpose/description of contracts	Amount obligated
Oak Ridge National Laboratory (ORNL).	Investigative support.—The contractor assists the Board by conducting several investigations and preparing reports, including managing investigations, collecting evidence, and conducting interviews. Strategic Plan.—The contractor assists the Board in the development of a 5-year information technology plan. ORNL is a Department of Energy laboratory that provides support to various federal agencies. The $758,000 listed here is the cost of requested services during 1998; as of March 1999, the Board has requested an additional $915,000 of services.	$758,000 915,000
Battelle Memorial Institute	Investigative support.—The contractor assisted the Board in conducting the Sierra Chemical investigation in Nevada, including labor and material for technical services and preparing a written report of the chemical incident.	410,000
Tri-Data	Establishment of chemical incident baseline and database.—The contractor analyzed and prepared a summary report on 10 years of data from five federal government agencies' data bases to establish a chemical incident baseline. Currently, the Board is designing a chemical incident data base that will be located at the Board and populated with data from at least the five government data bases. The data base is to be used to help show where, when, and how often incidents are occurring in a particular area. The information will form the basis for recommendations on programs, regulations, and other actions to help reduce chemical incidents. The report is scheduled for completion by May 31, 1999.	350,000
Bell-Atlantic	Internet and Intranet web site development.—The contractor is expected to create and maintain a web site with documentation that includes file structures, database table structure, site architecture, and security information. A technical person from the contractor is dedicated fulltime to the Board. The cost is not to exceed $231,000 through September 1999.	231,000
Rowland Productions	Informational video. In August 1998, the Board contracted with Rowland to produce a video that portrays what the agency does. The intended audience for the video includes the general public, industry, employee and environmental groups, and government officials. Five companies competed for the contract. The selected vendor's offer includes plans for video insets tailored for specific audiences. Work was temporarily suspended on the video because of the press of other business in early 1999.	160,000

[4] We excluded the contract for leasing office space because of its nondiscretionary nature.

TABLE 2.—BOARD CONTRACTS OF $100,000 OR MORE, 1998 AND 1999—Continued

Contractors	Purpose/description of contracts	Amount obligated
Federal Emergency Management Agency (FEMA).	Internet service.—The Board contracted with FEMA to host, update, and administer the Board's web site and e-mail at a cost up to $100,000 in 1998. National Emergency Coordination Center.—During 1998 and 1999, FEMA provides the Board with a 24-hours-a-day, 7 days-a-week communications center that supports the Board at a cost of $50,000 per year. (The 1998 charge was prorated.).	137,000
Bell-Atlantic	Helpdesk support.—This is a 1999 award that covers helpdesk support and local area network support.	130,000
National Ground Intelligence Center.	Software development.—In July 1998, the Board contracted with the National Ground Intelligence Center, an oarganization within the Department of Defense, to develop a civilian version of military intelligence software that will help a facility determine where its safety systems are prone to failure and how to best address the problems. The Center would develop a prototype intitially then build toward a full operational capability that the Board plans to make available to companies for their confidential use. Software development would continue for a number of years. The total cost is not yet known, but the Board obligated $100,000 in 1998 funds for this purpose and expectgs to spend another $200,000 each year from 2000 through 2002, if funds are made available..	100,000
Total		3,191,000

Note: Dollar amounts are rounded to the nearest thousand.

Source: The Chemical Safety Board.

CONCERNS ABOUT THE BOARD'S ACTIONS

On the basis of our review of the Board's actions to date, we have two main concerns. First, the Board has not updated its Business Plan to reflect the unanticipated backlog of ongoing investigations. Second, the Board has no written procedures for its staff to follow in awarding and managing contracts with outside entities.

Updated Business Plan

In its August 1997 Business Plan and support for its 1999 budget submission, the Board set forth its expectations that it would be able to complete its investigations within 6 months and conduct from 5 to 10 investigations during 1998 and from 13 to 19 investigations during 1999. However, the Board has completed and reported the results for two investigations since commencing operations in January 1998. These investigations took 9 and 11 months from start to finish. Actual in-the-field investigations have been concluded for another seven investigations, and draft reports have been in process since as long as April 1998. The Board has also yet to issue any reports based on its reviews. It closed 6 reviews without a report and, as of March 30, 1999, has 17 open reviews. Draft reports are in process for 3 of the 17 open reviews. Board officials told us that their expectations for conducting investigations in 1999 were based on getting requested funding. Also, their agency was not yet fully operating, and existing investigation resources were needed to complete the backlog of open investigations and reviews. As a result, the Board could undertake no new investigations from mid-March 1999 through the end of the fiscal year in September. On March 29, the Board wrote to this Subcommittee confirming its freeze on new investigations.

In our view, the unanticipated backlog and the slower-than-expected progress in completing ongoing investigations and reviews raise questions about how the Board decides which incidents to look into and how it allocates its staffing and financial

resources. The Board does not intend to update its August 1997 Business Plan but is working with OMB to develop a strategic plan by February 2000 that complies with the Government Performance and Results Act. The Board intends to identify the criteria for selecting incidents in this strategic plan and reallocate resources as a management decision after addressing the backlog.

Criteria for Selecting Incidents to Investigate and Review

According to Board officials, about 200 chemical incidents are reported to the Board each day. Fatalities, serious injuries, and significant property damage often occur, and the Board does not have the resources to conduct an on-site, full-scale investigation of every incident with serious consequences or even a limited review of such incidents. In deciding which incidents to investigate and review, the Board uses criteria weighted toward accidents in which fatalities occur. Some judgment is still, of course, involved, and the Board uses factors such as a high level of interest that should make it easier to implement recommendations and the potential for similar incidents at other locations. The Board would have to weigh the various consequences of revising the criteria in ways that would either raise or lower the barin other words, be more or less selective in choosing which cases to pursue. By raising the bar, workload would be limited. Although factors such as complexity of the incident and the extent of cooperation by company officials affect how quickly cases can be completed, a more limited workload would help to speed up the closure of existing cases. By lowering the bar, workload would be increased and existing cases would tend to take longer to close or additional resources would need to be allocated to investigations, helping the Board to complete these cases more quickly.

Allocation of Resources

The Board's Business Plan, in setting expectations for the new organization, assumed a $4 million budget in 1998 and a $7 million budget in 1999. In its formal budget request, the Board asked for $8.2 million for 1999. In its actual appropriations, the Board received the full $4 million in its first year and $6.5 million in 1999. According to the Board, it spent 30 percent of its $4 million budget in 1998 on incident prevention (primarily investigations and reviews). The Board expects to spend 37 percent of its 1999 budget and 44 percent of its 2000 request for this purpose.

Regardless of what the Board expected its funding levels to be, the Board has encountered difficulties in handling its workload. An examination of how the Board would allocate its existing resources and spend future fundsassuming differing levels of funding in 2000 and beyondis critical to any effective plan for addressing the backlog of ongoing investigations and reviews.

One area for review is the Board's staffing allocation. According to the plan, the Board would establish a flat organization. To the maximum extent possible, it would buy services when and as needed, thereby keeping staffing levels and overhead costs low, and permitting the bulk of resources to be devoted to its mission. As of February 1, 1999, the Board employed four in-house investigators; one began work in July 1998, two in September 1998, and the other one in November 1998. The investigators have a caseload of two to three investigations and five to six reviews. At times, the Board also uses noninvestigative staff, such as program analysts, to assist with investigations and reviews. The Board also allocated four staff members to its external relations and three to its general counsel offices. If its budget request for 2000 is approved, the Board intends to have 13 (or 22 percent) of its 60 total personnel in its investigations unit compared with 9 each in its external relations and general counsel units (together equaling 30 percent of total staffing). The Board would allocate the remaining 29 staff (48 percent) to other offices, such as the Chairman's staff, safety programs, and information technology.

For comparison purposes, we obtained resource allocation information from NTSBthe agency considered in the legislative history as the model for the Chemical Safety Board. NTSB investigators comprise 40 percent of the organization's staffing while personnel in its legal and public affairs offices together comprise about 5 percent.[5] Like the Board, NTSB investigators work on multiple investigations at a time and use contractors to support their work. Unlike the Board, NTSB can obtain voluntary serviceslabor hours that are not reimbursedfrom outside entities. The Board

[5] Of the 402 personnel on board in April 1999, NTSB has 162 investigators, 11 employees in its Office of General Counsel, and 11 staff members (excluding those performing the function of working with affected families after an accident) in its Office of Government, Public, and Family Affairs. NTSB also has other staff, such as Administrative Law Judges, performing legal-related work.

has recommended to the Congress that it be authorized to obtain these voluntary services.

To deal with the existing backlog of cases and expected new cases, the Board could also review its use of funds now spent on contracting. About two-thirds of these funds are not related directly to investigations but support accomplishment of its mission in other ways. An updated Business Plan would help the Board to determine the appropriate balance, at different levels of funding, between using more of its resources to do investigations versus investing in other mission-related activities.

Controls Over Contracts

In its Business Plan and other key documents, the Board stated that its approach to doing business would emphasize contracting out or outsourcing. The Board contended that doing so would enable it to avoid the expense associated with establishing a large permanent administrative infrastructure and having to make a long-term commitment of funds for such items as space and equipment.

The Board pursued this approach within a week of its commencing operations when it asked an outside entity to investigate an accident. A chemical incident causing four fatalities occurred at Sierra Chemical Company's plant in Mustang, Nevada, on January 7, 1998. Two days later, the Board wrote a letter to Battelle authorizing the contractor to begin incurring labor and travel costs starting January 8 and before a formal contract had been signed. According to the statement of work, Battelle would provide labor and materials to assist the Board in the investigation and would also provide a written report delineating the explosion. The Board estimated the contract would be in the $250,000 range. The Board believed that it was entering into a work for others arrangement with the Pacific Northwest National Laboratory, which is owned by the Department of Energy (DOE) and run by Battelle. Under a work for others arrangement, a DOE laboratory may conduct work for other federal agencies on a cost-reimbursable basis.

On the basis of our file reviews and interviews with Board officials, we found that concerns surfaced almost immediately about the growing costs of Battelle's work. The Board was surprised to learn that it was using Battelle directly rather than working through DOE's Pacific Northwest National Laboratory, with Battelle as a subcontractor. As a result, the Board noted that it was being charged higher rates under a noncompetitive arrangement with Battelle. According to Board officials, they attempted to control costs by asking Battelle to take people off of the investigation and proposing contract terms that put Battelle in the position of working through the federal laboratory. The Board ultimately signed an agreement with Battelle directly, dated March 17, 1998, to pay $410,000, including a fixed fee of $54,000, for its services. On that day, a Board official wrote a memorandum to the file that the Board was still trying to get information from Battelle that would support the contract cost.

The Board has taken some steps to ensure that a repeat of the problems described earlier would not recur. First, it has decided not to use Battelle directly again in a noncompetitive arrangement. Second, the Board has employed a more structured approach for acquiring support for its investigations. In an agreement with DOE's Oak Ridge National Laboratory, the Board identifies tasks, the laboratory estimates the costs for performing those tasks, and the Board provides authorization and reimbursement for services provided by the laboratory as appropriate. The Board also receives a monthly report from the laboratory on progress, accomplishments, status, and planned work for the next month. We believe these are prudent steps for protecting the government's interests.

In the Battelle case, formal, written contracting procedures—based on the Federal Acquisition Regulation but tailored to the Board's needs—were not available to the staff. The Board told us that these procedures are now being developed. However, more than a year has elapsed since it signed the agreement with Battelle for which the Board expressed such concern. The importance of instituting formal procedures is even greater given the Board's reliance on contracted support for not only investigations but also other mission-related tasks.

Under the Federal Acquisition Regulation, contracting officers are responsible for ensuring that applicable procedures have been followed before an agency enters into a contract. For the major contracts we reviewed, we found that the contracting officer has been the Board's Program Officer, the second-in-command in the organization, who has multiple responsibilities. We asked the Board about its need for a full-time contracting officer. The Board told us that there were only seven full-time-equivalent employees in 1998, and the Board did not award enough contracts to justify establishing and filling a contracting officer position. The Board did not comment on its reasons for not establishing such a position in 1999. In the Battelle

case, even with a limited staff, such an officer could have informed the Board of the proper procedures for obtaining work-for-others-type assistance. If the Board does not consider it cost-effective to establish a contracting officer position in-house, alternatives such as the use of technical support from the General Services Administration or another federal agency could be explored.

SCOPE AND METHODOLOGY

To review the status of the Board's efforts to carry out its mission, we reviewed documents supplied by the Board related to its planning, budgeting, and programs; personnel data such as salary information; and contract files. We interviewed officials from the Board; other federal agencies, including the NTSB, OSHA, the Department of the Army, and OMB. We conducted our work between January through April 1999 in accordance with generally accepted government auditing standards.

AGENCY COMMENTS

We provided a draft of this statement to the Board for its review and comment. We met with the Chairman and other Board officials. They generally agreed with the information contained in this statement but provided clarifications and corrections, which we incorporated as appropriate.

The Board also pointed to considerations that it believes, in the interest of fairness, should be recognized. First, the Board has the unique status of being a start-up agency. It did not have the advantages of having staff or even office space and found itself putting an infrastructure in place to provide services while at the same time beginning to provide those services. The Board stated that our concerns about the unanticipated backlog of investigations and absence of written procedures for contracting should be viewed in the context of their being a new agency. Second, the Board is expected to accomplish a broad and complex mission but has only limited resources to do so. The Board said that while this mission extends beyond investigations to other activities designed to enhance industrial safety, the Board has had the equivalent of only 5 full-time employees in 1998 and 24 in 1999.

We recognize in our statement that the Board is a start-up agency. Accordingly, we believe the Board's comments highlight the opportunity the Board now has to consider its future allocation of staff and financial resources. For example, the Board has greater flexibility as a start-up agency to find the appropriate balance, at different levels of funding, between using its resources to do investigations versus investing in other mission-related activities.

STATUS OF RECOMMENDATIONS

Listing of the board's safety recommendations contained in the two investigation reports issued by the board and the recipients' responses to the recommendations--as of March 30, 1999

Table I.1: Investigation at the Sierra Chemical Company, Mustang, Nevada. Two explosions at an explosives manufacturing facility killed four workers and injured six.

Recommendation was directed to	Recommendation	A[a]	D[b]	P[c]	Comments
Company and explosives manufacturers	Explosives manufacturers should evaluate the effectiveness of their explosives safety programs to ensure that:				A bill pending in the Nevada state legislature would require, among other things, that the relevant state agency adopt regulations establishing standards and procedures for places of employment where explosives are manufactured. The company has not yet responded to the Board's recommendation letter. However, the plant was destroyed in the blast and has not been rebuilt. The Board will send a follow-up letter to the company.
	(1) Process hazard analyses include the examination of quantity- distance requirements, building design, human factors, incident reports, and lessons learned from explosive manufacturers.			X	
	(2) Written operating procedures are specific to the process being controlled and address all phases of the operation.			X	
	(3) Procedures, chemical hazards, and process safety information are communicated in the language (s) understood by personnel involved in manufacturing or handling of explosives.			X	A bill pending in the state of Nevada would require that workers receive safety training in a language they understand.
	(4) Explosives training and certification programs for workers and line managers provide and require the demonstration of a basic understanding of explosives'			X	

	safety principles and job-specific knowledge.				
	(5) Process changes, such as the construction or modification of buildings, or changes in explosive ingredients, equipment, or procedures are analyzed and Process Safety Management elements are updated to address these changes.			X	
	(6) Pre-startup safety reviews are performed to verify operational readiness when changes are made.			X	
	(7) All elements of OSHA's Process Safety Management Standard are verified by performing periodic assessments and audits of safety programs.			X	
	(8) The employee participation program effectively includes workers and resolves their safety issues.			X	
	(9) Explosive safety programs provide an understanding of the hazards and control of detonation sources.			X	
	(10) The following issues are addressed in plant design or modification: • Operations in explosives manufacturing plants are separated by adequate intraplant distances to reduce the risk of propagation, • Unrelated chemical or industrial operations or facilities are separated from explosives facilities using quantity-distance guidelines, and • Facilities are designed to reduce secondary fragmentation that could result in the propagation of explosions.			X	
Institute of Makers of Explosives (IME)	(1) Develop and disseminate process and safety training guidelines for personnel involved in the manufacture of explosives that include methods for the demonstration and maintenance of proficiency.	X			In February 1999, IME submitted a proposed revision to OSHA's explosives safety standard for the Board's review. The proposed revision includes a section on worker training. The Board is studying the document and will respond to IME.
	(2) Distribute the Board's report on the incident to IME member companies.	X			
	(3) Develop safety guidelines for the screening of reclaimed explosive materials.			X	IME will work on this recommendation at its May meeting.
Nevada (OSHA)	(1) Increase the frequency of safety inspections of explosives manufacturing due to their potential for catastrophic incidents.	X			Nevada's Governor signed an executive order requiring inspections at least twice a year.
Department of	(1) Develop a program to ensure that reclaimed,			X	Letter received from the Secretary of the Army stating

Defense	demilitarized explosives sold by the Department of Defense are free of foreign materials that can present hazards during subsequent manufacturing of explosives.				that DOD will study the recommendation.
	(2) Provide access to explosives incident reports and lessons learned information to managers and workers involved in explosives manufacturing, associations such as IME, government agencies, and safety researchers.			X	
Totals		**3**	**0**	**13**	

Table I.2: Investigation at a Union Carbide Plant in Hahnville, Louisiana. One worker was killed and an independent contractor was seriously injured due to asphyxiation from nitrogen in confined space.

Recommendation was directed to	Recommendation	A[a]	D[b]	P[c]	Comments
Company	(1) Post signs containing the warning "Danger, Confined Space: Do Not Enter Without Authorization" or similar wording at potential entryways when tanks, vessels, pipes, or other similar chemical industry equipment are opened. When nitrogen is added to a confined space, post an additional sign that warns personnel of the potential nitrogen hazard.	X			Union Carbide submitted new safety policies that address the recommendation. The Board is studying these documents.
	(2) Ensure that the plant safety program addresses the control of hazards created by erecting temporary enclosures around equipment that may trap a dangerous atmosphere in the enclosure if the equipment leaks or vents hazardous material.	X			Union Carbide submitted new safety policies that address the recommendation. The Board is studying these documents.
National Institute for Occupational Safety and Health (NIOSH)	(1) Conduct a study concerning the appropriateness and feasibility of odorizing nitrogen in order to warn personnel of the presence of nitrogen when it is used in confined spaces.			X	NIOSH's preliminary response raised technical issues regarding the feasibility of the recommendation. These issues will be discussed with NIOSH's technical departments at a meeting scheduled for late April 1999.
Occupational Safety and Health Administration	(1) Issue a safety alert that addresses the hazards and provides safety guidelines for the use of temporary enclosures that are erected around equipment containing hazardous substances.			X	
Center for Chemical Process Safety	(1) Communicate the findings of this report to your membership.			X	
Compressed Gas Association (CGA)	(1) Communicate the findings of this report to your membership.			X	CGA plans to publish an article on the Board's report in its newsletter.
Totals		**2**	**0**	**4**	

[a]A = The recipient acted on the recommendation, and the Board's review of the action is pending.
[b]D = The recipient decided to take no action on the recommendation.
[c]P = The recipient is considering whether to act on the recommendation.

FIGURE II.1.—GRADE STRUCTURE AND SALARIES OF BOARD EMPLOYEES, AS OF FEBRUARY 1, 1999

Office	Start date	Position title	Grade	Salary
Board members	11/97	Board member	EX–4	$118,400
	11/98	Board member	EX–4	118,400
	12/98	Board member	EX–4	118,400
Chairman/CEO and management.	11/97	Chairman/Board member	EX–4	118,400
	12/97	Program Officer	GS–15	94,098
	7/98	Management Analyst	GS–14	70,855
	11/98	Program Analyst	GS–14	68,570
Investigations	9/98	Senior Investigator	GS–15	80,658
	7/98	Investigator	GS–14	82,284
	9/98	Investigator	GS–14	75,427
	10/98	Program Analyst	GS–7	27,508
	11/98	Investigator	GS–14	82,284
Safety program	6/98	Program Analyst	GS–14	68,570
General counsel	2/98	Attorney	GS–15	99,474
	7/98	Attorney	GS–14	79,999
	10/98	Attorney	GS–13	63,829
External relations	1/98	Public Affairs Specialist	GS–15	94,098
	2/98	Public Affairs Specialist	GS–14	70,855
	8/98	Intergov. Relations Mgr	GS–14	70,855
	1/99	Constituent Relations Mgr	GS–14	68,570
Information technology	12/97	Program Analyst	GS–12	48,769
	6/98	Program Analyst	GS–13	65,763
	7/98	Computer Specialist	GS–15	86,034
	2/99	Program Analyst	GS–14	75,427
Average Salary				81,147

Source: The Chemical Safety Board.

CONCLUSION OF HEARINGS

Senator BOND. We recognize this is a new agency and some time is needed to for it to become fully operational. We acknowledge the mission set forth for the board is important. The message needs to be heard loud and clear from us. However, the agency needs to improve significantly its operations if it expects to continue receiving support from this Committee.

And with that statement, we will conclude the hearing.

[Whereupon, at 12 p.m., Thursday, April 29, the hearing were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]

DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT AND INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2000

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

MATERIAL SUBMITTED BY AGENCIES NOT APPEARING FOR FORMAL HEARINGS

[CLERK'S NOTE.—The following agencies of the Subcommittee on VA, HUD, and Independent Agencies did not appear before the subcommittee this year. Chairman Bond requested these agencies to submit testimony in support of their fiscal year 2000 budget request. The statements submitted by the chairman follow:]

INDEPENDENT AGENCIES

DEPARTMENT OF HEALTH AND HUMAN SERVICES

AGENCY FOR TOXIC SUBSTANCES AND DISEASE REGISTRY

PREPARED STATEMENT OF JEFFREY P. KOPLAN, ADMINISTRATOR

Thank you for the opportunity to provide a written statement regarding the Agency for Toxic Substances and Disease Registry's (ATSDR) President's budget for fiscal year 2000.

ATSDR is a federal agency created by Congress in 1980 by the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), or what is more commonly known as Superfund legislation. As such, ATSDR is the public health agency charged with determining the nature and extent of health problems at Superfund sites, and advising the U.S. Environmental Protection Agency (EPA) and State environmental agencies on needed clean-up and other actions to protect the public's health. To accomplish this mandate, ATSDR received $76 million in fiscal year 1999.

We are proud of our accomplishments in addressing a key mandate—learning more about the association between exposure to toxic substances and adverse health effects and the prevention of illness at Superfund sites. As presented in other Congressional testimonies, ATSDR's health studies have revealed an increased risk of birth defects, certain cancers, respiratory illness, neurologic disease and other health conditions in populations living near hazardous waste sites.

ATSDR works in close collaboration with the EPA, other federal, state, local, and tribal governments, health care providers and affected communities. The agency has made a difference to all of these partners by providing new information to assist in remedial decision-making, answering the health questions of impacted community members, recommending preventive measures to protect public health, and providing diagnosis/treatment information to local health care providers.

The President's budget of $64 million will allow the agency to continue to conduct many programs that support our mandate (see Program Output table on the following page). ATSDR will administer public health activities through: state partnerships; public health assessment and consultation activities; exposure investigations;

health studies and registry activities; development of toxicological profiles and attendant research; emergency response; health education and health promotion; and community involvement during fiscal year 2000.

DETERMINING NATURE AND EXTENT OF PUBLIC HEALTH PROBLEMS AT SITES

Public health assessment and consultation activities

ATSDR's public health assessment and consultation program is the starting point for all of the agency's site-specific health activities. The assessment is the basis for public health advisories or other health recommendations, and for identifying studies or actions needed to evaluate human health effects and mitigate or prevent adverse health effects. During the initial phase, ATSDR evaluates the available information, determines data needs, assesses the exposure scenarios (e.g., whether or not people are being exposed to environmental hazards and how exposure may be occurring) and determines which actions, products and services are necessary to provide an effective and efficient public health response.

ATSDR PROGRAM OUTPUT TABLE

Program	Fiscal years—		
	$74 million 1998 actual	$76 million 1999 estimated	$64 million 2000 projected
Cooperative Agreement States	26	29	23
Sites Addressed	495	500	400
Public Health Assessment Documents	110	110	90
Health Consultations	915	1,000	800
Exposure Investigations	50	65	30
Site-Specific Environmental Health Intervention	10	8	6
Backlogged Sites Addressed	38	56	.....
Health Studies:			
New	10	12	.....
Continued	22	23	27
Exposure Registry (number of sites)	21	22	21
Minority Health Professions Foundation Research Projects	13	12	9
Great Lakes Research Projects	10	10	5
Toxicological Profiles	[1] 6	8	6
Pediatric Environmental Health Specialty Units	3	6	1
Medical Monitoring	[2] 1	[3] 1	.....

[1] In addition to beginning six profiles in FY 1998, ATSDR updated 21 profiles with children's health sections.
[2] Feasibility study in fiscal year 1998.
[3] To be initiated in FY 1999 depending on outcome of feasibility study.

ATSDR's public health assessment (PHA) program evaluates data and information on the release of hazardous substances into the environment and assesses past, current, or future effects on public health. The PHA program is ATSDR's principal tool for identifying communities that need further public health follow-up. In fiscal year 2000, ATSDR anticipates developing 90 public health assessment documents.

ATSDR develops health consultations to provide advice and/or technical assistance on specific public health issues that result from actual or potential human exposure to a hazardous material. A health consultation is often quickly needed to permit mitigation or prevention of adverse human health effects from such exposure. The agency provides consultations on hazardous waste sites to EPA, other federal agencies, state and local health and environmental agencies, individual members of the public, and communities. ATSDR will provide approximately 800 health consultations in fiscal year 2000.

In May 1997, ATSDR presented to Congress 234 hazardous waste sites for which the agency and its public health partners were not able to conduct necessary public health activities. In fiscal year 1998 and 1999, ATSDR addressed 94 of these sites through public health assessment activities, health education and promotion activities, exposure assessments, and health studies. Significant results have been noted, with five sites found to be public health hazards and ten sites requiring follow-up health activities. In fiscal year 2000, the agency will be unable to initiate action at any of these historic "backlogged" sites, and the number of such sites is anticipated to increase.

State partnerships

When Congress reauthorized Superfund, the health section of the statute was strengthened, and a partnership was envisioned between states and ATSDR. The

agency committed to building or enhancing state health departments' capacity in environmental health. For the last three years, ATSDR has provided more than $10 million per year to states for health assessments, health studies and health education and promotion activities at the sites where we work. This cooperative agreement program enhances the collaboration between Federal, state, local, and tribal health and environmental officials who are the experts on issues related to site characterization, contaminant removal activities, site remediation, site-specific health education and health promotion, and health studies. This collaboration ensures that risk managers are provided timely public health input throughout the site characterization, assessment, and remediation process; and that community and health professional educational needs are met with early, integrated involvement. It further insures that health outcome data, environmental monitoring results, and demographic data are collected and analyzed in a scientifically valid manner. In fiscal year 2000, ATSDR anticipates supporting 23 states through the state cooperative agreement program.

Exposure investigations

The lack of reliable information on actual human exposure has hampered ATSDR's assessments of adverse impacts of environmental contamination. ATSDR has therefore initiated independent activities to provide better measures of exposure, to better define populations likely to be exposed, and to develop more accurate estimates of exposure. An exposure investigation is a key approach that ATSDR uses to develop better characterization of past, current, and future human exposures to hazardous substances in the environment and to evaluate existing and possible health effects related to those exposures. ATSDR will conduct exposure investigations in fiscal year 2000 at 30 sites.

Emergency response

ATSDR is responsible for providing technical assistance to Federal, state, and local government and emergency organizations during emergency situations resulting from the unplanned release of hazardous substances. In emergency situations, site-specific or chemical-specific consultation teams can be convened to provide immediate pubic health support 24 hours a day, seven days a week—usually within 30 minutes. Consultation teams can operate independently on focused, short-term tasks or can serve as part of a large multi-agency task team addressing more complex issues. ATSDR will continue emergency response activities in fiscal year 2000.

Health education and promotion

ATSDR's health education and promotion program encompasses the overall goals of educating individuals, communities, and health-care providers about the health effects of hazardous substances in the environment; working with affected communities to develop and promote public health strategies to mitigate the health impact of hazardous substances; and disseminating environmental health education materials, training, and information. The agency will conduct a range of site-specific health education activities at a total of 400 sites in fiscal year 2000.

A critical part of ATSDR health education activities is involving communities in public health decisions and actions that affect them. We assure collaborative opportunities are available for communities by integrating them into the process of planning, goal-setting, and the design and implementation of public health activities. This interactive process requires new and creative ways of thinking and working that lead to broad understanding of agency public health activities and responses.

The hallmark of ATSDR's health promotion program is the use of community-driven approaches to promote education and training for health care providers and other health professionals, to facilitate access to environmental medical services, and to establish the connection between environmental and public health practice. Provider education affords health care practitioners with a better understanding of the situation so that they can assist in making appropriate public health decisions for the community and themselves.

Health promotion activities also include site-specific environmental health interventions (EHI). These interventions cover such services as specialty clinical evaluations, diagnosis, and referrals for exposed individuals at risk of adverse health effects. The EHI establishes a partnership between public health professionals, primary care practitioners, and environmental specialists and involves the diagnosis and prevention of illness caused or influenced by hazardous substances in a community environment. In fiscal year 2000, ATSDR will support anticipated site-specific environmental health interventions at six sites.

A medical monitoring program is broader in scope than an EHI, and may be conducted over a longer period of time. ATSDR is currently conducting the first phase of the Bunker Hill medical monitoring program. Approximately 8,500 persons living

in the area around a refinery located in Kellogg, Idaho, between the years 1973 and 1981, were placed at significantly increased risk of adverse health effects as a result of excessive exposure to lead, cadmium, and arsenic. Initial outreach and feasibility assessment activities are being conduced in the State of Idaho, where an estimated 1,700 persons who were exposed to contaminants continue to live.

ASSOCIATION BETWEEN TOXIC EXPOSURE AND ILLNESS

Health studies

ATSDR conducts and supports health studies to evaluate the relationship between exposure to hazardous substances and adverse human health effects. This relationship can be described as a sequence of events leading from contamination in the environment to possible presence of illness in exposed people.

As ATSDR has reported previously, when evaluated in aggregate (i.e., by combining health data from many Superfund sites), living near hazardous waste sites seems to be associated with increased risk of some kinds of birth defects and, though less well documented, some specific cancers. Several ATSDR health studies completed in the last couple of years confirm and help clarify this finding. For example:

—Women who live within ¼ mile of National Priorities List (NPL) sites in California were more than three times as likely to have infants with conotruncal heart defects and more than twice as likely to have infants with neural tube defects.

—Women who were 35 years old or older and who had been exposed to tetrachloroethylene (PCE) in drinking water at Camp Lejeune, North Carolina, were four times more likely to have infants who were small for their gestational age.

—Women who lived closest to 38 landfills in New York had a fourfold elevation in incidence of bladder cancer and leukemia, in comparison to women living further away.

—Women who lived near a Connecticut NPL site in areas where exposure to TCE was estimated to be highest had an elevated risk for non-Hodgkin's lymphoma.

Examples of other adverse health outcomes include:

—Nineteen to 20 years later, young adults who had been exposed during childhood to high levels of lead at the Bunker Hill NPL site were more likely to have neurologic signs and symptoms and infertility than were young adults in a comparison group.

—Children in Groton, Massachusetts, who were most likely exposed to solvents in drinking water generally had lower scores on two of four tests that indicate they had learning disabilities.

—Women formerly employed at a lead smelter, now an NPL site, in Silver Valley, Idaho, had an earlier onset of menopause than did women in a comparison group.

As the above findings demonstrate health studies are key to formulating public health actions for specific Superfund sites. Ongoing studies will continue in fiscal year 2000.

In the past year, ATSDR has initiated activities to investigate possible links between elevated rates of children's cancers in Toms River and exposures to hazardous substances. These actions include: a multi-site study examining the rates of brain cancer among residents, a multi-state case control study of childhood brain cancers, a review of available chemical data for the Dover Township area, and public health intervention activities including health care provider updates. Elevations in overall cancer incidence were confirmed for Dover Township and the Toms River section, particularly among female children under 5 years of age. At the $64 million level, ATSDR will continue many of these activities in Toms River.

Health registry activities

The ATSDR National Exposure Registry catalogs reported health information from individuals with documented exposures into chemical-specific sub-registries. These sub-registries are designed to aid in assessing the long-term health consequences of low-level, long-term exposures to hazardous chemicals identified at hazardous waste sites. The National Exposure Registry currently consists of four established subregistries: Trichloroethylene (TCE), Dioxin, Trichloroethane (TCA), and Benzene. Registrants on all four subregistries have reported increases of such problems as birth defects, diabetes, stroke, anemia, and learning disorders.

Analysis of the approximately 5,000 female registrants across all registries revealed statistically significant increases in reports of several health outcomes. Those found predominantly in women included diabetes, kidney problems, liver problems

and urinary tract disorders. A more definitive assessment of these associations is currently underway.

Substance specific information and research

Serious gaps exist in scientific knowledge about the toxicity, bioavailability, and human health effects from individual hazardous substances and mixtures of substances released from Superfund sites and during emergency releases. ATSDR's Applied Research Plan heavily emphasizes the collection of human data to validate the substance-specific exposure and toxicity findings of animal and human studies that are currently open to interpretation.

ATSDR's mechanisms for filling priority data needs include academic-based research conducted through the Minority Health Professions Foundation, a congressionally mandated program. ATSDR-supported research on lead has found (1) a highly significant relationship between lead levels in blood and blood-pressure in pregnant women; and (2) that infants born to mothers with higher blood-lead levels demonstrate differences in the areas of motor skill development, general muscle tone, and hand-to-mouth activities shortly after birth. Another significant study is being conducted on di-n-butlyphthalate, a compound often used in making plastic products—there is a great potential for exposure to babies and young children through items such as soft plastic toys, pacifiers, and teething rings. Results have shown that this compound caused endocrine disruption in laboratory animals. In fiscal year 2000, ATSDR will continue research for filling critical data needs.

ATSDR supports another congressionally earmarked research program which investigates the potential for adverse human health effects resulting from consumption of contaminated fish. Contaminants of concern include dichlorodiphenyl trichloroethane (DDT), methylmercury, polychlorinated biphenyls (PCBs), dioxin and alkylated lead. Principally focused in the Great Lakes area, current activities include analyzing biologic samples of study populations; analyzing sub-clinical health effects data and other identified sensitive health endpoints; conducting tests to identify neurobehavioral impacts in newborns, infants, the elderly, and native Americans; assessing the impact of exposure to toxic substances on male and female fertility; initiating studies for trans-generational effects in at-risk populations; and evaluating mercury levels in women before, during and after pregnancy. In fiscal year 2000, activities will continue.

ATSDR provides critical information to Federal, state, and local public health agencies and other organizations that respond to toxic chemical emergencies and assess hazardous waste sites through our toxicological profiles. The profiles interpret the available exposure and health effects data of a substance, determine the levels of exposure that present a significant risk to humans, and identify the research necessary to determine the types or levels of exposure that might present significant risks for adverse health effects in humans. At the President's budget of $64 million, ATSDR will develop six toxicological profiles.

ATSDR HAS MADE A DIFFERENCE

Improved remediation decision making

ATSDR's recommendations to EPA (or the state counterpart) have been routinely adopted. Our data show that more than 80 percent of the recommendations we have made in public health assessments or consultations have been accepted or are still pending. This percentage is even higher for those recommendations dealing with reducing exposure.

A good example of this close positive working relationship is the use of ATSDR's work by EPA in the clean-up of methyl parathion in Mississippi and then later in Alabama, Arkansas, Illinois, Louisiana, Tennessee and Texas. Using both the EPA environmental sampling coupled with ATSDR's biological measurements, the agencies jointly developed criteria to set priorities concerning temporary relocation of residents, reentry back into homes, and referral to local health care providers. Overall, approximately 18,000 people (including 10,000 children) were positively impacted by this collaboration.

Responded to community concerns

ATSDR has made a concerted effort in the past several years to be more proactive in dealing with community concerns. We have revised the public health assessment process to actively seek out health data from the affected community as an integral part of the process. This has also resulted in a new group of individuals hired by the agency whose sole job is to routinely interact with the affected community early in the process and throughout ATSDR's involvement at their site. At sites where there are heightened concerns, ATSDR has formed community assistance panels to

insure ongoing partnerships in investigating the site to insure full community involvement in health assessments and health studies.

One example of a site where ATSDR successfully dealt with a community's concerns is the Trinity American Site in Glenola, North Carolina. Local residents petitioned ATSDR with concerns about possible air emissions from a foam-making process which resulted in chronic and acute adverse health affects in nearby residents. ATSDR's investigation of these complaints included environmental monitoring which showed elevated levels of toluene diisocyanate (TDI) at the plant and in the community, and blood testing which indicated the community's exposure to TDI. ATSDR's public health advisory alerted the State and EPA to the problem. As a result the plant stopped manufacture of fiber and foam until the company could come into compliance with air emission standards, and individuals with high antibody levels for TDI were referred to the Duke University Medical Center for clinical evaluation.

Improved access to and training for health care providers

ATSDR's data indicates that over 1.5 million children 6 years and younger live within a one- mile boundary of current NPL sites. Compared to adults, children often have greater exposures, greater potential for health problems, and less ability to avoid exposures. Most pediatricians need a reliable clinical resource for specialty referrals and training in environmental medicine. As one method to address this issue, the children's health program is in the process of establishing environmental and pediatric cross-specialty units focused on pediatric environmental medicine, education, training, and expert consultation, as well as clinical specialty referrals for children.

ATSDR, and its partners, have developed a national strategy establishing Pediatric Environmental Health Specialty Units (PEHSUs). PEHSUs are designed to develop medical expertise in pediatric environmental health by: (1) implementing regional pediatric environmental medical education and health promotion programs; (2) serving as pediatric environmental medicine consultants; and (3) functioning as referral centers for clinical evaluations of children exposed to hazardous substances.

In fiscal year 1999, ATSDR will maintain the three existing PEHSUs and add three additional clinics. The three new units will significantly enhance ATSDR's and EPA's ability to address the wide ranging environmental health problems. PEHSUs collaborate with ATSDR in the development of pediatric environmental medicine clinical evaluation guidelines.

In addition, ATSDR is working with other federal agencies to evaluate the feasibility of developing a national childhood cancer registry; strengthening and accelerating focused research into the environmental factors that cause or worsen childhood asthma; examining associations between childhood autism spectrum disorders and pre-natal/post-natal exposures to environmental pollution; and determining the magnitude of children's inordinate risk of exposure to hazardous waste sites due to the proximity of schools to these sites. In fiscal year 2000, ATSDR will maintain one operational PEHSU to provide physician training, consultation and referrals for children who have had environmental exposures and health-related problems.

ATSDR has for more than 15 years applied the disciplines of environmental health science, epidemiology, toxicology, and health education to assess real and potential human health effects as related to hazardous substances. The agency has learned valuable information about the association of certain diseases and exposure to toxic substances and has used this information to help communities and environmental and health organizations to prevent and reduce potentially hazardous exposures. The agency has made a difference in the daily lives of many communities and in the body of knowledge in environmental health science. As the principal public health agency charged with determining the nature and extent of health problems at Superfund sites we will continue to strive to prevent exposures to hazardous substances and adverse human health effects.

This concludes our testimony. Once again, we want to thank the Subcommittee for the opportunity to provide written testimony on our budget. We would welcome any questions subcommittee members might have and will be happy to provide written answers for the record.

AMERICAN BATTLE MONUMENTS COMMISSION

PREPARED STATEMENT OF GEN. FRED WOERNER, CHAIRMAN

Mr. Chairman and Members of the Committee: Thank you for the opportunity to testify on our fiscal year 2000 Appropriation Request. The special nature of the

American Battle Monuments Commission places it in a unique and highly responsible position with the American people. The manner in which we care for our country's Honored War Dead is, and should remain, a reflection of the high regard in which we, as a nation, respect their service and sacrifice.

As you know, the American Battle Monuments Commission is a small, one-of-a-kind organization, that is responsible for commemorating the services of American Armed Forces where they have served since April 6, 1917 (the date of U.S. entry into World War I) through the establishment of suitable memorial shrines; for designing, constructing, operating, and maintaining permanent American burial grounds in foreign countries. In performing these functions, the American Battle Monuments Commission administers, operates, and maintains twenty-four permanent memorial cemeteries and twenty-seven monuments, memorials, and markers in the United States and fifteen countries around the world.

We have eight World War I and 14 World War II cemeteries located in Europe, the Mediterranean, North Africa and the Philippines. All of these cemeteries are closed to burials except for the remains of the War Dead who may occasionally be discovered in World War I or World War II battlefield areas. In addition, we are responsible for the American cemeteries in Mexico City, established after the Mexican War, and in Panama.

Presently, 124,914 U.S. War Dead are interred in these cemeteries—30,921 of World War I, 93,243 of World War II and 750 of the Mexican War. Additionally 5,857 American veterans and others are interred in the Mexico City and Corozal (Panama) American Cemeteries. Commemorated individually by name on stone tablets at the World War I and II cemeteries and three memorials on U.S. soil are the 94,120 U.S. servicemen and women who were Missing in Action, or lost or buried at sea during the World Wars and the Korean and Vietnam Wars.

We continue to provide services and information to the public, friends, and relatives of those interred in, or memorialized at ABMC cemeteries and memorials. This includes information about grave and memorialization sites as well as location, suggested routes, and modes of travel to the cemeteries or memorials. Immediate family members are provided letters authorizing fee-free passports for overseas travel to specifically visit a loved one's grave or memorial site. Photographs of headstones and sections of the Tablets of the Missing on which the service person's name is engraved are also available. These photographs are mounted on large color lithographs of the cemeteries or memorials. In addition, we assist those who wish to purchase floral decorations for placement at a grave or memorial site in our cemeteries. A photograph of the in-place floral arrangement is provided to the donor.

The care of these shrines to our War Dead requires a formidable annual program of maintenance and repair of facilities, equipment, and grounds. This care includes upkeep of 131,000 graves and headstones; 73 memorial structures; 41 quarters, utilities, and maintenance facilities; 67 miles of roadways and walkways; 911 acres of flowering plants, fine lawns and meadows; nearly 3,000,000 square feet of shrubs and hedges and over 11,000 ornamental trees. Care and maintenance of these resources is exceptionally labor intensive, therefore, personnel costs account for nearly 62 percent of our budget for fiscal year 2000. Some of this maintenance is performed by casual labor, in peak seasons, since the permanent cemetery staffs are not large enough to provide the required maintenance during the peak-growing season. The remaining 38 percent of our budget is required to fund our engineering, maintenance, utilities, equipment, and administrative costs.

As an organization responsible for permanent burial facilities, we do not have the option of closing or consolidating cemeteries. In light of this, we have increased our efforts to achieve greater efficiency and effectiveness, through automating and contracting, in the operational and financial management areas, where we do have alternatives. This Commission recognizes and fully supports the efforts of the President and the Congress to improve efficiency, focus on results, and streamline the government overall.

During fiscal year 1998, we completed work on our second Strategic (FY 1999–2004) and Annual Performance Plans (FY 1999). We have subsequently forwarded copies to Congress and the Office of Management and Budget. We believe these plans provide our agency a comprehensive roadmap for the future.

During fiscal year 1998, as part of our Strategic Plan, and at the request of the Office of Management and Budget (OMB), we conducted the first comprehensive manpower study of our European and Mediterranean cemeteries since 1982. The study consisted of a review of current position descriptions and interviews with top management officials in our Paris and Rome Offices, cemetery superintendents, foreman, guides, and most key personnel such as equipment mechanics, masons, gardeners, and others.

This study will help us define the manpower requirements for each of our cemeteries. To ensure that we are taking advantage of streamlining opportunities from additional outsourcing and automation and to maintain productivity and efficiency incentives, ABMC and OMB will jointly review the manpower survey. This review will consider the changing capital /labor ratio regarding the work week and employee standards. We will develop a comprehensive long-term automation, employment, and funding plan. We will also undertake a joint study to determine if automation, technology, and outsourcing improvements can reduce the growing costs of foreign employment.

In line with the study, the Office of Management and Budget has approved the addition of two positions, a personnel specialist for the agency, who will be located in our European Regional Office, and a systems accountant for our Headquarters Office.

In 1996, Congress specifically directed (Public Law 104–275) that ABMC prepare agency-wide financial statements annually beginning with fiscal year 1997, and that the financial statements be audited by the U.S. General Accounting Office (GAO) in accordance with accepted government auditing standards. Our first audit resulted in an unqualified opinion on our balance sheet, which is not normally earned on initial financial statement audits. We were one of the first agencies in the Executive Branch to "early comply" with the fiscal year 1998 accounting standards prescribed by the Office of Management and Budget in Bulletin No. 97–01, Form and Content of Agency Financial Statements. We have recently completed the second audit and are awaiting the results.

As I reported to you last year, we contracted with the Department of Treasury's Financial Management Services Center regarding the replacement of our accounting system. During fiscal year 1998, we selected a new system which will be implemented in March of this year. Implementation of this new, single and integrated accounting system will resolve a long-standing problem of non-integrated systems.

With our initial success in auditing and the implementation of a new financial system, we expect ABMC to achieve a higher level of management excellence in the next two to three years.

During fiscal year 1998 a large part of our focus was on the World War II Memorial. President Clinton unveiled the winning design by Friedrich St.Florian at a White House ceremony on January 17, 1997. Since that time, reviews by the Commission of Fine Arts (CFA) and the National Capital Planning Commission (NCPC) have resulted in the requirement to modify the design to more appropriately fit the Rainbow Pool site. On April 7, 1998, the ABMC forwarded Professor St.Florian's revised design concept to the CFA and the NCPC for their consideration and approval. On May 21, 1998, in a public hearing, the CFA unanimously and enthusiastically approved the location, site plan, and revised design concept. On July 9, 1998, in a public hearing, the NCPC approved the revised design concept of the World War II Memorial.

Our National Capital Campaign Chairman, former Senator Robert Dole, and our Co-Chairman, Mr. Fred Smith of Federal Express, continue to work diligently to raise the $100 Million required for construction of the Memorial. The introduction of new films, e.g., Saving Private Ryan, has substantially raised awareness of the sacrifices of the WW II generation and the planned recognition through the National World War II Memorial. Mr. Tom Hanks, star of Saving Private Ryan, has volunteered his support to the World War II Memorial Project's Public Service Advertising (PSA) Campaign. He will be featured in television, radio, and print public service ads. Distribution of these PSA's is scheduled to run for two years beginning in March 1999 and continuing through 2000. In addition, prominent corporate and public sector leaders have been enlisted to assist with the solicitation and advocacy process.

ABMC faces several significant challenges concerning the World War II Memorial. Our greatest challenge is to collect private contributions to ensure that construction is completed so that as many of the World War II generation as possible will live to see and be honored by the Memorial. Our goal is to break ground for the Memorial in the year 2000. However, this is dependent on our ability to raise the required funding by the year 2000.

To respond to these challenges, the ABMC is proposing legislation which would extend the authorization to fiscal year 2005 in order to obtain a construction permit and develop the Memorial. The current authority on the Memorial's construction permit lapses in May 2000. In addition, the legislative proposal allows ABMC the necessary intellectual property authority, confirms ABMC's authority to accept voluntary services in furtherance of the activities of the Commission, and permits future acceptance of funds. The Office of Management and Budget advises that, from

the standpoint of the Administration's program, there is no objection to the presentation of this proposal for the consideration of Congress.

While our attention has been focused on management improvements and the design and construction of the World War II Memorial, we have not ignored our primary mission of operating and maintaining twenty-four memorial cemeteries and twenty-seven monuments, memorials, and markers.

The Congress has been instrumental in our success in maintaining a high standard of excellence by providing the funds required to accomplish our objectives. The additional funding of $3 Million in fiscal year 1998 and $2.5 Million in fiscal year 1999, for engineering and maintenance projects, allowed us to significantly reduce our backlog of essential projects. We have grouped together certain types of projects, such as sprinkler systems, replacement of fuel tanks, and repair of roadways and walkways, in order to achieve economies of scale. Grouping these projects by region has and will allow contractors to consolidate bids and provides ABMC with the most cost-effective use of managing available resources.

Our fiscal year 2000 request provides $3.0 Million for engineering and $1.3 Million for maintenance projects which will allow us to continue to reduce our backlog of projects. In addition, our request provides for cost of living increases for our U.S. and foreign national personnel, funding to develop a maintenance data base, establishment of an information systems contract, the addition of two FTE previously mentioned, and the OMB suggested studies of our personnel survey and capital improvement plans. We have focused our fiscal year 2000 program to ensure we accomplish these essential high priority projects.

For the third year, in agreement with the Office of Management and Budget, we have repriced our budget to conform to the Fiscal year 2000 foreign currency rates established for the Department of Defense.

Since 1923, the American Battle Monuments Commission's memorials and cemeteries have been held to a high standard in order to reflect America's continuing commitment to its Honored War Dead, their families, and the U.S. national image. The Commission intends to continue to fulfill this sacred trust while ensuring the prudent expenditure of appropriated funds.

The American Battle Monuments Commission appropriation request for fiscal year 2000 is $26,466,526.

This concludes my prepared statement. I will be pleased to respond to your questions.

CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD

JUSTIFICATION

GENERAL OVERVIEW

Mission.—The Chemical Safety and Hazard Investigation Board's (the Agency) mission is to reduce the occurrence of chemical incidents, thereby protecting workers, the public and the environment and lessening associated economic consequences. The Agency's major responsibilities include: (1) conducting chemical incident-related investigations under the Clean Air Act Amendments of 1990; (2) providing the Congress and the President with independent, expert fact finding and technical advice to assist in the development, implementation and evaluation of chemical safety policy and government-wide resource allocation decisions; (3) performing statutory responsibilities pertaining to chemical safety-related matters, ranging from special studies and analyses to quasi-legislative functions (e.g., recommending operational improvements in federal chemical safety programs within the Occupational Safety and Health Administration, the Environmental Protection Agency, and other organizations); (4) responding to requests for information from the Congress and the President on various matters affecting chemical safety; and (5) providing technical information and assistance to government, business and industry on causes of and ways to prevent chemical incidents. To carry out these responsibilities and to improve the current picture of chemical safety, the Agency must maintain the highest level of expertise.

Challenges.—The Agency first opened its doors in January 1998, with the need to address a full range of both the most basic organizational and the most sophisticated mission-specific requirements. For fiscal year (FY) 1998, the Agency had a $4 million budget and an authorized staffing level of 20 full-time equivalent employees (FTE's) to begin building a new independent federal agency from the ground up. The Agency began without any inherited infrastructure, personnel, agency-specific policies or procedures, space, or other fundamental resources. Nevertheless, by the end

of September it had two of its five Presidential-appointed Board Members, had hired the annual full-time equivalent (FTE) of 5 employees, and had prioritized use of its resources to initiate development of the most critical baseline operations. One key baseline operation involved measuring the scope of the national chemical incident problem, which had not before been attempted by any organization. The importance of this effort was emphasized to the Agency during a February 1998 meeting between Agency staff and representatives from a variety of offices within the General Accounting Office (GAO). The GAO recommended the Agency focus on the results it was established to achieve. The GAO said "rather than focus on the number of accidents CSHIB plans to investigate, or the number of reports it plans to review, [we] suggest focusing on the results of doing this work, such as preventing or eliminating accidents shown by the analysis of data trends. . . . it will take time to see some of the results of these actions and the board needs to begin by establishing a baseline." The Agency followed this advice and, by the end of fiscal year 1998, had plans in place to assess federal data on the scope of the chemical incident problem.

Structure.—The Agency's business plan, prepared in 1997, serves as the overall strategic plan for building the Agency during its formative years. This is supplemented with complementary, functional-level strategic plans and operating procedures subsequently developed to shape and support specific program activities. By fiscal year 2001 the business plan will be replaced by a GPRA-compliant, agency-wide strategic plan, to be prepared in fiscal year 2000. Agency growth from nascent to functional level was originally scheduled to occur over a three-year period (fiscal year 1998–fiscal year 2000), during which time the staff would develop the knowledge, infrastructure, and programs that would permit the Agency to function as a mature organization. This timeline now has been extended to four years (fiscal year 1998–fiscal year 2001) as the result of a better assessment of the effort required to reach full operational capability. The Agency's intent, based on its concept of operations, is to grow to an estimated staffing level of 100 FTE's by fiscal year 2002, and its organization and staffing reflect this plan. The Agency is a flat organization with only a single layer of management. It acquires, to the maximum extent possible, and has its staff manage requisite administrative and technical services from outside sources. The reasons for this mode of operation are the use of FTE's to provide administrative services reduces the number of staff available for technical, mission-related duties. Also, because chemical incidents occur in such diverse industries under a wide variety of circumstances, the Agency cannot have individuals on staff with technical expertise on all subjects that could be factors in all possible chemical incidents. As a result of these constraints, the Agency will continue to contract for or otherwise obtain (e.g., through interagency agreements) the expertise as needed for specific investigations and other programmatic activities.

Resources.—In fiscal year 1999, the Agency budget grew to $6.5 million for 12 months of operation from the $4 million appropriated for and expended over nine months of operation during fiscal year 1998, and its authorized staffing level increased from 20 to 30 FTE's. The Agency requests $12.5 million for the necessary expenses to carry out its mission and meet its goals during fiscal year 2000. This represents a $6 million increase from the fiscal year 1999 funding level, and is $5 million above the $7.5 million requested in the President's fiscal year 2000 Budget. The $12.5 million request will allow the Agency to continue moving from a startup to a fully operational federal agency. The Agency has learned through its efforts to date that the volume, scope and complexity of its work is greater than purported by others. Nevertheless, the Agency has limited its budget request to ensure the fiscal year 2000 increase is consistent with the growth projected in the Agency's business plan, which was submitted to Congress, the Office of Management and Budget (OMB), and the GAO. Judicious use of government contracting opportunities (i.e., buying, not building capabilities) have already enabled the Agency to realize significant savings over more traditional operating strategies. Through continued use of these alternative venues, the Agency expects to be able to meet its fiscal year 2000 goals in a cost-effective manner.

BUDGET APPLICATION

The Agency requests $12.5 million to accomplish the work planned for fiscal year 2000. Funding at this level will allow the Agency to continue its development by hiring additional staff, providing the concomitant needs for space, equipment and supplies, and contracting for requisite services. We note that OMB elected to arbitrarily reduce this request by $5 million, in spite of statutory language regarding the independence of the Agency [42 U.S. Code § 7412 (6)(R)]. If the Agency's request is reduced by $5 million, it will not be able to grow because most of the $1 million increase over the fiscal year 1999 budget level will be used to fund mandatory in-

creases. The following are the significant consequences that will result if the Agency's budget request is reduced to $7.5 million.

—The Agency will not be able to hire any new employees. As a result, the planned increase in the investigative workload will not be realized.

—The studies on chemical incident reporting and on federal chemical incident prevention programs, designed to determine ways to improve program performance and to reduce costs and burdens on government and business, will be delayed due to lack of staff to execute these projects.

—Development of technical guides and educational materials for industry and other stakeholders will not occur.

—The Agency will curtail efforts to develop technical training programs for its staff to help them perform their various technical duties (e.g., conduct investigations, review others' investigative reports, and plan and manage special studies).

—No further information technology development work in support of the Agency's mission will be funded. For example, the Agency uses the Internet to disseminate information about chemical safety and prevention. Without sufficient funding, work will not continue enhancing the information-sharing process the Agency began in fiscal year 1999. In addition, the Agency will not develop a program to collect "near miss" information from industry (similar to what the aviation industry voluntarily provides to help prevent aircraft incidents).

—The ten-year consolidated incident database will not be expanded through the planned annual inclusion of new (e.g., the prior year's) incident reports and additional types of available government data. Failure to keep this database current, and to expand the depth of the information it contains, will prevent this resource from being used by the Agency for operational planning and evaluation purposes, and by Congress to evaluate agencies' performance and budget requests, adjust laws and the federal chemical safety system, reduce costs and otherwise improve effectiveness, and to track progress in addressing the problem of chemical incidents.

BUDGET UTILIZATION

Incident prevention

One of the Agency's primary responsibilities is to conduct chemical incident-related investigations under the Clean Air Act Amendments of 1990. These investigations result in reports addressing the nature, causes and recommendations for preventing incidents. The ultimate goal of the investigation activity is to persuade those to whom safety recommendations are directed to implement these recommendations. Incident examinations, which are conducted pursuant to Section 112(r)(6)(C)(i) of the Clean Air Act Amendments of 1990, may take the form of either field investigations or reviews of work done by others. Each incident is unique. Extensive time must be devoted to researching and verifying all aspects of the incident, waiting for production of documents by the company and other investigative authorities, and conducting analyses of evidence. Depending upon the complexity of the incident, availability of documents, and other matters that may impede progress, a report may take 9 to 12 months to complete.

The Agency learned in its first year of conducting investigations that a variety of personnel are required on a field investigation team to ensure the effectiveness of each phase of the investigation. For each investigation, we assign at least one staff member from the Offices of Investigations, Safety Programs, General Counsel, and External Relations, for a total Agency investigation team of four or more staff members. These teams are responsible for the activities outlined below.

Office of investigations

—Establishing and operating the field command center, which provides assistance to investigators by obtaining documents, scheduling witness interviews, maintaining technical communication with Agency headquarters, and otherwise supporting the investigative work.

—Compiling business and technical details about the company involved in the incident, previous incidents within the same industry or involving similar circumstances.

—Surveying the incident site, determining the scope of the investigation, and working with local jurisdictional officials to secure the incident scene and to assure that evidence is not jeopardized. Coordinating Agency and contractor personnel at the site.

—Ensuring the investigation is conducted in accordance with Agency policy, and that methods and techniques are used that will promptly and effectively iden-

tify pertinent facts, conditions or circumstances surrounding the accident and result in the timely completion of the field phase of the investigation.

—Developing and preparing documentation from the incident including reports, photographs, records and other relevant material. Determining requirements for special tests, studies and assistance that may be necessary for one or more aspects of the investigation.

—Reconstructing incident dynamic and sequence of events; determining the authenticity and adequacy of data; examining the reported facts, conditions and circumstances of the incident and their relationship to determination and support of probable cause; assuring that analyses are consistent with applicable scientific, technical and engineering methods and standards.

—Preparing the formal incident report in accordance with Agency policies, procedures, and technical requirements, and defending the report's contents, conclusions, and recommendations at formal Board meetings.

Office of safety programs

—Crafting sound recommendations based on the comprehensive evaluation of what caused the incident. The recommendations are based on the best scientific solutions to prevent a reoccurrence and must be feasible to implement.

—Identifying appropriate audiences to which recommendations should be addressed.

—Developing and implementing a tracking system to ensure recommendations are closed.

—Evaluating the long-term effectiveness of recommendations.

Office of general counsel

—Obtaining access for Agency investigators to incident sites, company employees and documents.

—Resolving legal issues with law enforcement and other responding local, state and federal agencies.

—Working with attorneys from the company involved, as well as attorneys representing other interested parties, to resolve matters so the investigation process proceeds efficiently and effectively.

—Working with Agency investigators to share draft reports, including the confidential business information, with the company's attorneys.

—Processing Freedom of Information Act requests and other civil litigation matters, which invariably follow chemical incident investigations.

Office of external relations

—Establishing incident-driven external-relations operations in the field and at headquarters.

—Serving as a liaison and source of information to local, state and federal officials, industry, labor and the public.

—Identifying organizations (governmental and non-governmental) to be informed of the Agency's reports and recommendations.

—Arranging for the broadest possible dissemination of reports; arranging for articles, op-ed pieces, editorials and other published materials that support acting on Agency findings.

—Responding to questions about Agency actions; monitoring communications media for evidence of action in response to Agency recommendations; making presentations (or supporting presentations by others) on Agency findings and recommendations.

In addition to the Agency investigation team, the Agency acquires external support for investigations. Sources of this support include other federal agencies, the Department of Energy's National Laboratories, private contractors with specialized technical expertise, and private laboratories. The Agency also uses contracted support for technical writing and graphic design of our reports. An average of four contract staff are used for an investigation.

Due to the complexity of chemical processes, the technical and legal issues involved in unraveling every incident, and the sheer quantity of chemical incidents that occur annually, the Agency carefully screens chemical incidents to decide whether to undertake an investigation. The Agency usually conducts an initial assessment of the incident to determine whether a field investigation is warranted. Factors considered include whether: (1) commonly used chemicals or processes are involved, (2) hazards of the chemical or the process are not apparent, (3) regulatory coverage is lacking, (3) the industry sector is large or is growing, (4) the process or operation involved is labor intensive, (5) state or local agencies, or safety organizations have specifically requested Agency involvement, and (6) the industry is aware of and committed to chemical safety and incident prevention.

The Agency is an independent, scientific, nonregulatory organization. As a result, its investigations differ from those conducted by other federal organizations in their focus, depth, purpose and outcome. The Agency is not limited to examining incidents involving only certain industries, chemicals or processes. Rather, it selects for investigation those incidents which appear will provide the widest audiences with the most useful information on causes of and means of preventing chemical incidents. As the Agency is precluded by law with finding fault, matters of regulatory compliance and punitive actions are outside its investigative purview. Instead, it seeks to determine the root causes of incidents in order to develop recommendations aimed at improving safety and preventing future incidents. These recommendations may be targeted at private industry, government bodies, professional associations or any other organization in a position to implement the recommendations. The Agency's investigations result in objective, technical reports, not enforcement actions and fines. The Board-approved reports cannot, by law, be used in civil litigation, a fact which encourages companies to cooperate fully with the Agency as it conducts its investigations. The Agency disseminates its reports to key federal, state and local government entities, specific companies and industries, safety professionals, first responders, trade associations, and the general public.

No one can say with certainty what the demographics (e.g., size, characteristics, cost to the economy) are of the annual universe of United States chemical incidents. Therefore, any assertions as to these factors are suspect and cannot be relied upon with confidence. The Agency's preliminary findings from its study of 10 years of incident data reveal that the numbers, just for incidents resulting in one or more deaths, are far greater than the Agency could hope to investigate. Annually, an average of 127 incidents occur that result in at least one death. In fiscal year 2000 the Agency will continue to examine a select number of incidents to continue to expand its first-hand knowledge about problems, but will devote at least equal attention to alternative strategies for bringing about change.

In fiscal year 1999, the Agency initiated work, to continue in fiscal year 2000, on development of the federal government's first comprehensive national database of chemical incidents. As emphasized by the GAO, absent this resource and the baseline it establishes, there is no objective way to determine the scope, nature or change in the chemical incident picture within the United States. There is no objective way to determine how best and at what level of effort to apply the Agency's (and the totality of the federal government's) resources to address the problem posed by chemical incidents, or how to devise and implement meaningful prevention strategies. Consequently, there is no way to establish and report on performance measures required by Congress under the Government Performance and Results Act. Representatives from the GAO endorsed, as an efficient use of government resources, the Agency's plan to develop a basline using information contained in databases already developed by other agencies. The GAO noted that when using data from different sources, it is important to recognize that both data comparability and data reliability are key issues to address.

For this function the Agency projects the use of 24.2 workyears and $5,493,000 in direct costs in fiscal year 2000, compared to 10.7 workyears and $2,421,000 in fiscal year 1999.

Safety studies

These are discrete activities to support specific program operations within the Agency or develop products and services for stakeholders to assist them in improving chemical safety. In fiscal year 2000 the focus of the work under this function will be on technical training for Agency staff and assessment of the effectiveness of federal chemical safety programs in contributing to attainment of the government's goal of eliminating chemical incidents.

Currently, available technical training dealing with investigation of chemical incidents does not address with specificity matters within the purview of the Agency, i.e., how to identify root causes of incidents and design recommendations to correct those causes. The vast number of industries and their varied operations complicate the process of conducting investigations and make it imperative that Agency investigators have available to them the training and references needed to understand the facility at which an incident has occurred. By developing training for Agency staff, materials also become available for industry use, which may assist in identification of problems before they lead to incidents. Agency training materials are to be multi-dimensional and multi-purpose, designed for use both in the office as an educational tool and at an incident site as a reference tool. These materials will provide technical treatment of pertinent laws, regulations, industry standards and current safety research, and checklists and other aids to guide and assist in the conduct of an investigation. In fiscal year 2000 the Agency intends to develop targeted

training for its staff, focusing on particular technical issues and on the process of conducting an investigation and writing reports. It also intends to develop training on human factors, in order to address issues noted by the Congress in the Agency's legislative history: ". . . special emphasis should be put on expertise in "human factors" and the role that operator failures play in causing accidents. In other fields, the United States has fallen behind the international community in the use of operator training and the development of operating and emergency procedures to prevent accidents and minimize their consequences." [Senate Report No. 101–228 (1989); Page 229]

The Agency is required by law to provide Congress and the President with an annual report that addresses, among other matters, recommendations for legislation or regulatory changes. Congress further suggested the Agency ". . . may issue more general reports to the Congress and make recommendations to other Federal or State or local agencies and to owners and operators of facilities engaged in chemical production or handling to suggest measures that might be taken to improve the safety of operations." [Senate Report No. 101–228 (1989); Page 235] In addition to issuing formal reports, Congress suggested in the legislative history that the Agency ". . . may also serve as a point of communication among the various Federal agencies to improve the effectiveness of accident prevention programs and reduce the burden of duplicative requirements on regulated entities." [Senate Report No. 101–228 (1989); Page 208] In order to offer sound recommendations for improving the performance, streamlining the operation and reducing the cost of the federal government's chemical safety programs, the Agency first needs an in-depth understanding of the various programs. To gain this understanding, in fiscal year 2000 the Agency will initiate a comprehensive, multi-phase study of the federal government's chemical safety system. The Agency will issue reports to Congress and other appropriate parties that contain findings and any recommendations for improving the system and the coordination between the federal agencies involved with chemical safety. The Agency also intends to undertake a study of the economic cost of chemical incidents to industry, state and federal government, and other definable entities.

For these activities the Agency projects the use of 1.9 workyears and $417,000 in direct costs in fiscal year 2000, compared to 1.0 workyears and $211,000 in fiscal year 1999.

Information dissemination

The main product of the Agency is chemical safety information. Chemical safety information includes not only the safety recommendations generated from incident investigations, but also various other types of safety information—data, operational guidance, technical references—that exist throughout the commercial and government sectors, or that will be developed by the Agency. The information will help a variety of stakeholders make decisions about chemical safety, e.g., the Congress and federal agencies, corporate management, workers, communities, first responders and safety professionals.

The intended repository of and distribution point for information is the Agency's safety information center. A variety of products, accessible via the World Wide Web and other venues, will be available from the center to assist stakeholders in improving safety and reducing the number of incidents. The Agency's web site, designed to serve as an entry point to the center, already is serving a large and varied domestic and international clientele in both the public and private sector. It provides more information on what is currently happening relative to chemical safety than has ever been available on a real-time or near-real-time basis in one place before. The regularity with which the Agency's web site is consulted is evidence of the desire for and interest in a centralized center, where safety professionals can share information, benchmark their safety practices and the safety of their technologies, and locate safety-related references and statistics.

In fiscal year 2000 information dissemination efforts will more formally identify and begin to satisfy needs for chemical safety information. As part of this initiative, the Agency will broaden the depth and breadth of Agency interactions and communications with external audiences and expand the availability of electronic information via the Internet. The Agency will for the first time devote one full-time equivalent position to supporting the content development tasks associated with the Agency's World Wide Web site. Content development in fiscal year 1998 and fiscal year 1999 was handled solely as additional duties by other staff. As the Agency has developed significantly more original materials and has engaged in significantly more interaction with external parties, the content development workload has exceeded the ability of staff to keep pace. In addition, the development of large databases, investigation reports and recommendations, and special studies requires cor-

responding Internet-specific platforms, and information technology staff to develop, support, and administer the databases and web site.

In fiscal year 2000 the Agency will continue building the nation's primary repository of chemical safety data, which is modeled after the Federal Aviation Administration's National Aviation Safety Data Analysis Center. Chemical safety data will be used by the Agency in decision-making, resource allocation, and to support investigative and safety program analyses. Chemical safety data will also be available to our stakeholders. However, many of the repository's source databases from other government agencies contain incomplete and sometimes inaccurate historical incident data. Moreover, even similar data from different sources are inconsistent due to confusing and often contradictory regulatory reporting requirements. To build and use the chemical safety data repository, and to effectively disseminate information to the Agency staff and stakeholders, the information technology operations require additional staff to identify data sources, and to acquire, manage and analyze the data.

Another critical information dissemination function is the monitoring of chemical incident reports received from a number of real-time sources, such as the U.S. Coast Guard's National Response Center and commercial news wire services. This information plays a role in deciding whether to conduct an investigation. In fiscal year 2000 the Agency plans to produce, for publication on its web site and inclusion in its incident database, short synopses of incidents based on this information. In this way the Agency expects to compile incident details that may be searched for insight into causes of those incidents not investigated due to resource constraints. The Agency also expects to design in fiscal year 2000 a voluntary, confidential reporting program on "near miss" events (similar to the one developed for use by the aviation industry and operated by NASA for the FAA) that provides early warning of conditions that may lead to actual incidents.

Information dissemination activities also are intended to comply with several government-wide mandates. For example, the Agency must inform Legislative and Executive Branch members, and the taxpayers, about its routine and non-routine activities. At a minimum, such notification occurs via the Agency's Annual Report and budget materials it submits to the Congress.

For information dissemination activities, the Agency projects the use of 11.1 workyears and $2,723,000 in direct costs in fiscal year 2000, compared to 5.6 workyears and $1,342,000 in fiscal year 1999.

Board members

In fiscal year 2000, it is anticipated the Agency's five-member Board will, for the first time, be fully staffed for an entire fiscal year. The Board Members are Presidential appointees whose salaries are set by law. The Board Chairman manages the Agency in his concurrent role as its Chief Executive Officer. The Board was established by law to perform a technical review and vote on release of investigation reports and recommendations prepared by Agency staff. Board Members may also pursue personal projects of interest to them in the field of incident prevention, may be called upon by Agency staff for expert assistance in addressing specific Agency concerns, and may perform outreach services on behalf of the Agency at the CEO's request.

For this function the Agency projects the use of 4.5 workyears and $1,325,000 in direct costs in fiscal year 2000, compared to 3.6 workyears and $1,002,000 in fiscal year 1999. We note that workyears are projected to be 4.5 in fiscal year 2000, because the Chairman's time is split between activities performed as a Board Member and as Chief Executive Officer.

Executive direction

These are general management activities (e.g., developing the Agency's strategic plan, and evaluating Agency-wide operations) performed by the Agency's Chief Executive Officer, the Chief Operating Officer, the Executive Officer (responsible for execution of administrative functions), and individuals responsible for directing the work of the Agency's program offices.

For this function the Agency projects the use of 1.8 workyears and $503,000 in direct costs in fiscal year 2000, compared to 2.1 workyears and $537,000 in fiscal year 1999.

Indirect costs

This encompasses all administrative operations (human resources, finance and budget, and management services), whether performed by Agency staff or by public or private sector vendors operating under their direction, and all activities pertaining to installation and maintenance of the Agency's information technology infrastructure. It also includes time to devoted by staff to develop written procedures

for Agency activities such as contracting, and time devoted to general Agency-wide activities, such as regularly scheduled briefings for Board Members to keep them aware of work being performed by the Agency.

These activities also include work benefiting the entire Agency, such as provision of legal services. This is a new agency with unique statutory provisions. It is continually faced with complex, novel legal issues that it must resolve. In many legal areas, such as the Agency's authority to compel companies and other agencies to cooperate with it, there are no precedents. In addition, because this is a new agency, it has no legal structure in place to assist it in complying with the various federal laws. For example, the Agency still has not published in the Federal Register any regulations, directives, orders, or other institutional documents to guide its activities. Consequently, it needs lawyers to draft and promulgate these comprehensive documents. Finally, the Office of General Counsel serves as advisor to the Chairman of the Agency and assists in providing advice to concerns raised by specific Board members. As the five-member Board becomes fully functional, additional legal time will be necessary to meet their demands.

These activities also include work undertaken by that person serving as the Agency's Inspector General. That individual is responsible for directing and carrying out financial and management audits of the Agency's operations, and for reviewing and commenting on proposed procedures and other documents regarding their economy, efficiency, and effectiveness. In fiscal year 1999 financial statements for the Agency's first year of operations (fiscal year 1998) were produced, and it is anticipated that in fiscal year 2000 this work will be expanded to address the Agency's system of records, internal control procedures, policies for marking and controlling sensitive data, and the ability to report on performance measurement goals.

In addition, the Agency must acquire appropriately configured, permanent office space. The Agency has grown from an onboard staff of 15 employees at the end of fiscal year 1998 to a current level of 27 employees. The Agency plans to hire an additional 30 FTE's in fiscal year 2000, and to have 100 FTE's by fiscal year 2002. It was not cost-effective or even financially possible to enter into a long-term lease for space that could accommodate the needs of a 100-employee agency when the Agency was staffed with only a few employees. Accordingly, the Agency leases temporary space to accommodate the startup staffing levels. In fiscal year 2000, the Agency will locate and prepare its permanent office space. Build-out costs to prepare the space include standard expenses incurred by the government in preparing space for occupancy (architectural design services and space alterations). It also includes creation of such technology infrastructure to support the Agency as fiber optic network wiring, primary uninterruptible power supply (UPS) installation, air conditioning, and specialized electrical wiring to support the infrastructure.

The Agency projects the use of 8.5 workyears and $2,039,000 in fiscal year 2000, compared to 3.8 workyears and $987,000 in fiscal year 1999 for the indirect cost category.

CONSUMER PRODUCT SAFETY COMMISSION

PREPARED STATEMENT OF ANN BROWN, CHAIRMAN

Mr. Chairman, and members of the Subcommittee, I am Ann Brown, Chairman of the U.S. Consumer Product Safety Commission (CPSC).

I am pleased to have this opportunity to testify in support of our fiscal year 2000 appropriation request. The modest increase in our budget to $50.5 million, the establishment of a small, carefully targeted, applied research program and other initiatives assure the Agency will continue on the effective path we have followed for the past five years.

Before I begin my testimony on our budget, I want to give you a quick update on the two tasks given us by the conferees on our fiscal year 1999 appropriations. As you will recall, Section 423(a) of the Conference Report directed us to contract with the National Academy of Sciences within 90 days, for a 12-month study of the potential toxicologic risks of all flame-retardant chemicals identified by the NAS and the Commission as likely candidates for use in residential upholstered furniture. These chemicals could be used to comply with our draft proposed regulations for flame resistance of this furniture. We entered into the contract with the NAS prior to the deadline on January 15 of this year.

Section 429(a) of the Conference Report directed us to propose for comment within 90 days, a revocation of the amendments to the children's sleepwear standard previously issued on September 9, 1996. FR Vol. 61, No. 175, p. 47634 et. seq. The pro-

posed revocation was published in the Federal Register on January 19 of this year, which was also prior to the deadline.

Section 429(c) directed us to promulgate a final rule revoking, maintaining or modifying these latest sleepwear amendments by July 1, 1999. We will complete that assignment on time.

AWARDS FOR INNOVATIONS

The Commission has recently received two prestigious awards for innovations in the way we carry out our work. The first award for innovation is from the Ford Foundation, the Council for Excellence in Government and the JFK School of Government, which administers the awards program. Last year, CPSC was chosen from over 1,400 entries as one of 10 winners of the 1998 Innovations in American Government Award. We received the award for our Fast Track Product Recall Program. With this new program we are seeing dangerous products removed from store shelves more quickly and three times as many returned as with a regular product recall—without a preliminary product defect against a company.

The second award was from the Institute for Dispute Resolution, which honored us for our innovative use of mediation in carrying out a recall of defective high temperature plastic vent pipes, that are part of certain furnaces and boilers, which could leak deadly carbon monoxide. Instead of lengthy and costly litigation involving many companies, CPSC employed the services of an experienced mediator who persuaded the companies to accept a program to replace the dangerous pipes at no cost to consumers.

These two awards from highly respected organizations demonstrate that CPSC is an innovative, effective organization that performs its work in a praiseworthy manner.

FISCAL YEAR 2000 BUDGET

Despite the progress in product safety in recent years, there are still an average of 22,000 deaths and 29.5 million injuries annually due to unsafe consumer products. These deaths, injuries and associated property damage cost the nation about $400 billion a year.

To carry out the second year of our six year strategic plan to reduce further the number of deaths and injuries and property damage, we propose a budget of $50.5 million for fiscal year 2000.

As you will recall, last year we set forth and discussed in detail our eight strategic goals. They are:

—Reduce the head injury rate to children from consumer products by 15 percent.
—Prevent any increase in the death rate from poisonings to children.
—Reduce the death rate from fires by 10 percent
—Reduce the death rate from carbon monoxide poisonings by 20 percent.
—Reduce the death rate from electrocutions by 20 percent.
—Increase public contacts through the Worldwide Web by 500 percent and through the Consumer Product Safety Review by 200 percent. Maintain capability to handle 250,000 Hotline calls annually.
—Attain 85 percent success with services CPSC provides industry through the Fast Track Product Recall Program, and 80 percent success in the Ombudsman Program.
—Sustain the current satisfaction of consumers with CPSC's Hotline and Clearinghouse, and sustain the states' satisfaction with CPSC's State Partners Program at 90 percent or better.

This year we have restructured our budget to more closely reflect our goals in these specific areas. Previously, we organized our budget along functional lines. Thus, compliance, consumer information, hazard assessment and reduction and agency management were each separate categories.

In our new format we have just two categories, reducing product hazards to children and families and identifying and researching product hazards. There are four activity areas included in the first category.

—Children's Hazards
—Fire and Electrocution Hazards
—Household and Recreation Hazards
—Child Poisoning and other Chemical Hazards

RESEARCH BUDGET

There are two activity areas in the second category:

—Hazard Identification and Analysis
—Applied Product Hazard Research

For the first time this year, we are proposing a separate, specific research budget. We have always done some product research, when funds were available. Section 5(b)(1) of the Consumer Product Safety Act specifically authorizes the Commission to "conduct research, studies and investigations on the safety of consumer products and on improving the safety of such products."

Our proposal is supported by the recent report of the highly regarded National Academy of Sciences Institute of Medicine. After reviewing the Commission's performance in recent years, the report concluded:

"The committee believes that the CPSC is on the right course, relying heavily upon cooperative efforts with industry to raise prevailing standards of safety . . . the committee believes the agency's capacity to carry out this strategy needs to be strengthened by increasing its resources for . . . applied research." Report p. 215–216.

The committee recommended that research funds be used "to enhance the CPSC's capacity to study safety problems and stimulate product innovations, examine the feasibility and efficacy of safer product designs and proposed safety standards and develop and test methodologies for setting performance standards and for monitoring compliance with such standards." Report p. 217.

One of the research projects we are considering could improve the safety of certain House office buildings. In a compliance investigation last year, we found that certain fire sprinklers, like those in the House office buildings, are defective. Accordingly, they have been recalled, by the manufacturer with an offer of free replacement. We have been unable to obtain any information about defects in the sprinklers in the Senate office buildings, because the Architect of the Capitol has not responded to our requests for such information. If you grant our research request, one of the projects we are considering is an investigation into the adequacy of existing fire sprinkler standards. We would study the reliability and performance of these products to determine what improvements are needed.

INFORMATION TECHNOLOGY AND OTHER PROGRAM INITIATIVES

In recent years we have repeatedly stressed to you our need for improvements in our information technology. We do so again this year. As a data-driven agency, we must strengthen the tools we use to identify and analyze product hazards if we are to continue making sound risk-based decisions. CPSC requests $500,000 for an integrated hazard database. This is a key improvement because it will speed up hazard analysis and investigations.

We further ask an additional $355,000 to fund various initiatives that strengthen the agency's ability to reduce death and injury to children and those resulting from fire and electrocution hazards, household and recreation hazards, and child poisonings and other chemical hazards. Some of these initiatives include oversight of the all-terrain-vehicle (ATV) industry safety program, the distribution of safety information to the nation's families through pediatricians, the purchase of laboratory testing equipment, expanded consumer Hotline services, and an additional safety video news release.

The balance of the additional request, $2.1 million, is to maintain the agency's current safety effort at 2000 prices. The $2.1 million will fund projected increases for salaries and benefits of $2 million and General Services Administration estimates for space rent increases of $126,000. These costs are outside the control of CPSC. CPSC did not increase our office space; the increase represents the GSA allocation of cost increases GSA projects it will need to operate the Federal office space program in 2000.

The National Electronic Injury Surveillance System (NEISS) is the foundation for Commission efforts to collect information on product-related injuries. NEISS provides estimates of the frequency and severity of product-related injuries treated in hospital emergency rooms. In fiscal year 2000, CPSC is planning to expand the NEISS, which is currently limited to consumer product injuries, to include all injuries. This will be done in partnership with other Federal health and safety agencies at no additional cost to CPSC. In its recent report on injury, the Institute of Medicine recommended that the federal government expand CPSC's NEISS to increase our knowledge of the causes and severity of nonfatal injuries. This endorsement of the NEISS is another example of the increasingly important role that CPSC plays in the injury-prevention community.

NEW PARTNERSHIP

In previous years I have told you about our partnership with Gerber Products and other companies to promote consumer product safety. I have recently announced a

new partnership with CNA, a major insurance organization based in Chicago. With CNA's support we are issuing today a new free brochure highlighting low-cost safety devices for making homes safer for young children: Childproofing your home: 12 Devices to Protect Your Children. Each year over 2.5 million young children are injured or killed in often-preventable incidents in their own home. This brochure will tell parents about safety devices that will help keep children safe in their homes. CNA Financial Corporation of Chicago has underwritten the costs of producing and distributing this colorful easy-to-read brochure that will be distributed free of charge by the Consumer Information Center. This is the kind of public/private cooperation that helps us get our life-saving information to the American public without regulation or red tape.

CPSC IS A COST EFFECTIVE AGENCY

Mr. Chairman, and members of the Subcommittee, we take great pride in the awards we have recently received. They inspire us to rededicate ourselves to the mission of our agency—keeping children and families safe.

As we prepare for our 26th year, I want to cite just a few of our accomplishments. We have played a key role in the 30 percent decline in the rate of deaths and injuries related to consumer products since 1973. During this time we have:

—Saved the nation about $10 billion annually in health care, property damage, and other societal costs through past agency work on electrocutions, children's poisonings, children's cribs, power mowers, and fire safety. These savings are almost 200 times CPSC's request for 2000 or about $200 million in savings for each $1 million of the agency's request.

—Required cigarette lighters to be child-resistant. This action is expected to prevent over 100 deaths annually and provide net benefits of over $500 million in societal costs.

—Reduced societal costs by about $1 billion annually by working to curb carbon monoxide (CO) poisoning.

—Prevented about 50,000 injuries and reduced societal costs by over $1 billion each year by removing dangerous fireworks from the marketplace.

These and other recent achievements are strong evidence supporting the conclusion of the Institute of Medicine report that CPSC is now "a model of regulatory efficiency."

Mr. Chairman, the $50.5 million we are requesting is equal to about 1/1,000 of the $400 billion annual cost of deaths, injuries and property damage caused by hazardous consumer products. Your approval of the full amount of our budget will be returned many times over in better health and safety for all American children and families.

COURT OF APPEALS FOR VETERANS CLAIMS

PREPARED STATEMENT OF HON. FRANK Q. NEBEKER, CHIEF JUDGE

Mr. Chairman and distinguished members of the Committee: On behalf of the Court, I present for your consideration the fiscal year 2000 budget of $11,450,000 for the United States Court of Appeals for Veterans Claims. (The Court was renamed last year by the Veterans Programs Enhancement Act, § 511, Pub. L. No. 105–368, 112 Stat. 3315, 3341 (1998), effective on March 1, 1999.)

The Court's fiscal year 2000 budget request includes $910,000 requested by the Veterans Consortium Pro Bono Program (Representation Program). The Representation Program provided its own supporting statement to accompany its budget request.

The budget request of $11,450,000 reflects a $1,255,000 increase over the funding for Court and Representation Program operations appropriated for fiscal year 1999. The net increase for Court operations is $1,210,000. This increase is based primarily on a request for funding of 8 full-time equivalent (FTE) positions, above the fiscal year 1999 authorized level of 80 FTEs, for a total of 88 FTE positions. This funding would permit the Court to hire a third law clerk for each judge and an additional staff attorney in the Central Legal Staff (CLS). The additional personnel are needed, in response to a sharp increase in the number of cases filed in the Court during the last two years, to prevent the backlog of cases from growing further and causing dramatic delay in the resolution of veterans' appeals.

As background for the current situation, I will give you a quick synopsis of the Court's caseload history. The Court began operations on October 16, 1989. The number of new cases filed in the Court fluctuated substantially during the first few years, and leveled off at slightly more than 1,200 per year by fiscal year 1995. In

fiscal year 1996 there were 1620 new case filings, an increase of 27 percent over fiscal year 1995, and in fiscal year 1997 case filings jumped to 2,229, an increase of almost 38 percent over fiscal year 1996. The upward trend continued in fiscal year 1998, with 2,371 case filings, a 6 percent increase over fiscal year 1997. Our current rate of case filings is approximately 200 cases per month. In recent months, there has been a dramatic increase (approximately 11 fold during the first quarter of fiscal year 1999) in petitions for extraordinary relief—cases that demand prompt action. In addition, since the 1992 enactment of legislation extending the Equal Access to Justice Act (EAJA) to the Court, the number of EAJA applications acted upon by the Court has increased dramatically (from 290 in fiscal year 1995 to 527 in fiscal year 1998).

I anticipate that the number of cases filed in the Court will either continue at the current elevated level (about 200 per month), or increase further. I will tell you why this is likely. The number of denials by the Board of Veterans' Appeals (Board or BVA), from whose decisions the Court's appeals derive, increased from 6407 denials in fiscal year 1995, to 10,444 denials in fiscal year 1996, and to 15,865 denials in fiscal year 1997. The numbers remained at that high level in fiscal year 1998 with 15,360 denials. The Court anticipates a corresponding continued proportion of appeals to the Court. Furthermore, as noted in the Court's budget submission, the statistics kept by the Board on "denials" do not include Board decisions that deny some, but not all, of the benefits sought. The denials in such partial-denial cases are also appealable to the Court. Finally, the Board's jurisdiction, and the Court's, was broadened by legislation that became effective in November 1997 (see Pub. L. No. 105–111, 111 Stat. 2271 (1997) (codified at 38 U.S. § 7111)) to include review of claims of clear and unmistakable error (CUE) in past Board decisions that have become final. In January 1999, the Secretary promulgated final rules governing review for CUE, permitting the Board to issue decisions in all such cases, including those stayed awaiting the mid-February effective date of the rules. Thus, especially in view of the present dramatic increase in petitions for extraordinary relief and new CUE cases, the number of pending cases may exceed the rate that would be predictable as a set percentage of the number of "denials" reported by the Board.

Another factor affecting the Court's workload is the effect of unrepresented appeals. Unrepresented appeals continue to pose a challenge. The percentage of appeals filed by unrepresented appellants remained almost constant at 74 percent in fiscal year 1996 and 73 percent in fiscal year 1997, down from its highest level—80 percent—in fiscal year 1995. In fiscal year 1998 the trend was upward, with 77 percent of appeals filed by unrepresented appellants. This rate remains much higher than the unrepresented civil appeal rate in U.S. courts of appeals. The rate is not surprising because nearly half of the claimants who were denied all benefits by the BVA were unrepresented there, or were represented by organizations that do not provide representation before the Court. In addition, by law, attorney fees may not be charged for representation until the BVA has rendered a final decision on a case. Although by the time of merits disposition the rate of unrepresented appeals is reduced to about 47 percent, all unrepresented cases require extra processing attention as they progress through the various appeal stages.

Late in fiscal year 1998, as a result of the growing backlog of cases in the Court's CLS and in chambers, the Court comprehensively reevaluated its personnel requirements and determined that the increasing caseload necessitated hiring additional staff for each judge and the CLS. At that time, the Court reported to this Subcommittee that it planned to reprogram fiscal year 1999 funds from operations to pay and benefit accounts to cover the additional salary expenses for these new personnel in the fourth quarter of fiscal year 1999. However, because of the possibility of a period of operation under a Continuing Resolution, the Court has concluded that it should not employ additional staff until the fiscal year 2000 appropriation is in place. Should the Court's appropriation be for the amount requested, the new staff members would be hired at that time.

As I summarize the reasons for this request for increased staffing, I am reminded of the Chinese proverb: be careful what you wish for, because you may get your wish. In past years, I have joined those who supported the BVA's being given sufficient resources to reduce a burgeoning backlog and cut down the amount of time that benefits claimants had to wait for a BVA decision. In addition, when I testified concerning the Court's fiscal year 1999 appropriations request, I urged that sufficient funding be provided to VA General Counsel Group VII (the appellate attorneys who represent the Secretary before the Court) for adequate staffing and equipment to cut down on the very large number of requests by Secretary's counsel for extensions of time. Overburdened attorneys were slowing proceedings before the Court by repeated requests for extensions of time for the actions, required of the Secretary's General Counsel by statute and Court rules, to develop a case for disposition by the

Court. Both the BVA and VA General Counsel Group VII have been given needed funding. Their increased capability has moved the "bubble" to the Court and has dramatically raised the number of cases ready for action by the Court. To move cases expeditiously and with integrity is, and must be, the Court's goal. Our request for increased staffing will permit us to avoid an unacceptably high, further backlog in the face of the enhanced production by the Board and VA General Counsel's Group VII. The injustice done by delays at the Board level and in the General Counsel's Group VII must not be allowed to occur at the Court's level of adjudication when the cost is relatively small, compared to that experienced by the other two entities. The requested 88 FTE positions are required to maintain timely and careful case processing and dispositions for benefits claimants seeking judicial review, particularly those who come to the Court unrepresented.

In addition to personnel requirements, the Court's fiscal year 2000 budget request reflects funding to continue revision and upgrade of the court's automated case management system to accommodate changes in the Court's processes and to complete updating a now-obsolete system for Windows.

Finally, in the last two years I have urged that the Representation Program be authorized and funded outside the Court's appropriation. I continue to be concerned that linking the Court to any party before the Court can serve to undermine the public's trust and confidence in judicial review of veterans' claims. However, the Appropriations Committee's consideration of the Program's request as separate from the Court's budget request and the removal of discretion from the Court over the Program's funding level has separated the Court, to the greatest extent possible under current legislation, from direct involvement in the Program. Accordingly, consistent with Congress' direction, the Court has forwarded to the Congress the Pro Bono Representation Program's own supporting statement for its fiscal year 2000 request for $910,000 as an appendix to the Court's budget submission and, also consistent with that direction, has included that amount in the Court's total fiscal year 2000 budget request. The Court has also communicated to the Representation Program's Executive Board the Subcommittee's request for a statement in support of the fiscal year 2000 budget request.

In conclusion, I appreciate the opportunity to present this statement in support of the Court's budget request for fiscal year 2000. On behalf of the judges and staff, I thank you for your past support and request your continued assistance.

PREPARED STATEMENT OF DAVID B. ISBELL, CHAIR, EXECUTIVE BOARD, VETERANS CONSORTIUM

Mr. Chairman and distinguished members of the Committee: On behalf of the Executive Board (formerly called the Advisory Committee) of the Veterans Consortium, I submit this statement in support of the request for a fiscal year 2000 appropriation of $910,000 for the Pro Bono Program of the United States Court of Appeals for Veterans Claims—a program for which the Consortium has, from inception, had operational responsibility. The appropriation requested would represent an increase of $45,000, or 5.2 percent, from the fiscal year 1999 appropriation of $865,000.

I understand that the Subcommittee has previously received the Program's proposed fiscal year 2000 budget (bearing the title The Veterans Consortium Pro Bono Program, fiscal year 2000 Budget and Narrative), as an attachment to the fiscal year 2000 budget submission by Chief Judge Nebeker on behalf of the Court. For ease of reference, however, I have also attached a copy hereto as Exhibit A. That document, I believe, provides a full explanation of the reasons for the increase in the level of anticipated expenditures, and I will not repeat its substance here. Two points do, however, deserve brief mention.

First, it will be noted that the proposed budget calls for expenditures totalling $909,014, or slightly less than the rounded amount of the requested apppropriation.

Second, and of more substance, let me offer a comment on a question that arose in connection with the hearing on the Court's fiscal year 2000 budget by the House Appropriations Subcommittee (on March 3 of this year). The Court has requested a proportionately larger increase in its budget for fiscal year 2000 than has the Program. Given that the Court's request rests largely on an anticipated increase in the Court's caseload, the question was raised in that hearing, as to whether the Program has asked for a sufficiently substantial increase to deal with a similarly enlarged caseload. The answer is, we believe that what we have requested will in fact suffice. The principal reason for this is that, as noted in Exhibit A (p. 1), the Program in 1998 processed roughly 150 more requests than it received in that year—i.e., approximately 750 compared to 600—thereby substantially eliminating an accumulated backlog of requests. Although this required an extraordinary effort on the

part of the staff involved, it demonstrated that we have the capability, if need arises, of dealing with a larger caseload than we anticipate. In addition, we do not anticipate as large an increase in our caseload as is the case with the Court. The reason for this is that Program seems to be experiencing a somewhat lower rate of requests for assistance from appellants before the Court than has been the case in the past, presumably because a larger proportion of those who would otherwise be unrepresented are being offered and accepting representation on a fee-paying basis before they have been advised that pro bono representation might be available. Thus, the overall pro se rate among those filing notices of appeal with the Court has been declining; and it appears that the proportion of those who are at that point pro se and who subsequently seek assistance from the Program is also declining. In consequence, we believe that the Program has the capability of dealing with its share of the expanded caseload that the Court is planning for.

Finally, I would mention two significant statistics about the Program. By the end of 1998, the Program had recruited and offered training to 536 volunteer pro bono lawyers, and had provided pro bono counsel in a total of 1351 cases.

The Veterans Consortium Executive Board is grateful for this Committee's consideration of our budget submission.

DEPARMENT OF DEFENSE—CIVIL

DEPARTMENT OF THE ARMY

CEMETERIAL EXPENSES

PREPARED STATEMENT DR. JOSEPH W. WESTPHAL, ASSISTANT SECRETARY OF THE ARMY FOR CIVIL WORKS

INTRODUCTION

Mr. Chairman and distinguished members of the subcommittee: I appreciate the opportunity to provide testimony to the subcommittee in support of the fiscal year 2000 appropriation request for Cemeterial Expenses, Department of the Army. I am providing this testimony on behalf of the Secretary of the Army, who is responsible for the operation and maintenance of Arlington and Soldiers' and Airmen's Home National Cemeteries.

Arlington National Cemetery is the Nation's premier military cemetery and it is an honor to represent the cemetery. This committee has historically been very supportive of the cemetery, and we appreciate your support.

FISCAL YEAR 2000 BUDGET OVERVIEW

The request for fiscal year 2000 is $12,473,000, an increase of $807,000 over the fiscal year 1999 appropriation. This increase will permit Arlington National Cemetery to improve its infrastructure and work toward implementation of the cemetery's Master Plan. The funds requested are sufficient to support the work force, to assure adequate maintenance of the buildings, to acquire necessary supplies and equipment, and to provide maintenance standards expected at Arlington and Soldier's and Airmen's Home National Cemeteries.

Priority investments

I would like to summarize some of the Administration's priority investments we are proposing this year.

The Army has recently completed a Master Plan for Arlington National Cemetery, which is designed to ensure that Arlington will remain active as the Nation's premier military cemetery. This plan identifies fourteen parcels of land that are located in close proximity to the cemetery and that could be used for future burials. We intend to examine those parcels that could be made available so that the future needs of the cemetery are met. These parcels include contiguous land sites that would be vacated by the Army, Navy, and Marine Corps, including the Navy Annex and a portion of Fort Myer. We solicit your support for this initiative. Funds are included in the President's Budget for fiscal years 1999–2003 to prepare concept plans to develop those parcels of land owned by the Federal government when they become excess to other government needs. Acquisition of this property would allow for continued operation of the cemetery through the 21st century. The President's Budget for fiscal year 2000 includes $60,000 for this activity.

Second, $200,000 is included to develop a comprehensive automation plan for the cemetery. Improved automation will not only help improve internal communications

and operations, but we also envision improved services to visitors such as automated gravesite locators.

Third, $150,000 is budgeted to develop a ten-year capital investment plan for financing construction projects and full funding of capital investments in the most technically and financially efficient manner.

Fourth, $300,000 continues an initiative started in fiscal year 1996 to expand contracts for enhancing the appearance of the cemetery, while reducing the overall cost and number of government employees as part of government-wide streamlining.

BUDGET DETAILS

The funds requested are divided into three programs, Operation and Maintenance, Administration, and Construction. The principal items in each program are as follows:

Operation and maintenance

The Operation and Maintenance Program, $10,133,000, will provide for the cost of daily operations necessary to support an average of 20 interments and inurnments daily and for maintenance of approximately 630 acres. This program supports 96 of the cemeteries' total 102 FTE's.

Contractual services as part of Operation and Maintenance total $4,267,000, including:

—$1.755 million for grounds maintenance,
—$840,000 for information guide services,
—$698,000 for tree and shrub maintenance,
—$110,000 for custodial services (Custodial services used to cost about $210,000, however, competition resulted in a much lower bidder receiving this contract, leading to significant savings in fiscal year 1998 and 1999. This contractor has now worked during the busiest season at Arlington, and performed adequately.) and,
—$864,000 for regular recurring maintenance items, such as headstone cleaning and realignment, maintenance of the eternal flame and many other minor contracts.

Administrative program

The Administration Program, $928,000, provides for essential management and administrative functions, including staff supervision of Arlington and Soldiers' and Airmen's Home National Cemeteries. Budgeted funds will provide for personnel compensation, benefits, and the reimbursable administrative support costs of the cemeteries.

Construction program

The Construction Program includes $1,412,000, of which $792,000 is for new construction projects and $620,000 is for ongoing construction projects. The new construction projects include:

Service Complex.—There is $420,000 included in the fiscal year 2000 budget submission to correct building code problems at the Service Complex, bringing operations there into environmental compliance and improving the ability to service equipment at the complex.

Vehicle Storage Building.—There is $222,000 included in the fiscal year 2000 budget submission to provide for design of a vehicle storage building at the Facility Maintenance Complex to protect the equipment used in cemetery operations and extend the life of the equipment by keeping it out of inclement weather.

Capital investment plan.—The 1997 proposed Master Plan for Arlington National Cemetery has identified projects to repair and replace aging facilities and utilities, preserve and protect historic resources, enhance visitor access and circulation, and provide sufficient capacity to ensure interment and inurnment of eligible veterans to the extent possible within the cemetery's boundaries. There is $150,000 included in the fiscal year 2000 budget submission to develop a multi-year plan for financing such projects, consistent with full funding of capital investments in the most technically and financially efficient manner.

Ongoing construction projects include:

—$60,000 to continue preparation of concept utilization plans for developing contiguous lands,
—$165,000 to perform minor road repairs throughout the cemetery,
—$60,000 to install a heating and air-conditioning system in a bay at the new facility maintenance complex, and
—$335,000 to continue the graveliner program.

FUNERALS

In fiscal year 1998, there were 3,604 interments and 2,034 inurnments. In fiscal year 1999, we estimate there will be 3,600 interments and 2,100 inurnments, and in fiscal year 2000, we estimate there will be 3,700 interments and 2,150 inurnments.

CEREMONIES

Thousands of visitors, both foreign and American, visit Arlington to participate in events. During fiscal year 1998, about 2,700 ceremonies were conducted and the President of the United States attended the ceremonies on Veterans Day and Memorial Day.

During fiscal year 1998, Arlington National Cemetery accommodated approximately 4 million visitors, making Arlington one of the most visited historic sites in the National Capital Region. This budget includes $25,000 to continue a study, begun in fiscal year 1998, to develop more reliable estimating procedures and meaningful estimates of the kinds of visitors that Arlington National Cemetery serves. This increased orientation to our "customers" is consistent with the Government Performance and Results Act and the National Partnership for Reinventing Government.

DONATIONS

A donation of $250,000 was recently accepted by the Secretary of the Army for replacing trees on Arlington National Cemetery grounds, above that of normal maintenance.

CONCLUSION

The funds included in the fiscal year 2000 budget are necessary to permit the Department of the Army to continue the high standards of maintenance Arlington National Cemetery deserves. I urge the Subcommittee to accept this budget.

Mr. Chairman, this concludes my remarks. We will be pleased to respond to questions from the Subcommittee.

FEDERAL DEPOSIT INSURANCE CORPORATION

OFFICE OF INSPECTOR GENERAL

PREPARED STATEMENT OF GASTON L. GIANNI, JR., INSPECTOR GENERAL

Mr. Chairman and Members of the Subcommittee: I appreciate the opportunity to appear before this Subcommittee to discuss the fiscal year 2000 budget request for the Office of Inspector General (OIG) of the Federal Deposit Insurance Corporation (FDIC). This is our third year as an appropriated office, and it is my second appearance before the Subcommittee to request an appropriation.

FDIC OIG FUNDING HISTORY

The FDIC OIG has had an appropriated budget since fiscal year 1998 in accordance with Section 1105(a) of Title 31, United States Code, and is the only appropriated entity in the Corporation.[1] Our proposed fiscal year 2000 budget for $33,666,000 represents a decrease of $1 million, or approximately 2.9 percent under the fiscal year 1999 budget and a decrease of 10 full-time equivalent positions. This reduction is consistent with the OIG's downsizing plans developed in 1996 and the overall downsizing plan of the Corporation. The appropriation to fund OIG expenses is derived from the Bank Insurance Fund (BIF), the Saving Association Insurance Fund (SAIF), and the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund.

The proposed appropriation will fund 231 full-time equivalent staff, less than half the 370 employees and approximately 150 independent public accountant contractor equivalent staff that the OIG employed in January 1996. The proposed fiscal year 2000 budget is 44 percent less than the FDIC OIG's 1996 corporate budget of approximately $60 million, adjusted for inflation. The budget and staffing reductions have been possible due to the shrinking size of FDIC, completion of much of the

[1] Prior to fiscal year 1998, the OIG budget was part of the FDIC annual operating budget approved by the Board of Directors from deposit insurance funds and other funds under the Board's stewardship.

carryover work that came from the Resolution Trust Corporation OIG in 1996, and prospects for continuing strength of the banking industry.

THE FDIC—A LONG HISTORY OF SUCCESS

The FDIC was created by Congress through the Banking Act of 1933 to provide protection for bank depositors and to foster sound banking practices. During the period from 1980 through 1994, the FDIC managed the failures of 1,617 depository institutions. From 1988 through 1992, the Bank Insurance Fund reported net income losses totaling $25.3 billion, the first losses since the Great Depression. However, in every year since that period, the insurance fund income has been positive. The FDIC successfully liquidated billions of dollars in assets from failed banks in the 1990s and assets of failed thrifts transferred from the former Resolution Trust Corporation in 1996. Banks and thrifts in recent years have had strong earnings, and FDIC experienced no significant bank failures for 2 years until July 1998. Consequently, the BIF and SAIF accumulated the largest reserves in FDIC history, totaling $38.8 billion in November 1998.

Given the overall stability of the banking system in more recent years, the FDIC has been able to shift its focus quite significantly. Rather than managing and resolving failed institutions as it did during the 1980s and into the 90s, the FDIC's focus now is on monitoring and assessing various existing and emerging risks to insured depository institutions. As of September 30, 1998, the FDIC insured deposits totaling $2.8 trillion at 10,649 banks and savings associations and is the primary regulator for almost 6,000 state-chartered nonmember banks whose deposits are covered by FDIC insurance funds.

Ms. Donna Tanoue, Chairman of the FDIC, has identified the potential computer glitches in Year 2000 as "the number one safety and soundness priority" facing the FDIC and the banking industry. The Chairman has pointed out in recent speeches that there are also other risks to the insurance funds, such as stressed economies in Asia, Latin America, and Eastern Europe; rapidly growing banks with high concentrations of commercial real estate lending; sub-prime rate lending practices; insuring and supervising large, complex institutions formed through merger activities; and banking activities related to cyberbanking, electronic cash, and other highly technical financial delivery systems.

OIG FOCUS ON EXISTING AND EMERGING RISKS TO THE CORPORATION

During fiscal year 1998, the OIG's work resulted in approximately $50.7 million in total actual and potential monetary recoveries and benefits. Additionally, our 103 audit and evaluation reports contained 165 non-monetary recommendations to FDIC management to improve internal controls and operational effectiveness in diverse aspects of the Corporation's operations, including automated systems, contracting, bank supervision, financial management, and asset disposition.

Our investigations during the year resulted in 26 indictments, 21 convictions, 53 referrals to the Department of Justice, 9 employee disciplinary actions, and 3 contractor actions. Our office also completed a 2-year joint effort with FDIC management to close out 414 contracts and resolve over 1,000 open recommendations issued by an RTC contracting oversight group. This effort resulted in $94.6 million in disallowed costs and agreement to seek recovery of an additional $28.8 million.

OIG WORKS IN PARTNERSHIP WITH FDIC

Notwithstanding our hallmark of independence, the OIG must work with many others as we pursue our mission of promoting economy, efficiency, and effectiveness in FDIC programs and operations and protecting the Corporation from fraud, waste, and abuse. As I discuss the major issues that face the Corporation and the nature of the OIG's work to address those issues, it will be evident that we have many successful cooperative efforts in place and at work. I will briefly elaborate on each area.

FDIC year 2000 readiness

The most immediate risks to the banking industry and the FDIC are those brought about by the coming of Year 2000. The FDIC Chairman, in testimony before the House Committee on Banking and Financial Services, outlined the Corporation's three roles in addressing the Year 2000 date change. First, in its capacity as regulatory supervisor, the FDIC must oversee institutions' management of their Y2K projects, identify potential shortcomings in advance, and, if necessary, take aggressive actions to induce institutions to take timely steps to prevent disruptions caused by the date change. Second, given its deposit insurance role, the FDIC must maintain public confidence in the financial system. Finally, if institutions do experience

disruptions or failure, the FDIC must be ready to resolve failing and failed institutions.

The FDIC established a five-phased approach to ready its internal systems and monitor the institutions it oversees: awareness, assessment, renovation, validation, and implementation. In monitoring each of the five phases, the OIG has adopted a proactive approach—briefing responsible officials and then issuing advisory memorandums when issues of concern arise. Our approach has been successful, and prompt action has been taken to improve internal and external Y2K efforts. The proactive approach has allowed us to assist the Corporation in avoiding unnecessary costs that result from incomplete requirements, not considering alternatives, inaccurate or overly optimistic feasibility and cost-benefit studies, and inadequate testing. In addition, my office is quickly raising issues for management consideration and closely coordinating with the Offices of Inspector General of the member agencies of the Federal Financial Institutions Examination Council to address Y2K issues. Thus far, the FDIC has made positive Y2K progress in both readying its internal systems and operations and in monitoring the efforts of the institutions it oversees. According to the FDIC Chairman, as of February 1999, 97 percent of the industry is on schedule in making sure their computer systems are ready for the Year 2000 date change and there is no safer place to keep your money than in a federally insured account at a bank or savings institution.

Supervising insured institutions

Another challenge to the Corporation is to ensure that its system of supervisory controls will identify and effectively address financial institution activities that are unsafe. To help the FDIC more effectively fulfill its bank supervision responsibilities, the OIG has targeted a number of key areas, including: safety and soundness examinations; coordination with other federal and state banking regulators; problem bank identification, supervision, and monitoring; specialty areas in supervision, including capital markets instruments, international banking, and on-line banking activities; the compliance examination program, including the frequency, priority, and scope of these examinations, and the Community Reinvestment Act examinations and related programs.

Here are some recent results of audits:

—We completed a material loss review on the failure of BestBank, Boulder, Colorado. This review is mandated by section 38(k) of the Federal Deposit Insurance Act, and in accordance with that statute addressed the FDIC's supervision of the institution and causes of the bank's failure. BestBank was closed in July 1998 and is the most significant bank failure in the last 2 years, with losses to the insurance fund estimated by the FDIC to be at least $171.6 million. We reported that FDIC's regulatory oversight of BestBank could have been more effective in controlling the bank's rapid asset growth and curbing the subsequent insurance fund losses.

Obstacles created by BestBank management impeded the regulators' access to the bank and questions regarding existing regulatory authority restricted access to a third-party entity that directly controlled a majority of the bank's assets. The examiners continued to rate BestBank although they did not have sufficient or reliable information to support the ratings, particularly asset quality. Moreover, the supervisory tools that were available to the regulators were not aggressively pursued in a timely or effective manner. The audit recommends that examiners have full access to all pertinent bank records when conducting safety and soundness examinations.

—The OIG completed an audit of the Corporation's policy for determining the frequency, scope, and priority of compliance and the effectiveness of CRA exams. The FDIC revised its policy on examination frequency, scope, and priority to allow for a period of up to 5 years between full-scope examinations for an estimated 90 percent of FDIC-supervised banks. Our audit report focussed on the risks associated with the new policy as it related to extended examination frequencies and methods used to identify compliance risk in FDIC-insured institutions. As a result of our audit, FDIC management has agreed to rescind its policy and to conduct all compliance reviews on a maximum 3-year cycle.

Additionally we have initiated the following audit:

—We initiated an audit of FDIC's Community Reinvestment Act examination process in Washington headquarters and selected regional offices. The objectives will be (1) to determine whether CRA criteria and benchmarks are well defined, (2) determine whether CRA examination guidelines are consistently applied within and among regional offices, (3) determine whether CRA examination procedures are applied in a manner that ensures that the resulting ratings provide an accurate measure of the banks' performance, and (4) evaluate the consist-

ency of the application of procedures on an interagency basis based on the results of the 1998 FFIEC CRA Examination Consistency Project.

Maximizing returns from failed institutions

The FDIC's challenge in its receivership management program is to reduce the negative financial effects of failing and failed insured depository institutions. The Corporation focuses its efforts on four areas: resolving institutions in the least costly manner, managing and marketing failed-institution assets to maximize return, pursuing monies due to the failed institution, and resolving debts to the institution fairly. As of March 31, 1999, the FDIC managed receivership assets totaling $2.134 billion in book value. The FDIC held $3.3 billion in its reserve fund balance for securitizations and as of February 28, 1999, held $786 million in book value of assets for equity partnerships. In addition, of the $1.2 billion in court-ordered restitution owed to the FDIC from several hundred individuals and entities, about $139 million has been collected as of March 31, 1999.

As the amount of retained assets decreases, the FDIC's asset management and disposition responsibilities will be reduced, and the overall risk associated with this area will decline. Similarly, receivership and resolution activities will lessen. However, two of the most current significant risk areas for FDIC assets are securitizations and equity partnerships. These areas are critical because of the large dollar amounts involved and the structure of the transactions. During the last 3 years, the OIG has issued 19 audit reports and 1 survey memorandum related to securitizations and equity partnerships. Our work in this area has resulted in almost $8 million in questioned costs and recommendations to improve FDIC's oversight. We currently have 6 audits ongoing in the securitization and equity partnership areas and will focus on calculations of realized losses, unallowable expenses, the adequacy of oversight, and affiliate transactions.

Our Office of Investigations has been active in investigating cases in the area of contractor fraud and concealment of assets by FDIC debtors. Some recent results of OIG investigations include:

—The Ryland Mortgage Corporation pled guilty to two counts of impeding the functions of the Resolution Trust Corporation (RTC). Ryland Mortgage was ordered to pay $8.7 million in restitution and fines, the largest monetary recovery ever to result from an FDIC OIG investigation. Our 3-year investigation uncovered a complex scheme in which the contractor defrauded the RTC of $3.5 million by misrepresenting the amount of funds it collected in connection with the servicing of loans on RTC's behalf. Two former officials of the corporation who pled guilty to similar charges received sentences comprised of monetary fines, home detention and probation.

—In partnership with the Corporation's Division of Resolutions and Receiverships, the U.S. Attorney's Offices, and other federal agencies, we have begun to see significant results from a series of investigative initiatives involving FDIC debtors who have concealed assets or committed other fraud in attempting to avoid repayment of their obligations to FDIC. One of our initial efforts in this area resulted in a $1.1 million recovery from two felons who concealed assets and lied to the court to avoid paying their court-ordered restitution. In another joint investigation with the FBI and IRS, an FDIC debtor was criminally convicted, sentenced to serve 37 months in prison, and was ordered to pay $2.9 million in restitution. Our investigation found that the debtor, who defaulted on a $4.9 million loan from a failed financial institution, concealed his financial interests during a bankruptcy proceeding.

Our investigators will continue to seek to uncover similar situations in order to help the Corporation receive the restitution it is due.

Oversight of contracting activities

The FDIC and the former RTC relied heavily on the private sector to accomplish the mission of managing and selling assets of failed banks and saving institutions. Over the past 9 years, the FDIC and RTC spent billions of dollars in contractor fees to assist the Corporation in fulfilling the many urgent assignments mandated by legislation and the banking and thrift industry crises. Although 3 years have passed since the RTC's sunset and RTC-related contracting has lessened, the FDIC continues to rely on private-sector contractors in conducting its work. Contractors assist the FDIC in many areas, including legal matters, property management, information technology, and financial services.

The OIG has continued to focus its resources on auditing contracts and agreements and during fiscal year 1998 we identified a total of $19.3 million in questioned costs for the strategic area of contract award and oversight. Overall, during

the period April 1996 to September 1998, our work in the contracting award and agreement area has resulted in about $75 million in questioned costs.

One of the most significant areas of contract audits has been our joint effort with the Corporation's Legal Division to review legal fee bills submitted by firms doing business for both the former RTC and FDIC. In fiscal year 1998, we issued 62 legal fee bill audits in which we questioned over $13 million. Management agreed to disallow slightly more than $4 million of that amount. In total, the former RTC and FDIC OIGs have issued nearly 300 legal fee bill audit reports with questioned costs of more than $37 million.

Our partnership with FDIC management to close out over 414 RTC contracts since 1996, previously discussed, is another example of the OIG's efforts to contain the costs of FDIC and the former RTC's use of contractors.

Other OIG reviews

My office continues to work with the U.S. General Accounting Office (GAO) toward the goal of the OIG assuming full responsibility for the annual audits of the FDIC's financial statements that the Chief Financial Officers Act requires of all government corporations. The OIG's increased involvement with the annual audit began in 1995, and the OIG continually assumes additional duties. For the 1998 financial statement audit, the OIG has assigned 65 percent of the staff, as the OIG has assumed full responsibility for several key areas of the audit including cash management, investments, and asset valuation. My office is committed to this project and OIG and GAO management have agreed that there are mutual benefits of the OIG assuming responsibility for the annual financial statement audit. We expect to streamline the audit process and provide cost savings to the Corporation through our work on this audit.

During this fiscal year we have provided advisory assistance to FDIC management on its revised Strategic Plan for 1998–2003 and its Annual Plan for 1999 to assure that these plans comply with the Results Act. The OIG will continue to monitor and review proposed legislation in the Congress to amend the Results Act and will actively participate through the President's Council on Integrity and Efficiency and interagency groups it sponsors to define an appropriate OIG role in the Results Act arena. In the interim, we have initiated evaluations to verify and validate the data and systems supporting information reported by the Corporation in its GPRA reports. We also plan to address GPRA objectives and goals, when appropriate, in the course of doing audits and evaluations.

We issued 5 evaluation reports to FDIC management that covered a wide range of issues, including the Corporation's Office of Diversity and Economic Opportunity's discrimination complaint program. As a result of our recommendations on the discrimination complaint program, the Corporation has completed and issued agency decisions on a number of older cases; agreed to develop office-wide performance goals and performance expectations for individual staff, and to carry out EEO-required tasks more timely; implemented a new case tracking system, and taken positive steps toward developing an alternative dispute resolution program. Another evaluation report on the corporate lease acquisition process resulted in the following actions: (1) better and more timely information being provided to FDIC's Board of Directors on proposed leases for its use in making decisions; (2) justification for lease terms in excess of the Corporation's staffing projections; and (3) improved tracking and reporting of renovation costs.

We referred 65 substantive Hotline allegations for review or investigation during fiscal year 1998. During its most recent 3-year period, the Hotline has referred almost 200 allegations for further review or investigation, targeting a wide variety of alleged wrongdoing, including employee misconduct, contract abuse, and asset management issues. Almost 40 percent of these cases were referred to the OIG Offices of Investigations, Audits, or Evaluations, and the other 60 percent were referred to FDIC management for review and action.

We reviewed 61 proposed corporate policies and reviewed 25 draft regulations and proposed legislation, and provided comments when warranted. In addition, we responded to 51 Freedom of Information Act and Privacy Act requests and appeals during fiscal year 1998. We have also provided oversight of FDIC's internal control activities under the Chief Financial Officers' Act and the Federal Managers' Financial Integrity Act.

We participated with 3 other OIGs—Department of the Treasury, Federal Reserve and the National Credit Union Administration—on an interagency task force, which reviewed the Federal Financial Institutions Examination Council (FFIEC) training program. The FFIEC was created in 1979 as an interagency body to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions and promote uniformity in the supervision of these institutions. The

task force reported to the FFIEC Chairman that the Council is reasonably successful in fostering coordination of training activities among the 5 federal financial institution regulatory agencies. The report detailed two recommendations for the Council to consider immediately, one related to the FFIEC's appropriation and another dealing with a supervisory issue. The report also outlined plans for future joint audits of the FFIEC.

OIG MANAGEMENT INITIATIVES

Since I became Inspector General in April 1996, we have continually sought to enhance the OIG's effectiveness. During fiscal year 1998, we began an effort at self-evaluation of our work processes, including having a peer review of our audit operations by another OIG. The peer review concluded that the system of quality control used by the FDIC OIG was designed in accordance with standards established by the President's Council on Integrity and Efficiency and provided reasonable assurance that our office was in conformance with professional standards in the conduct of its audits. We also updated our own strategic plan and annual performance plan to be consistent with the Corporation's plans and to comply fully with Results Act requirements. Our 1999 annual performance plan is included in the fiscal year 2000 budget we previously sent to the Subcommittee. Our strategic goals, objectives, and operating principle are intended to provide a value-added focus to the Corporation and are directly related to the FDIC's mission, strategic goals and objectives, and corporate operating principle. Also, consistent with our strategic and annual plans, we recently initiated client and employee surveys to identify opportunities to improve our effectiveness as an organization.

In addition, we are moving forward in assuming the personnel and contracting authority afforded the OIG under the Inspector General Act. The FDIC Chairman agreed in July 1998, that, in line with the independence of the OIG, my office should have the authority to make its own personnel and contracting decisions—authority that had previously resided with other corporate officials. We are in the process of hiring staff and anticipate that we will fully take over this responsibility in fiscal year 1999. I view the Chairman's decision as a major step in enhancing the OIG's independence.

Another significant initiative is our effort to review workplace diversity issues. The Corporation and the OIG strive to ensure that our workforce draws more broadly from the diverse population found in various American professions. By including individuals with diverse backgrounds in every aspect of our operations, we strengthen our ability to serve OIG employees as well as our clientele. The Corporation is developing a plan with several diversity initiatives designed to maintain and enhance the quality and diversity of its workforce. Likewise, my office is conducting its own study, in accordance with the House Subcommittee on VA, HUD, and Independent Agencies; Committee on Appropriations' report on the fiscal year 1998 appropriation, that will address the diversity of our staff and issues that staff believe are important to successfully have a diverse workplace.

FISCAL YEAR 2000 BUDGET

Our reduced budget will result in a slightly lower level of audit and investigation activity for fiscal year 2000 than planned for fiscal year 1999, but this reduction is consistent with planned corporate downsizing. The fiscal year 2000 budget reflects decreases in salaries and benefits consistent with the reduced staffing funded by the budget. The budget also includes money to (1) fund higher travel expenses, (2) pay outside printing expenses required by the OIG, and (3) replace computer equipment in accordance with the Corporation guidance on equipment replacement cycles.

In fiscal year 2000, the OIG will continue to focus on areas of highest risk to the Corporation and deposit insurance funds. A key goal is to assess the manner and extent to which FDIC programs and activities achieve their intended objectives, as outlined in the Corporation's Strategic Plan. Among specific audit work planned, we will continue to review FDIC's efforts to ensure that banking institutions and the Corporation itself have automated systems capable of recognizing dates properly in Year 2000. Also, we plan to closely oversee the Corporation's large investment in information technology initiatives, including automated systems development and security over access to information. We will continue to review the strategic area of contract award administration and oversight; the supervision of insured institutions; and play a greater role in our cooperative effort with the General Accounting Office to audit FDIC's financial statements. Investigative work will focus on fraudulent bankruptcies where FDIC is a creditor, hiding assets to avoid paying court-ordered restitution to FDIC, and making false statements to FDIC to secure favorable loan compromises and settlements. Also, we anticipate continuing our active role in

providing advisory assistance to management in its strategic and annual performance plan initiatives.

Mr. Chairman, throughout my testimony I have addressed existing and emerging risks to the Corporation and its insurance funds. Also, I have discussed how my office is working with the Corporation in a partnership to address these risks and to help make FDIC programs work better. FDIC Chairman Tanoue has been supportive of the OIG since she took office last spring. She has recognized the need for an independent OIG and has been receptive to my advice—making this a true partnership.

In closing, I believe very strongly that the OIG continues to be a valued asset to FDIC. As the FDIC OIG marked its 10th anniversary and we celebrated over 20 years since passage of the Inspector General Act, I want to thank the Subcommittee for its commitment and urge your continued support for our work.

Additional details supporting our budget request are in documents that have been provided to the Subcommittee staff.

GENERAL SERVICES ADMINISTRATION

CONSUMER INFORMATION CENTER

JUSTIFICATION

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to present the fiscal year 2000 budget request of the Consumer Information Center (CIC).

The Consumer Information Center was established by an Executive Order in 1970, and for 30 years CIC has served consumers through partnerships with more than 40 Federal departments and agencies. CIC provides an effective vehicle to inform the public about vital topics such as health and safety issues, developments in Federal programs, and the impact and effects of Federal research and regulatory actions. CIC fulfills its mission mandate by ensuring public awareness of and access to this information and by making it available to the public through a variety of new and time-proven programs.

In recent years, we have been experiencing a revolution in the ways that Americans obtain and use information. During much of CIC's history, the public got Federal consumer information primarily by writing for printed publications from CIC's distribution facility in Pueblo, Colorado. But with the dominance of computers and their emphasis on instant access to information, Americans are now relying less on printed materials for information, especially those ordered by mail.

To meet this challenge, CIC has reinvented the way it serves the public. Moving from a concentration on the printed word to a larger vision of a central reservoir of information that can be accessed in a variety of ways, CIC continues to make it easy for citizens to use and benefit from Federal information. Specifically, last year CIC significantly improved its toll-free telephone ordering service and, at the same time, added a publication ordering system to an expanded and improved web site.

Consumers can now place publication orders by calling the toll-free number, 1 (888) 8 PUEBLO, while customers with Internet access can visit the CIC web site (www.pueblo.gsa.gov). They can then view the information online, copy it to their home computers, or use CIC's secure online ordering system to place credit card orders for printed copies of the information. CIC has the full text of approximately 500 consumer publications available on the Internet along with Federal agency recalls and special notices, consumer news, and links to consumer sites in the Federal and the private sector.

Reflecting the nation's new information environment, CIC saw printed publication distribution decrease from 8.3 million in fiscal year 1997 to 7.6 million in fiscal year 1998. During the same time, page accesses to CIC's web site increased from 4 million to 6.5 million and CIC's toll-free telephone system received nearly 300,000 requests. These program successes and accomplishments reinforce CIC's commitment to its mission mandate. Throughout any program transition that CIC undergoes, our goals and objectives remain focused on delivering to the public useful and reliable information that is a by-product of ongoing Government activities.

In keeping with the goal of delivering the best government consumer information, in fiscal year 1998 CIC updated and released the 1998–99 Consumer's Resource Handbook (CRH). The CRH is a prime example of Government empowering individuals to solve their own problems and answer their own questions by providing them with the best and most direct sources of assistance. Published continuously since 1979, the CRH is one of the most popular consumer documents ever issued by the

Government. The requested appropriation of $2,622,000 includes an amount of $300,000 for producing and distributing the CRH. During fiscal year 1998, CIC distributed 340,000 copies and will distribute a comparable amount in fiscal years 1999 and 2000.

CIC also produces the Consumer Information Catalog which lists the CRH and hundreds of other popular titles on subjects such as money management, health, and Federal programs and benefits. I'm pleased to present our newly redesigned Catalog featuring four colors, bright graphics, a photographic cover, livelier copy, and simplified ordering instructions. The new version makes it easier than ever to order Federal consumer publications, and offers the options of mailing in the order form, or faxing it, or calling in to our toll-free number, or reading the publications and ordering them online. In fiscal year 2000, CIC will distribute approximately 12 million Catalogs primarily through educators, nonprofit associations, large and small businesses, libraries, and Members of Congress.

During fiscal year 2000, CIC will also continue to build the cooperative publishing program, where private sector entities share the costs of making publications available for listing in the Catalog. In fiscal year 1998, 19 private sector partners worked with Federal agencies to develop and fund publications on topics of mutual interest, bringing the total number of cooperative publications to date to 162.

In conclusion, CIC will continue to meet the information challenges offered by the new century. Its accomplishments will be measured by its successful research and identification of valuable Federal information; its media and marketing programs; its centralized publication distribution system in Pueblo, Colorado; and its widely acclaimed web site. I am confident that the services CIC delivers to the public will continue to play an important role in maintaining a healthy consumer economy and in providing a vital communications bridge between citizens and their Government.

Mr. Chairman, again I thank you for the privilege on behalf of the Consumer Information Center to present its budget request for fiscal year 2000. We trust that the Committee will agree that CIC is a valuable Federal program and that it will look favorably upon our request.

NATIONAL CREDIT UNION ADMINISTRATION

PREPARED STATEMENT OF NORMAN E. D'AMOURS, CHAIRMAN

Thank you for allowing me to present the National Credit Union Administration's request for the NCUA Central Liquidity Facility (CLF) and report on the condition of federally-insured credit unions.

The CLF, established in 1979, serves as a liquidity source for credit unions. It is funded by its credit union members and may borrow from any source; it currently has a borrowing arrangement with the Federal Financing Bank. The CLF borrowing authority is not used to build up loan volumes because the Federal Credit Union Act prohibits using proceeds from CLF loans to expand credit union portfolios. Rather, the funds are advanced strictly to meet credit union liquidity needs, in response to circumstances dictated by market events. NCUA is not requesting an appropriation for the CLF, merely removal of the appropriations cap on the CLF's borrowing authority. Removal of this cap would have no budgetary or scoring impact.

The limit on CLF borrowing for new loans to credit unions has remained at $600 million for the last 18 years. The budget submitted by the Office of Management and Budget requests a $600 million limit on borrowing and a $257,000 limit on administrative expenditures for fiscal year 2000. Although the statutory language submitted in our justification tracks the OMB's request, we are requesting the removal of this borrowing cap in anticipation of possible liquidity demands credit unions may face due to the approach of the Year 2000.

Removing the appropriations cap on CLF borrowing does not mean that there is no cap on CLF borrowing, but rather that the cap contained in Section 307 of the Federal Credit Union Act (12 U.S.C. 1795f) applies. Under the provisions of the Federal Credit Union Act which established the CLF, the CLF is permitted to borrow up to 12 times its subscribed stock and surplus, or currently about $18.5 billion. While the $600 million appropriations limit has, in the past, been adequate to address isolated liquidity needs in credit unions, this amount represents less than 3.25 percent of the $18.5 billion which the CLF would be permitted to borrow under its enabling legislation. When the $600 million limit was first inserted into the Appropriations measures, in 1980, $600 million exceeded 12 times the subscribed stock and surplus of the CLF. Clearly, Congress did not intend to restrict the borrowing ability of the CLF to an amount less than the cap contained in the Federal Credit Union Act.

Despite general inflation, dramatic growth in credit union assets, and the increase in the CLF's subscribed stock since 1980, the appropriations limit has never been adjusted. The approach of the Year 2000 may trigger a system-wide increased demand for liquidity, and the $600 million CLF borrowing cap could frustrate NCUA's ability to address short-term liquidity needs of credit unions at the end of this year.

Before I go any further, I want to emphasize that credit unions are quite prepared for the Year 2000 transition. As of December 31, 1998, 97 percent of all federally insured credit unions were Y2K ready or on schedule to become so. The few credit unions which have not met NCUA's deadlines are subject to intense supervision and we will ensure that they are also ready. Although NCUA sees no need for credit union members to withdraw larger than usual amounts of cash before the year 2000, it is possible that excessive media focus on the date change will cause an increased demand for cash at the end of 1999. I repeat—there is absolutely no substantive reason to withdraw large amounts of cash. But we all know that sometimes human actions are not based on logic, and NCUA has a responsibility to ensure that credit unions are able to deal with the threat of increased liquidity demands at the end of 1999. The $600 million limit on CLF borrowing could impede our efforts in that regard.

While it is difficult to gauge the potential demand on the credit union system due to the Year 2000 date change, estimates range from $2 billion to $20 billion. For example, if each of the estimated 15 million households which use a credit union as their primary financial institution withdraws an extra $500 at the end of 1999, the credit union system will be faced with an extra liquidity demand of $7.5 billion. While the credit union system, through its network of wholesale credit unions known as corporate credit unions, has some capacity to supply liquidity and may have the capacity to meet this level of demand, it would need to rely on the CLF in order to meet liquidity needs above this level. While some have suggested that credit unions access the Federal Reserve's discount windows, 42 percent of credit unions do not offer the types of accounts which would allow them to qualify for discount window access. Further, the number of credit unions with actual access is extremely low—only 20 of more than 11,000 credit unions currently have discount window access, with an additional 300 in the application process. Moreover, eligibility to apply to the discount window does not guarantee approval.

NCUA is committed to achieving a workable solution to the potential Y2K liquidity demand. Removal of the CLF's borrowing cap is by far the best solution because it eliminates the need to create new, untested systems and structures to distribute liquidity. Nonetheless, we have been examining other alternatives with the assistance of the Federal Reserve. Such alternatives should accomplish the goal of providing the credit union system with adequate liquidity, but they have not been tested, they are not yet in place, and they lack the economy and simplicity of lifting the cap.

I am pleased to report to the Subcommittee that we continue to streamline the CLF, resulting in cost savings for credit unions. Our fiscal year 1998 operating expenses were $154,000—significantly below our budget limitation of $203,000. In 1998, all of CLF's net income was returned to member credit unions in the form of capital stock dividends. While next year's operating expense request of $257,000 is slightly higher because of the addition of one staff member, this still represents a substantial decline over the past few years, as CLF expenses in fiscal year 1993 were $767,000.

Mr. Chairman, we respectfully request that you support our authorization request in order to continue the NCUA's and CLF's ability to respond to adverse liquidity situations.

Turning to another subject, I would like to thank the Subcommittee for providing an additional $2 million for NCUA's Community Development Revolving Loan Fund in fiscal year 1999 for loans to low-income credit unions. Since 1987, when the NCUA began administering the Fund, we have revolved our $10 million appropriation ($6 million initially, $1 million in both fiscal years 1997 and 1998, and $2 million in fiscal year 1999) into 141 loans totaling $19.3 million. In 1998 alone, we approved 17 loans to 17 credit unions for a total of $3 million. As of January 31, 1998, our pending applications total $1.4 million. We appreciate the Subcommittee's support of our efforts to provide assistance to low-income credit unions.

Finally, I would like to briefly summarize the current condition of credit unions and the National Credit Union Share Insurance Fund (NCUSIF). Once again, credit unions had a banner year in 1998—assets are at a record level, while the number of problem credit unions remains low. During 1998, total assets of federally-insured credit unions increased by 7.4 percent, from $351.2 billion to $388.7 billion. Despite the increase in assets, credit unions' overall capital to asset ratio remained strong at 11.5 percent, on average. The number of problem credit unions (those rated code

4 or 5) is also down, to 297 from 330 at year-end 1997; these problem credit unions represent less than 1 percent of total shares. These figures demonstrate the continued overall safety and soundness of the credit union system.

The credit union insurance fund also remains strong. For the fourth consecutive year, and the fifth time in its history, the National Credit Union Share Insurance Fund returned a dividend to credit unions on their deposits in the fund. The dividend this year—$118 million—was the largest dividend ever returned to credit unions. In October, before the dividend payout, the equity level of the Share Insurance fund reached 1.32 percent. Even after the largest dividend in its history, the Insurance Fund returned to the 1.30 level by December 31, 1998.

In summary, the credit union industry remains in excellent condition, with a strong insurance fund. While demand still outstrips supply, low-income credit unions are receiving more assistance than ever before, thanks to this Subcommittee's efforts. With the removal of the CLF's borrowing cap, we will be able to address any possible Y2K credit union liquidity needs. NCUA's justification and budget tables follow below.

NEIGHBORHOOD REINVESTMENT CORPORATION

PREPARED STATEMENT OF GEORGE KNIGHT, EXECUTIVE DIRECTOR

Thank you, Mr. Chairman and Members of the Committee, for the opportunity to submit a written statement supporting our fiscal year 2000 budget request and especially for your long-time support of the NeighborWorks® network and the Neighborhood Reinvestment Corporation. I am honored to update you on the exciting results of fiscal year 1998 and present the Corporation's fiscal year 2000 budget request for level-funding of $90 million.

FISCAL YEAR 1998 RESULTS

FY 1998 was an amazing year! Building on the opportunities in this unprecedented era of economic growth, over the last year the 184 organizations in the NeighborWorks® network:

—Assisted 13,769 families by creating new homeowners, sustaining existing owners through major rehabilitation, and creating affordable mutual and rental housing units- a 20 percent increase;

—Repaired an additional 12,702 homes, enabling better living conditions and more attractive neighborhood blocks—an 18 percent increase

—Owned 19,296 units of affordable mutual and rental housing (at year's end)—a 28 percent increase; and

—Secured public/private investments of more than $819 million—a 48 percent increase over fiscal year 1997.

In addition, through this NeighborWorks® system which includes the national NeighborWorks® network, Neighborhood Reinvestment and Neighborhood Housing Services of America (NHSA), we:

—Purchased (through NHSA) $42.8 million in loans made from NeighborWorks® organizations' revolving loan funds;

—Expanded by 9 organizations the number of NeighborWorks® organizations that now serve 825 communities nationwide; and

—Provided over 7,297 community development practitioners 149,106 contact hours of nuts-and-bolts training.

FISCAL YEAR 1999 YEAR TO DATE

None of these exciting achievements would be possible without this Committee's steadfast commitment and confidence in the NeighborWorks® system. Last year's fiscal year 1999 appropriation allowed for a significant expansion of the NeighborWorks® Campaign for Home Ownership 2002 by dedicating $25 million to a Homeownership Pilot. The pilot allowed for expansion from 25,000 to 35,000 homeowners and requires securing an additional $700 million in lending capital. The two-year pilot requires a significant increase in productivity at the local levels, strengthened systems (including financial controls), and increased conventional capital available for first mortgage lending and property casualty insurance. I am pleased to report that the Campaign's major partners, as exemplified by our national partners: Allstate; BankAmerica/NationsBank; Fannie Mae and the Fannie Mae Foundation; Fleet Bank; Freddie Mac; State Farm; USAA; and World Savings; as well as 12 regional partners and more than 100 other local partners are stepping up to the plate with enthusiasm.

In order to meet the ambitious two-year goal of creating 10,000 additional homeowners, Neighborhood Reinvestment had to play its part in expeditiously committing the funds in the most effective and efficient manner. Our plan was to commit 92 percent ($23 million) of the Homeownership Pilot's $25 million in grants to NeighborWorks® organizations' revolving loan funds, systems development and financial/rehab counseling needs. By targeting these grants to removing the bottlenecks to greater productivity, our anticipation is that 10,000 additional homeowners may be secured without experiencing unacceptable delinquency and default rates. Perhaps most importantly, these activities institutionalized an increased capacity for the future.

I'm pleased to report that all but $1 million is committed:

—We issued the Request for Proposals on October 30, within one week of the fiscal year 1999 VA, HUD and Independent Agencies enacted Appropriations bill;

—97 Responses were received by the deadline, December 9; and

—Neighborhood Reinvestment's board committee met on January 12 and finalized 74 awards totaling $22 million.

Most of the additional $1 million was awarded to participating NeighborWorks® organizations based on applications received on April 15, 1999; the remainder will be disbursed by the end of the fiscal year.

Needless to say, the local NeighborWorks® partnerships are grateful for the opportunity and are hard at work. The Neighborhood Housing Services (NHS) in Ithaca, New York, for example, has been able to commit counseling and financing assistance to customers of a local credit union who have been saving for their home purchase. These lower-income potential homebuyers have saved carefully but, in many instances, will be purchasing homes in need of repair. The Ithaca NHS will be able to provide second mortgages for rehabilitation through its revolving loan fund, thus ensuring the viability and safety of the property, the first mortgage holder, the property-and-casualty insurer, the city tax base, and the health of the neighborhood. In a host of other cities such as Ithaca, these funds are providing NeighborWorks® organizations with an extraordinary opportunity to assist potential homebuyers who have consistently fallen through the cracks—families with incomes that are marginally too high to qualify for most available public assistance and decidedly too low to go it on their own. The flexible resources available through this pilot will make both existing subsidy programs and conventional resources work in our neighborhoods as never before.

Highlights of the first 12 months of the five-year (1998–2002) NeighborWorks® Campaign for Home Ownership 2002 follow. As of December 31, 1998, the participating 107 NeighborWorks® organizations: Created 6,874 new homeowners, of which: 91 percent are low- or moderate-income households; 55 percent are ethnic or minority households; 63 percent are single heads of households; 44 percent are women; 95 percent are first-time buyers; and for 31 percent of these, owning is less costly or only marginally more costly than renting.

—Secured $585.6 million in private/public investment from outside partners.

I'm concerned that I may be leaving the impression that the only activity of NeighborWorks® organizations is to increase home ownership. Far from it! Consistent with the basic philosophy of the network that home ownership and healthy neighborhoods are inextricably bound together and mutually reinforcing, during fiscal year 1999 NeighborWorks® organizations will add 2,850 units of additional mutual and rental affordable housing, conduct hundreds of volunteer projects ranging from new home construction, clean-up/fix up, community gardens, alley sweeps, and similar efforts. NeighborWorks® organizations will also use their revolving loan funds to assist business owners to establish and/or expand businesses, work with local governments to create neighborhood parks, conduct after-school programs, and initiate numerous other community-building activities.

Part of the NeighborWorks® system's success over the years is due to Neighborhood Reinvestment's ability to monitor local financial controls and provide technical assistance, training and limited grants to support the wide variety of locally generated strategies and approaches. In preparing for fiscal year 2000's submission, I felt it was important to emphasize that our intent is to support locally designed strategies rather than to create a series of "programs" which then force local organizations to contort their efforts to "fit" the eligibility requirements for financial or technical assistance.

LOOKING AHEAD TO FISCAL YEAR 2000

Thus, you'll see that our objectives for fiscal year 2000 seek to balance our resources to meet the highly varied and diverse needs of the communities served by the 184 NeighborWorks® organizations. We hope to slightly expand the number of

communities served and the number of charter members as well as continue to provide high-quality training to the entire community development field. We also hope to provide grants to augment local revolving loan funds, which have been one of the most critical engines for community revitalization.

Housing rehabilitation for existing homeowners has long been the cornerstone of NeighborWorks® revitalization efforts, and remains key. Only when each responsible owner can borrow the necessary capital to meet his or her needs will communities return to stability and attractiveness to new homeowners.

A recent empirical study in Cleveland, by Cleveland State University, shows that every $1 investment in home rehabilitation adds 13 cents to the value of homes located within 150 feet of the rehab project. Thus, the average investment (in the Cleveland study) of $31,000 in substantial rehab added $4,000 to the sale price of every home located within 150 feet. The study also shows that above-average rehab investment, or multiple rehabs in a block, have even a larger effect on the value of nearby homes.

Our technical assistance will focus on specific local needs as well as on strategic initiatives inspired by members of our network that promise to benefit the network as a whole.

THE NEIGHBORWORKS® CAMPAIGN FOR HOME OWNERSHIP 2002

The NeighborWorks® Campaign for Home Ownership 2002 focuses on expanding its impact in terms of the number of new homeowners served and strengthening the capacity of local systems to manage expanded productivity.

In order to meet this mission, over the next five years the NeighborWorks® Campaign for Home Ownership 2002 intends to:

—Create 35,000 new low- to moderate-income homeowners;
—Counsel an additional 270,000 potential owners; and
—Generate $2.5 billion of public/private investment in underserved communities.

With the fiscal year 2000 appropriation of $90 million, we would further expand the NeighborWorks® Campaign for Home Ownership 2002. Grants would enable NeighborWorks® organizations to provide prepurchase as well as postpurchase counseling, first and second mortgages, home-repair loans, and foreclosure-intervention assistance. Neighborhood Reinvestment estimates that this assistance will:

—Yield 7,000 additional new homeowners;
—Enable the NeighborWorks® organizations to assist thousands of families to maintain home ownership (through rehabilitation, property repairs, postpurchase counseling and foreclosure intervention);
—Leverage a total of $390 million in additional outside investment; and
—Prevent millions in foreclosure losses.

The NeighborWorks® Campaign for Home Ownership 2002, with the proposed fiscal year 2000 appropriation, will create more than 42,000 new homeowners! This is nearly three times the number created in the first five-year campaign from 1993 to 1997.

MULTIFAMILY INITIATIVE

Affordable, quality multifamily housing is also essential to helping distressed communities. Many NeighborWorks® organizations have approached community revitalization through ownership and management of multifamily units within the mutual or rental tenure mode. Several now own more than 1,000 units and provide—in addition to affordable quality units for families—after-school programs and day care and summer activities. In an effort to better meet the requests for technical assistance a group of NeighborWorks® organizations launched in February of this year a five-year initiative to:

—Strengthen asset management practices throughout the NeighborWorks® etwork to ensure that properties owned and managed by NeighborWorks® members are financially, physically and socially secure and thus able to serve their communities for the very long run;
—Develop strong resident leaders and services such as after-school learning centers, tutoring, and adult learning opportunities so that families can enjoy successful long-term tenure, thus leaving energy and dollars to pursue other family goals;
—Attract $600 million in public- and private-sector investments; and
—Add 10,000 multifamily units to the 19,000 currently owned by NeighborWorks® organizations.

MEETING THE NEEDS OF RURAL COMMUNITIES

The work of the Rural NeighborWorks® Alliance (a group of 25 NeighborWorks® organizations which banded together in 1991) is to find creative, proactive ways to address rural housing concerns and increase the focus on organizational resources for rural development. Rural NeighborWorks® Alliance operates a revolving loan fund and, with investments from Fannie Mae, the MacArthur Foundation and Neighborhood Reinvestment, the total capitalization has grown to more than $1 million in just four years. The fund is used primarily for low-interest rate, short-term, deferred construction loans, which provide needed gap financing for affordable housing development in rural areas.

Recently, RNA joined with the Department of Agriculture's Rural Housing Services' Rural Home Loan Partnership (RHLP) to partner with financial institutions to leverage and maximize USDA's Section 502 programs and access the community facilities fund in order to provide opportunities for very low-income households to become homeowners in America's poorest rural communities. Twelve NeighborWorks® organizations were awarded over $4.2 million in Section 502 monies to assist the building and renovation of 113 housing units.

At present, Neighborhood Reinvestment Corporation is also involved with the Rural Housing Services to develop the first of a series of training sessions to educate and connect interested community-based organizations with financial institutions about the Section 502 programs. During the training sessions, there will also be opportunity to learn about successful case studies of how these programs have made a difference in rural communities. The first training session is scheduled for April 28, 1999, in Memphis.

OVERVIEW OF THE NEIGHBORWORKS® SYSTEM

In order to comprehend how we plan to meet the ambitious goals we have set for fiscal year 2000, it is important that you understand how the NeighborWorks® system operates and what makes it successful.

The NeighborWorks® Network

At the heart of this system is the NeighborWorks® network, consisting of 184 locally directed partnerships composed of community residents and the business and public sectors, serving more than 825 communities nationwide. Often known as Neighborhood Housing Services, each NeighborWorks® organization's local board of directors establishes strategies for revitalization of their neighborhoods and community. NeighborWorks® organizations share common characteristics:

—Led by a board of directors composed of local residents, financial and business sector leaders, and public officials;
—Are state-chartered, not-for-profit organizations with 501(c)(3) status;
—Operate a flexible revolving loan fund;
—Work with conventional lenders to develop flexible loan products;
—Promote physical, economic and social revitalization of designated target areas;
—Create and sustain affordable housing;
—Meet Neighborhood Reinvestment chartering and ongoing performance guidelines; and
—Develop and support strong resident leaders who work to enhance the viability of their communities.

Our belief is that home ownership in strong, healthy neighborhoods gives residents an equity stake in the economic mainstream of America, building long-term assets for their families as well as their communities. Home ownership also improves city tax bases, creates an environment for reputable lending and insurance firms, stabilizes school attendance and builds a positive social environment. However, the full benefit of home ownership accrues to communities only when these homes become secure investments that have at least a strong potential for asset accumulation for the buyer. When they do, the buyer, their neighbors on the block, and the overall neighborhood all benefit. To make sure that revitalizing communities receive the full benefits of home ownership, it is important to create a strong nucleus of buyers as well as default-resistant owners.

Neighborhood Reinvestment Corporation

Created by Congress in 1978, Neighborhood Reinvestment's mission is to encourage, support and facilitate these organizations' efforts to revitalize distressed communities through the local public/private partnerships. We do this through:

—Technical assistance—delivered by specialized practitioner experts geographically placed around the country in nine district offices;
—Flexible grants—to capitalize and operate revolving loan funds;

—Training—"how-to," nuts-and-bolts coursework for community-based practitioners; and
—Our secondary market, Neighborhood Housing Services of America (NHSA)—a unique secondary market backed by national investors. This ensures the local liquidity of revolving loan funds.

We also manage the risks inherent in the NeighborWorks® system through a multifaceted risk management system. In essence the risk assessment system backs up strong local board leadership that monitors local financial controls, programmatic activities and program changes.

Neighborhood Housing Services of America

The NeighborWorks® system's unique secondary market, Neighborhood Housing Services of America (NHSA), serves as a financial backstop to local NeighborWorks® organizations' loan funds. Each NeighborWorks® organization may sell loans to NHSA at whatever rate and term is locally affordable. This kind of secondary market outlet ensures a continuous source of capital through the local revolving loan fund, which, in turn, enables local organizations to utilize the plentiful private sources of capital that are available for conventional lending. Last year $80 million in lending from revolving loan funds sparked an additional $740 million in coordinated private and public lending. NHSA enables us to continuously meet the capital liquidity needs of the NeighborWorks® network.

Together, Neighborhood Reinvestment and NHSA assist in the growth and capacity development of local NeighborWorks® organizations to meet the capital, technical and organizational needs of their communities.

REVOLVING LOAN FUNDS

The engines that drive this system are the flexible local revolving loan funds. Neighborhood Reinvestment provides seed capital to attract additional capital that may come from local banks, insurance companies, local government, foundations and other investors. Each NeighborWorks® organization sets its own underwriting terms and policies. The loans made from the revolving loan funds fill the gaps in an otherwise-fragmented set of resources available to lower-income borrowers. Local determination of best use and the flexibility of these funds together comprise the critical resource for broader community revitalization. For example, the revolving loan funds are used for:

—Gap financing—used in conjunction with conventional loans to assist families rehabilitate and purchase their homes ;
—Equity capital—to secure blighted properties for rehabilitation and sale, secure mutual or rental units as well as purchase property for future rehab or development.
—Major rehabilitation, minor repair and emergency loans—used to help existing very low-income and frequently elderly homeowners maintain their homes and avoid the predatory lending scams that often target this population;
—First- and second-mortgage loans—for those buyers who cannot fully qualify conventionally; these loans are tailored to the buyers' ability to repay;
—Down-payment and closing costs for first-time homebuyers; and
—Economic development—for small business start-up or expansions.

The revolving loan funds serve both as a capital resource for the community and as a way of attracting and securing private investment. In fiscal year 1998, investment from NeighborWorks® revolving loan funds rose by 23 percent, from over $65 million in fiscal year 1997 to over $80 million in fiscal year 1998.

CONCLUSION

The NeighborWorks® system has proven to be an effective mechanism over time to revitalize distressed communities nationwide. It has improved its efficiency and effectiveness over its 20-year history in leveraging limited public funds with private capital. In 1994, total public- and private-sector investments totaled $268.4 million; in 1998, total investments in distressed communities amounted to more than $820 million.

In fiscal year 2000 and beyond, Neighborhood Reinvestment and Neighborhood Housing Services of America look forward to continuing our mission to support NeighborWorks® partnerships of residents and private-sector and public-sector leaders as they work to revitalize distressed neighborhoods and communities in rural, small town, suburban and urban settings.

We are extremely grateful for the Committee's support and look forward to a successful year and continued opportunities in fiscal year 2000.

SELECTIVE SERVICE SYSTEM

PREPARED STATEMENT OF GIL CORONADO, DIRECTOR

INTRODUCTION

As we approach the millennium, I am enthusiastic about the future of the Selective Service System. Fiscal years 1998 and 1999 so far have been banner years. The Agency's accomplishments reflect the professionalism of our modest number of full-time and part-time employees and the dedication of nearly 11,000 part-time civilian volunteers. I am proud to say that the Selective Service System stands ready to mobilize national manpower should the President and the Congress decide a draft is needed for a crisis that may exceed the capabilities of America's standing Armed Forces.

Although Selective Service is a compact Agency with a modest annual budget, it continues to furnish America's only time-proven defense insurance policy. Since World War II, every President, every Secretary of Defense, all the Armed Services chiefs, key Members of Congress from both sides of the aisle, national veterans and patriotic organizations, and more importantly, the American people, have all agreed that the Selective Service System must remain in place to underpin America's role as a beacon of freedom and strength in a turbulent world.

But the Selective Service System is far more than just a defense manpower insurance mechanism. For present and future generations of America's young men, it represents a very critical link between society-at-large and today's volunteer military. It is a reminder that, as Americans, every young man is personally responsible for "providing for the common defense." Each and every day, Selective Service is a reminder to the world that, if necessary, we will defend our Nation as our fathers, grandfathers, and great grandfathers have so gallantly done in the past.

The President's budget request for fiscal year 2000 proposes funding the Selective Service System at $25,250,000. This is the third increase since fiscal year 1995. Numerous tradeoffs and adjusted priorities were implemented to accommodate constrained resources since fiscal year 1995. Notwithstanding, at the current level the Agency continues to perform its statutory missions.

AGENCY PURPOSE

The Selective Service System remains ready to furnish its primary customer, the Department of Defense, with personnel for military service in a national crisis. It also remains ready to implement an Alternative Service Program for conscientious objectors. Consequently, Selective Service is a vital component of national defense preparedness for our Nation. Its missions, organizational structure, and programs have been thoroughly and repeatedly reviewed since 1990. Each review also embodied the principles and objectives of the ongoing National Partnership for Reinventing Government. Most recently, the Agency's missions and structure were analyzed and evaluated, leading to a September 1997 General Accounting Office report which provided two alternatives: suspending active registration and placing the Agency into "deep standby." Ultimately, any decision to change Selective Service would require policy judgments that involve other considerations, some of which cannot be quantified, in addition to cost and time required to respond to a national emergency.

I am proud of the workforce's uninterrupted professional response and its sustained national security contributions. The employees of the Selective Service System continue to do the public's business with demonstrated enthusiasm and focused commitment. And for my part, I continue to manage the Agency austerely, looking for cost savings and greater programmatic efficiencies through information technology and staffing levels.

RECENT PROGRESS IN CUSTOMER SERVICE

Since I last testified before this committee, there have been a few dramatic and dynamic changes with regard to serving our customers. Four are most noteworthy because they provide the public with effective service and satisfy the Congressional charge to Federal agencies to evolve into performance-based organizations.

—Young men are able to register on-line, and anyone can verify a registration at our web site. http://www.sss.gov. These new options are major accomplishments in customer convenience, speedy operations, and greater accuracy of data.

—We continue to streamline our authorized full-time and part-time workforce, achieving a net reduction of over 19 percent in civilians and over 13 percent in part time military staffing. This continues in concert with the Government

Performance and Results Act objectives and mandated strategic and performance measurement planning.

—Extensive registration improvement campaigns were conducted in 21 geographic areas across the Nation experiencing low registration rates. Focused chiefly in America's inner cities, efforts not only garnered registrations which add to the fairness of any future draft, but they also protect Federal and state benefits for young men, many of whom are minorities or disadvantaged.

—Twenty-seven states now have laws which reinforce the Federal requirement to register with Selective Service. In these states, the laws vary, but they generally condition student financial aid, public college enrollment, and government employment upon a young man's compliance with the national registration obligation. The new state laws and several similar municipal ordinances increase a young man's awareness of the registration requirement.

AGENCY AREAS OF EMPHASIS

Program and Performance Measures.—In concert with the requirements of the Government Performance and Results Act, as coordinated by OMB, the Agency has identified numerous measurable performance goals that define and qualify many expected program accomplishments for fiscal year 2000. The goals reflect programmed levels of accomplishment which are consistent with the funding and resource levels contained in the President's Budget. Additionally, measures identified in the Selective Service System's fiscal year 2000 Performance Measurement Plan, define annual progress toward the achievement of particular goals and objectives also delineated in the Agency's fiscal year 1997–2002 Strategic Plan. Measures of performance effectiveness are: qualitative improvements over specific time frames; more accurate and faster turnaround of data; lower levels of personnel staffing; improved customer services; and the completion of all Y2K requirements. Recently, the White House commended Selective Service on its excellent progress in addressing Y2K issues. With the application of ever evolving communications, software and hardware technologies, the Agency continues its mandate to accomplish its missions smarter, better, and more cost-effectively.

Registration Improvement & Public Awareness.—For some time we were aware that our registration rate has been declining over the past several years, but it is only in 1999 that we saw the first big drop. For calendar year 1998, it appears that we are about 2 percent under 1997. Consequently, we are about 89 percent for ages 18 thru 25. This concerns us because we believe that once you fall below 90 percent compliance, the public would perceive our system as unfair. The public would believe, rightly, that not everyone who should be in the pool is there; and therefore those who are there, are disadvantaged because they are more vulnerable to be called. This is why I have placed such a priority on raising the registration rate.

Recognizing this trend, we implemented aggressive steps to correct the situation, such as focused blitzes in low registration areas. Naturally, the resources are traded off among other programs. However, if additional resources became available, we would expand mass mailings to targeted zip codes with low registrations. Further, we would develop and distribute more public service broadcast messages to specific markets, together with new focused printed materials. And finally we would expand our efforts to maximize tape matching programs and partnerships to identify potential nonregistrants. I estimate that the cost would be about $1.00 additional per registration, or a total of about $2 million. And any registration does triple duty: it documents that a man complied with the law, it preserves a young man's eligibility for Federal/State benefits, and it provides men with information about military service. It would take SSS about $5.00 to contact the same young man that DOD does for $13,000.

The Agency is strengthening its programs aimed at improving registration rates. Already underway are advanced registration improvement efforts. Again this year, Selective Service is making a strong attempt to reach young men in selected states where registrations appear to be low. Registration improvement "blitzes" are being scheduled to publicize the peacetime registration requirement. We strive to reach the unregistered, not only to assure fairness and equity if there needs to be a future draft, but because the law requires a man to register with Selective Service to remain eligible for student loans and grants, most Federal jobs, and training under the Department of Labor's Job Training Partnership Act. No man should unwittingly deny himself these opportunities. To support this effort, additional radio and television public service announcements (at no cost for airtime) in English and Spanish are being distributed nationally to relevant communities. These high-quality products have received laudatory comments from viewers around the country and are receiving no cost annual air play commercially valued at over $2 million.

Selective Service maintains a home page on the World Wide Web (http://www.sss.gov) where registration and other Agency information is now available to anyone with access to the Internet. A convenient and highly efficient method of registration is the recent provision for the public to register through the Internet. Our fiscal year 1999 goal of providing an on-line capability for a man to register and immediately receive his Selective Service number was achieved on December 2, 1998. This efficient method is averaging about 15,000 registrations per month. That average will increase as more men become aware of the capability to "Save a stamp. Save time. Register on -line." Selective Service continues to expand its Web Page with other Federal agencies to enhance public education and customer responsiveness. Site content is constantly being improved. On- line now is the capability to verify a man's registration status. It can be used by anyone or any organization, such as colleges, universities, state and Federal agencies. The purpose of all these changes is to provide outstanding service to our customers: service which is responsive, convenient, and more timely.

Information Technology (IT).—We are also investing in IT as the vehicle to improve customer services. Modernization of the Agency's technology infrastructure began in fiscal year 1997 and is planned to continue through fiscal year 2003. In accordance with the requirements of the Information Technology Management Reform Act of 1996 (Clinger-Cohen Act), the Agency is developing an IT architecture that describes the work of the Selective Service System, the information it uses, and the IT needed to carry out its missions. Aligned with these efforts is the Agency's capital planning initiative which is also being developed to satisfy the Act. Further, our Information Management Modernization Plan focuses on adding new information technologies and Y2K mandates to the Agency's infrastructure. This is mainly driven by changing customer needs and revised government requirements. The goal of upgrading the Agency's IT platforms is based on reengineering critical mainframe computer systems while targeting other systems for use on small computer platforms. Integrating the Selective Service mainframe computer systems into more user-friendly client/server applications is our strategy over the next several years with the potential to move off of a large mainframe. Selective Service has modified its computer application programs to be Y2K compliant. These programs have been tested and validated by in-house staff. Independent validation and verification is underway by a contractor. These are the type of proactive efforts which the White House recently characterized as "excellent progress."

By embracing change and applying technology, Agency activities are leading toward a paperless work environment and a more economic means of doing business. We are exploring and implementing new methods of sharing information with other government agencies to verify Selective Service registrant data. This is necessary to verify that men are eligible to participate in state and Federal benefits in accordance with the Solomon Amendment to the Military Selective Service Act and the Thurmond Amendment (5 U.S.C. 3328). As the Agency moves forward with its IT improvements, updated and appropriate performance measures are being employed to monitor progress toward the attainment of objectives and milestones.

Revamping these systems will pay important dividends in end-user productivity and better service to customers. The Selective Service System is confident that its IT initiatives will improve customer service and increase the productivity of the Agency's workforce.

SUMMARY

Today, Mr. Chairman, the Selective Service System stands prepared to perform its crucial, time-tested responsibilities if directed to do so. The missions of this small Agency are even more fundamental to our National Military Strategy as the United States deploys its Armed Forces in ever more scattered world trouble spots and as recruiting and retention for our volunteer military become more challenging. The Selective Service System remains resolute in its rightsizing and streamlining of operations. The fiscal year 2000 appropriation request of $25,250,000 will be invested very prudently in one of the Nation's greatest security assets. Its rationale for existence and its credentials are the same: a compact structure with the means to provide manpower to our Armed Forces as required in a national emergency, and to do it timely, fairly, and equitably.

I am especially proud to lead a dynamic and productive Selective Service System. I can assure you, Mr. Chairman, that with the ambitious efforts underway, America is maintaining a low-cost insurance policy against underestimating the nature and size of future threats our Armed Forces may face. Selective Service has accomplished much since I last appeared before this committee. My pledge to you is that our achievements this year and next shall be even greater.

Thank you, Mr. Chairman.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS

PREPARED STATEMENT OF THE COALITION OF COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS

Chairman Bond, Senator Mikulski, and distinguished members of the Subcommittee, thank you for the opportunity to submit testimony on the President's budget request for the Community Development Financial Institutions (CDFI) Fund. The President has requested $125 million for the CDFI Fund in fiscal year 2000. The CDFI Coalition, representing more than 465 CDFIs working in all 50 states, urges you to support the President's full request.

The CDFI Coalition formed in 1992 to respond to initiatives by the Administration and Congress to support CDFIs. We served as a primary resource in drafting the legislation that created the CDFI Fund. Since that time we have devoted our efforts to building public and financial support for the CDFI industry through advocacy, public education, knowledge building, and outreach. The CDFI Coalition represents community development loan funds, community development banks, community development credit unions, microenterprise lenders, and community development venture capital funds. Together our members have loaned and invested some $4 billion in our nation's most distressed communities.

WHAT ARE CDFIS?

CDFIs bring private sector capital to bear on problems that have historically required public sector solutions. CDFIs emerged in response to the credit and capital-related assistance needs of our nation's most economically and socially distressed and disinvested rural, urban, and tribal communities. Their purpose is to create permanent solutions in these communities. They are bridge institutions that link unconventional borrowers and conventional financial institutions. They all have community development as their primary mission and carry out that mission by financing businesses and community facilities, job creation and development, and affordable housing in low and moderate-income communities.

The government did not create CDFIs. Some CDFIs have histories stretching back five decades. These organizations are the responses of hundreds of local communities to fill market niches that banks and other conventional financial institutions do not. They are based on bipartisan principles of building private markets, creating partnerships, and providing the tools to enable poor individuals and communities to become self-sufficient and stakeholders in their own future.

WHY IS THE CDFI FUND IMPORTANT?

The CDFI Fund is a unique government effort created to capitalize financial institutions committed to serving and improving low-income and low-wealth communities. The Fund bolsters economic development by investing in and assisting CDFIs. By investing in institutions, not just projects, the Fund helps CDFIs better respond to their markets by increasing their ability to manage risk, to enhance capacity, and to be flexible in their financing. With capital from primarily private sector sources, CDFIs excel in using sound business practices to leverage conventional, private financing into poor communities.

Support of these organizations through the CDFI Fund makes the most effective use of limited federal resources. It uses relatively small amounts of federal money to leverage significant amounts of private and non-federal dollars, promotes private entrepreneurship and encourages self-help and self-sufficiency.

WHAT HAS THE CDFI FUND ACCOMPLISHED?

The CDFI Fund has been innovative, investment-oriented, and business-like in approaching its funding. Through its rigorous review process, the Fund has made awards that have provided opportunity and insisted on institutional viability. Recognizing that there are diverse organizational levels, the Fund has established different windows for participants. In addition to the "Core CDFI Program," the Fund has implemented an "Intermediary Program" through which organizations in need of assistance can participate through CDFI intermediaries, and a "Technical Assistance Program" which offers financial support to CDFIs working to build their organizational capacity.

The CDFI Fund has been productive and successful in issuing its first three rounds of awards. Thus far, the Fund has awarded $122 million to 117 CDFIs through its Core Program Component, $3 million to 70 CDFIs with its Technical As-

sistance Program, and has reached more than 200 CDFIs through its $7 million invested in CDFI Intermediaries. The Fund has also awarded $58 million to more than 170 banks and thrifts through the Bank Enterprise Awards Program resulting in more than $700 million in direct financing services in distressed communities as well as $271 million invested in CDFIs. Through these awards the Fund has built a balanced national portfolio of urban and rural and large and small CDFIs with geographic diversity.

WHY CONTINUE TO SUPPORT THE CDFI FUND?

CDFIs, their borrowers, and the communities in which they work need the capital that the CDFI Fund offers. Support for the CDFI Fund is essential to their vital work. Increased support will enable CDFIs to continue to rebuild and revitalize our nation's communities. From its survey of its First Round Core Program awardees, the Fund's initial findings illustrate the significant impact of the Fund's assistance on CDFIs. Collectively, this group of 30 CDFIs has taken a $34 million investment and turned it into $565 million in loans and investments to help create or expand 1,148 businesses and 1,895 microenterprises; create or retain more than 12,000 jobs; and develop more than 8,600 affordable housing units and 285 community facilities.

The CDFI Fund offers the combination of increased access to capital and the institutional capacity building that is vital to CDFIs and, through them, to our nation's distressed communities. CDFI Fund's programs are consistently oversubscribed. In the midst of its growth the CDFI industry is experiencing substantial demand. In the first three rounds of Core Component awards, over 560 CDFIs have requested more than $662 million. The Fund has awarded a total of $119.5 million, barely eighteen percent of the funds requested.

An increased appropriation to the CDFI Fund generates substantial private dollars to distressed communities. In an analysis of its 1996 Core Program awardees, the Fund found that its First Round investment resulted in CDFI asset growth of 122 percent, increasing from $473 million to $1.05 billion by 1998. CDFIs are very successful at leveraging private dollars. They build bridges between conventional financial services and unconventional borrowers and often work where banks do not. The dollar for dollar match required by the CDFI Fund represents only a fraction of the long term leveraging potential of this program. Every dollar of CDFI equity investment can leverage up to $50-$100 into low-income communities.

CDFIs will continue to benefit from the CDFI Fund's Training and Technical Assistance Initiatives. A key part of the Fund's institution-building mandate is its training and technical assistance initiative. No issue is more critical to the viability of this much-needed industry than building its human capacity. The CDFI Coalition, with a Ford Foundation grant, conducted an extensive study of the human capacity needs of the CDFI industry. Our findings stressed the need for training and proposed efficient and economical approaches to enhance the industry's performance.

With increased support the CDFI Fund can broaden its reach and impact, enabling CDFIs to better reach poor communities. The CDFI Fund can and should maintain a blend of emerging and mature CDFIs by creating a Small and Emerging CDFI Access Program (SECAP) as part of its core CDFI Program Component. SECAP would fill a gap between the Core Program and the Technical Assistance Program. By providing access to limited capital assistance with a streamlined business plan, flexible matching requirements and training and technical assistance funding, SECAP will greatly expand the Fund's potential customer base.

Given the demand and success we have described above it is appropriate for the Congress to continue to invest in this program. We are strongly urging you to provide increased support by appropriating the full $125 million requested by the President. In this era of scarce resources it is incumbent upon the government to use those resources strategically and effectively and to maximize their impact. The CDFI Fund can use its support to enable organizations with proven track records to expand and diversify their services, grow responsibly, and sustain themselves over time.

NONDEPARTMENTAL WITNESSES

[CLERK'S NOTE.—The following testimonies were received by the Subcommittee on VA, HUD, and Independent Agencies for inclusion in the record. The submitted materials relate to the fiscal year 2000 budget request.

The subcommittee requested that public witnesses provide written testimony because, given the Senate schedule and the number of subcommittee hearings with Department witnesses, there was not enough time to schedule hearings for nondepartmental witnesses.

DEPARTMENT OF VETERANS AFFAIRS

PREPARED STATEMENT OF THE JOSLIN DIABETES CENTER

Mr. Chairman, thank you for this opportunity to submit a statement for the hearing record for the VA concerning fiscal year 2000 funding. The purposes of this statement are for Joslin Diabetes Center (1) to provide the Committee a status report on the VA's participation in the joint Joslin/DOD/VA Diabetes project funded through DOD appropriations for the past two years; and (2) to request direct funding through this bill of $2 million for fiscal year 2000 for the VA to expand the pilot program into new VA regions and facilities.

Background

Attached are background fact sheets on Diabetes, Joslin Diabetes Center, and the Joslin Vision Network (JVN).

By the end of fiscal year 1999, the Joslin/DOD/VA Diabetes Detection, Prevention and Care Project will have accomplished the following at selected VA sites:

In Hawaii, we have set up the Joslin Vision Network (JVN) at the Honolulu VA Clinic and the Tripler Army Medical Center.

The Joslin Diabetes Outpatient Intensive Treatment (DO IT) program has been deployed in Hawaii where the first DO IT implementation practice program with patients was completed in December.

At New England VA (VISN–1), we have the JVN located at the West Roxbury/Boston and Brockton VA Hospitals with Togus, Maine scheduled for mid-summer deployment.

The JVN has been deployed at the West Roxbury/Boston VA Hospital.

Research protocols for the JVN and DO IT programs have been cooperatively developed and are in the early stages of implementation. From these pilot models, we will develop evidence based practice models that can be implemented effectively in current and future additional sites.

The clinical studies and trials that validate this treatment and detection protocol for VA and DOD implementation for the JVN and DO IT programs will commence in New England in May and in Hawaii in July.

Fiscal year 2000

DOD Funding

For the fiscal year 2000 project phase through requested DOD funding, we have planned the following tasks, targets and activities:

—The three fully operational JVN sites in Hawaii will utilize Tripler Army Medical Center as the Reading Center.

—Tripler will provide the DO IT program on a monthly basis for military personnel, families and veterans.

—The three Image Acquisition Sites for the New England VA will utilize Joslin as the Reading Center component.

—The VA Hospital in West Roxbury/Boston will provide one DO IT program on a monthly basis for veterans and family members.

—All research protocol trials will be completed while new phases will be developed for the program evaluation component.

VA Funding

With the support of VA policy and program officials, we propose to enhance the VA component of the program. The VA and Joslin have developed a plan to expand the research and clinical trial protocols and to establish and implement Joslin Diabetes Detection, Prevention and Treatment programs in an additional region to serve a new veterans population group.

Fiscal Year 2000 Program Summary

Under current plans, and the pending request for a DOD funded program, use of the JVN equipment and the expansion of screening opportunities in three VA regions will be the focus for fiscal year 2000 activities. The advancements in VA and DOD capabilities to detect and treat diabetes will result in health care benefits and cost savings to patients. This also results in cost savings to the health care systems of VA and DOD. The real thrust of the program's importance is not the introduction of the new equipment and techniques—the real importance is the use of the detection equipment and education in treatment protocol that minimize the incidence and severity of the impact of diabetes.

Following the expansion of the JVN and the incorporation of the DO IT protocol within the three regions planned for fiscal year 2000, Joslin will provide technical assistance in file management, patient follow up and monitoring, and the design of long term studies to measure the impact of the introduction of these two new elements (JVN and DO IT) into the VA and DOD medical networks and infrastructure.

Joslin will also work with VA and DOD medical personnel on developing documentation for use in other VA/DOD locations and with their respective geographically adjacent civilian populations. The promise of the pilot programs lies in their ability to reach the civilian population outside the traditional medical systems and in their expanding use within both the VA and DOD.

The VA enhancement funds we are seeking—$2 million through the VA-HUD Appropriations Act—will permit the VA to treat more patients with the improved methods, techniques and technology derived from the base DOD funded pilot program. This enhancement will enable the VA to better accomplish its health care mission, and result in reduced agency and patient costs and improved patient treatment.

Fiscal Year 2000 Joslin Diabetes Center Funding Request—$2 Million

Joslin Funding Summary

VA Program Participation Costs (expanded)	$1,000,000
Joslin Diabetes Center Program Technology Development	500,000
Joslin Diabetes Center Program Participation Expenses	500,000
Total, Joslin/VA Project Cost	2,000,000

Summary

The proposed expansion of the Joslin/DOD/VA project with the VA will provide for the continuing improvement of health and costs related to diabetes for the Department of Veterans Affairs for a wider population group. We are grateful that we have the policy and programmatic support of the VA in our efforts. We understand that the VA supports this request for an additional $2 million.

Conclusion

Mr. Chairman, expansion of this cooperative effort in fiscal year 2000 will cost $2 million for the expenses of both Veterans Affairs and Joslin Diabetes Center. We respectfully request that you carefully consider the potential program benefits and cost savings associated with this modest investment for fiscal year 2000 funding. We are pleased to be a part of this project with the Department of Veterans Affairs and appreciate your Committee's support.

Thank you again for this opportunity to submit this statement for the hearing record.

STATEMENT OF THE RETIRED ENLISTED ASSOCIATION

On behalf of The Retired Enlisted Association's (TREA) National President Fred Athans and National Auxiliary President Ethel Hale as well as over 100,000 members and auxiliary, we appreciate the opportunity to testify before this subcommittee

concerning fiscal year 2000 Department of Veterans Affairs Appropriations. TREA is a federally chartered Veterans Service Organization (VSO) representing retired, active, guard, reserve and family members who are serving or have served in every component of the Armed Forces of the United States: Army; Marine Corps, Navy, Air Force, and Coast Guard. There are several issues which affect the members of this organization, and all veterans, that will be impacted by the actions of this subcommittee. These issues include:

VA SUBVENTION

Increased access to health care for military retirees is TREA's greatest concern. The majority (sixty-one percent) of our members are over the age of 65 and have been disenfranchised from their "earned" military retiree health care benefit. That is why TREA supports legislation authorizing the Department of Veterans Affairs to receive payments from Medicare to serve Medicare-eligible veterans (including military retirees). The Senate has already included a demonstration program in S. 4, the Soldiers', Sailors', Airmen's, and Marines' Bill of Rights. The VA Subvention program would be a good step in the direction of improving retirees access to health care. Further, the VA Subvention program would help all those veterans who are on Medicare, not only military retirees. As we work with the Ways and Means Committee on this issue, we are hopeful that the members of this committee, the advocates for veterans in Congress, will support VA Subvention when it is addressed in the House of Representatives.

Due to the fact that Medicare Part "B" would be a requirement of VA Subvention, TREA supports legislation which would eliminate the penalty for military retirees that did not elect Medicare Part "B" and now wish to enroll. Unfortunately, many military retirees were counseled by active duty hospital representatives not to enroll in Medicare Part "B" stating that their care at military health care facilities would continue for the rest of their lives. Today, however, we have seen several rounds of base closures which have left hundreds of thousands of military retirees without quality health care. Waiver of the Medicare Part "B" penalty and opening VA Hospitals to Medicare-eligible retirees will help correct this situation. Again, TREA recognizes that this issue falls under the jurisdiction of your colleagues on another Committee but we need your support, as advocates for veterans on this important issue.

LONG TERM HEALTH CARE

H.R. 1432, recently introduced in the House by Representative Kelly of New York calls for public funding of long term health care for veterans with a service connected disability rating of 50 percent or higher. While the Department of Veterans Affairs has been providing long-term care for veterans for many years out of its annual health care appropriation, the increasing cost of health care makes it imperative that Congress provide the funding to carry out this mission. Congress can not allow this benefit to cease due to a lack of funding.

CONCURRENT RECEIPT

Presently, military retirees pay is being off-set based on the percentage of VA disability they receive. As such, military retirees are the only class of American citizen required to waive their earned retired pay, dollar-for-dollar, to receive VA compensation for service connected disability. There are numerous bills pending in the House of Representatives to eliminate this off-set. TREA supports any legislation which would address this disparity which exists. We support the same treatment of military retirees as U.S. citizens with service connected disabilities. The support of the members of this subcommittee would be appreciated when your colleagues on the Defense Appropriations Subcommittee address this issue.

VETERANS BENEFIT ADMINISTRATION

Following along with the issue of Concurrent Receipt is the existing backlog in the processing of claims for a VA disability. The current wait is, in a word, shameful. It is an understood fact among veterans that if you do not have a Veterans Service Officer working for you, your claim will not be acted upon by adjudicators for a considerable period of time which may last for years. Veterans with service connected disabilities should not be discouraged from applying for their earned entitlement to disability compensation because they know that the system will be working against them. TREA was pleased to hear the Department of Veterans Affairs plans to hire more claims processors in fiscal year 2000. However, we remain skeptical that these additions will have enough of an impact to truly correct this problem.

The most recent figures on claims processing show that the existing backlog makes the stated goal of 74 days for a rating-related action unlikely. Further, the increasing complexity, both medically and legally, will continue to have a significant impact on timeliness. The Board of Veterans Appeals currently renders a decision within 120 days of receiving an appeal. However, the total elapsed processing time for an appeal in the first quarter of fiscal year 1999 was 968 days, and this is an improvement from fiscal year 1998! A time-frame of nearly two and one-half years is not satisfactory. TREA is pleased the VA is working to correct this delay but the fact remains that it still exists.

Outside the Department of Veterans Affairs Headquarters is a quote from President Lincoln which reads, "To care for him who shall have borne the battle and his widow and his orphan." In reality, many who have borne the battle do not receive what they earned for fighting in that battle. The process of filing a claim needs to be reviewed to ensure that veterans who deserve compensation receive it in a timely and efficient manner. Please appropriate the necessary funding to improve the claims process and the lives of deserving veterans.

COMMISSION ON SERVICEMEMBERS AND VETERANS TRANSITION ASSISTANCE

Along with many other Veterans Service Organizations, and members of Congress, TREA anxiously awaited the report of the Dole Commission. There were numerous points made by the Commission which greatly affects TREA's members. One point of particular concern is the following statement:

"Although healthcare coverage for Medicare-eligible Service retirees would be expensive, the central issue is fairness and equity, not affordability. In 1997, the Federal Government spent $2.9 billion to provide FEHBP coverage to 1.67 million federal civilian beneficiaries aged 65 or older, and budgeted for immigrant healthcare. Thus, in the interest of fairness and equity for those who have endured the hardships and dangers of a service career, the cost of FEHBP–65 would be a small price to pay."

Military retirees cannot understand why immigrants have more health care options then themselves and their families. We believe that eligibility reform at the Department of Veterans Affairs, an issue we address later, and the previously addressed VA Subvention program would help improve this situation.

One particular area of concern for those of us who spent twenty or more years in the military is the recommendation concerning the limiting of the VA Home Loan guarantee to one use. Certainly, individuals who make the military a career may choose, at some point in time, to buy a home that meets their needs. Perhaps this may come with the arrival of a child or at a location where base housing may not be available. These servicemembers should not be forced into having to determine whether or not to buy a home while still on active duty or wait until retirement. The VA Home Loan program has been a successful program for decades. I do not doubt that a program created following World War II can use some readjustment, but to limit the program to one use will force career servicemembers into difficult decisions that their predecessors did not have to make. Instead of being a transition benefit, this could cause a difficulty veterans should not have to deal with when separating from the Armed Forces. TREA urges Congress to continue to provide full funding for the current VA Home Loan program.

The Commission has also recommended significant changes to the Montgomery GI Bill. The GI Bill is certainly one of the best recruiting tools the armed forces have today. Further, the impact it has had on society has been profound as more and more Americans have had the opportunity to earn college degrees. However, the education system in this country has changed greatly over the years. College tuition increases have nearly always doubled inflation over the past few years. That has made the pursuing of a college degree much more difficult for separating servicemembers as the value of the GI Bill has, therefore, steadily decreased. Further, education itself has changed. No longer is a four year degree the only form of higher education. Often, separating servicemembers may take a course over six months which costs thousands of dollars. The Commission's recommendation concerning the increase in the amount payable for tuition and fees along with the speeding up of payment for the GI Bill recognizes the fact that education has changed over the years.

The Subcommittee's support of these improvements to the veterans benefits package would be appreciated, not only by TREA's members, but by current and future veterans nation-wide. Further, we recognize there are numerous other proposals in the Commission's report such as merging of DOD and VA purchasing programs as well as facilities. We understand that Congress will need to study these recommendations and determine if they work in the best interest of veterans and the

country. However, the recommendations we have addressed here, we believe, are those which can be addressed immediately and will have a significant impact on those who have served our nation.

VA ENROLLMENT

TREA is very pleased with the current VA policy of enrolling all veterans for health care. This is a positive step towards showing all veterans that their nation is thankful for their service. We urge that full funding be granted to ensure that the Department of Veterans Affairs will be able to continue to enroll veterans in future years. We do not want veterans who have enrolled in the VA to be told in one or two years time that the health care they are being guaranteed today has come to an end. We are concerned, however, that disabled veterans are not receiving their guaranteed health care. TREA has been working on a particular case where one of our members, who is rated at 70 percent disabled, was told there was no space available to treat his service-connected disability. This veteran, in fact, is a priority 1 veteran, those rated 50 percent or higher. He should not have been told there is no space available due to the large number of new enrollees into the VA system. Just as it is important that all eligible veterans have access to the VA, it is more important that veterans with service connected disabilities can receive treatment and are not told there is no space available. Promising veterans care is wonderful, but not at the expense of the current patient priority system.

ELIGIBILITY REFORM

The Retired Enlisted Association supports the efforts of Chairman Stump to provide for eligibility reform concerning the enrollment categories in the Department of Veterans Affairs. Presently, many military retirees fall under Category 7, the lowest enrollment category which means military retirees, who have often lost their access to military treatment facilities, cannot access VA facilities either. Chairman Stump's proposal to create a separate enrollment category for retirees is greatly appreciated by the members of this organization and will certainly go a long way towards increasing the health care options for military retirees. Further, we believe it is a justifiable benefit for those who have dedicated twenty or more years of service to this nation. We urge members of this committee to provide adequate funding to create this special category.

FISCAL YEAR 2000 BUDGET

"Pay Go" is an expression which TREA and the other military associations have heard for years. If one program was going to be funded, its cost would have to be offset by taking money away from another program. Now, we have come to find that this is not always the case. Last year, the infamous "Highway Bill" was offset by taking $10 billion from, among other agencies, the VA. Our members ask, why does "Pay Go" not apply to the Transportation Bill like it does to the VA and DOD Appropriations Bills? In an effort to increase funding for the Department of Veterans Affairs, TREA has supported VA Committee Chairman Bob Stump in his efforts to add additional funding for Veterans health care and other issues. The grossly underfunded budget submitted by the Department of Veterans Affairs to Congress was shameful. As the budget surplus was diced up into new programs and securing old ones, the VA saw an increase in its budget that barely kept up with inflation. That is why we must come before you today, to fight for our earned benefits that have, over the years, been gradually reduced due to a lack of sufficient funding. However, we recognize the budget agreement of 1997 limits the increase in spending which is possible. Further, as an association which represents military retirees, we fear an off-set which takes funding from the Department of Defense would have a severe impact not only to retirees and their families but our active duty troops and their dependents as well. The Budget Resolution passed by the Senate included an amendment which increased VA funding without off-sets from other Defense and Veterans programs. TREA urges this Committee to include funding levels equal to, and with the protections guaranteed, in the Senate Budget Resolution.

GULF WAR ILLNESS

Health care and disability compensation for veterans of Operations Desert Shield and Desert Storm are another area of concern for TREA. The concept of service connected disability is relatively simple. If you leave the military with an illness you did not have when you entered, you are no longer a "whole person" as defined by the VA and are, therefore, entitled to a disability rating and proportionate compensation. Many veterans of the Persian Gulf returned with symptoms of no par-

ticular illnesses or injury. In response, Congress passed legislation allowing the VA to compensate these veterans with undiagnosed illnesses.

Currently, the VA has extended the eligibility period to December 31, 2001 for compensation for undiagnosed illnesses in Gulf War veterans. We are certainly pleased that the VA has done this. We are also pleased that the GAO reported in 1998 that the VA has taken a number of steps to improve its processing of Persian Gulf claims (General Accounting Office, Veterans' Benefits, Improvements Made to Persian Gulf Claims Processing). However, the work is not finished. Let us not repeat the mistakes that were made over the issue of Agent Orange twenty years ago, where many died while studies were trying to determine the cause of their illness. We may never know what happened to our men and women who served in the Gulf. But we do know that they are sick and in need of our help. TREA would like to thank the many members of Congress, from both sides of the aisle, who have introduced legislation calling for increased research, expansion of the list of illnesses which are service connected and other issues relating to Persian Gulf illness. We sincerely hope these veterans will not be forgotten as time goes by and memories of our nation's efforts in 1990–1991 become part of history.

CONCLUSION

Mr. Chairman, distinguished Subcommittee members, we are at an interesting time in history. Through a balanced budget we have the opportunity to correct nearly three decades worth of injustice on our nation's veterans. We have been told in the past that once the budget situation is resolved, our issues would be addressed. Today, the budget issue is resolved and we are here asking that our needs be met. Veterans realize there is a budget surplus which does not have a penny directed to their programs. Why have those who put the nation before themselves been put last by the nation? Now you, Congress, have the opportunity to correct this by providing enough funding so veterans can receive their earned benefits. The Department of Veterans Affairs must receive full funding, be authorized to begin the VA Subvention program, improve veterans educational benefits and continue to treat veterans fairly and justly. By doing this, Congress can help ensure that veterans once again become prophets of patriotism and service to the nation as well as the best recruiters the Armed Forces had.

Mr. Chairman, I would like to thank you for giving The Retired Enlisted Association the opportunity to present its views on these important issues.

PREPARED STATEMENT OF THE AMERICAN HEART ASSOCIATION

YOU ARE A TARGET

Chances are heart attack or stroke will be the death or disabler of you or someone you love. Heart attack, stroke and other cardiovascular diseases are America's No. 1 killer and a main cause of disability. Cardiovascular diseases account for nearly 1 of every 2 American deaths.

The American Heart Association is pleased to provide recommendations on fiscal year 2000 appropriations for the Department of Veterans Affairs' Medical and Prosthetic Research program. This program consists of four components: Cooperative Studies Program, Health Services Research and Development Service, Medical Research Service; and Rehabilitation Research and Development Service.

YOU CAN MAKE A DIFFERENCE

The AHA, dedicated to reducing death and disability from heart attack, stroke and other cardiovascular diseases commends this Committee's support of the VA Medical and Prosthetic Research program. The AHA is alarmed that the President's budget flat funds this vital program. Enactment of this budget would severely jeopardize ongoing studies and adversely impact planned innovative research. If a no-growth budget is enacted, the VA would be negatively impacted by about $10 million in out-year costs for previously approved research programs and $10 million in expected biomedical research inflation. At a minimum, VA research needs $336 million just to maintain its current level of effort. The AHA is concerned that insufficient money is being devoted to America's No. 1 cause of death—heart disease—and our No. 3 cause of death and a leading cause of permanent disability—stroke.

HOW YOU CAN MAKE A DIFFERENCE

The AHA recommends an fiscal year 2000 appropriation of at least $360 million for the VA Medical and Prosthetic Research program. Our recommendation, con-

sistent with that of the Friends of VA Medical Care and Health Research, will allow maintenance of fiscal year 1999 initiatives and implementation of new initiatives for fiscal year 2000. The AHA challenges our government to significantly increase funds for heart and stroke research through the VA Medical and Prosthetic Research program. We strongly urge the VA to establish heart and stroke research centers to advance the battle against heart attack, stroke and other cardiovascular diseases—America's No. 1 killer and a leading cause of disability. Our government's response to this challenge will help define the health and well-being of citizens in the next century.

STILL NUMBER ONE

Heart attack, stroke and other cardiovascular diseases have been the leading cause of death since 1919. Nearly 60 million Americans—1 in 5—suffer from one or more of these diseases. Millions of Americans have major risk factors for cardiovascular diseases—about 50 million have high blood pressure, 39 million have high blood cholesterol (240 mg/dL) and 48 million smoke.

While heart disease and stroke occur at all ages, they are most common in Americans over age 65—an age group that is now about 13 percent of the U.S. population and will be 20 percent by year 2020. By the year 2020, the percentage of veterans over 65 years of age will be about three times that of the general population or 51 percent of the veteran population. The VA's planning models recognize that its aging patient population demands more care. More than 4.49 million or 16.4 percent of the veteran population reported suffering from "heart trouble" in the 1993 National Survey of Veterans. More than 990,000 or 3.6 percent of the veteran population are stroke survivors. As the veteran population ages, the number of veterans afflicted by heart disease and stroke will increase substantially.

Cardiovascular diseases put an enormous burden on our economy. Americans will pay an estimated $287 billion for cardiovascular-related medical costs and lost productivity in 1999. No other disease costs this nation so much money and that amount is expected to increase dramatically with the growth of the senior citizen population.

INSUFFICIENT VA RESOURCES DEVOTED TO HEART AND STROKE RESEARCH

The Department of Veterans Affairs Medical and Prosthetic Research program plays an important role in heart and stroke research and deserves the strong support of Congress. In fiscal year 1998, VA support for research on heart disease was $20 million (a 24 percent increase from fiscal year 1997), accounting for 7.4 percent of the fiscal year 1998 VA's Medical and Prosthetic Research budget. In fiscal year 1998, VA-supported stroke research represented $4.6 million or 1.7 percent of the VA's Medical and Prosthetic fiscal year 1998 budget. In addition to its own program, the VA investigators spent an additional $33.2 million on heart research and $6.9 million on stroke research from outside sources.

VA HEART AND STROKE RESEARCH BENEFITS ALL AMERICANS

The mission of the VA Medical and Prosthetic Research program is to "discover knowledge and create innovations to advance the health and care of veterans and the nation." While the primary purpose of the VA health care system is the provision of quality health care to eligible veterans, VA-supported research contributes to the quality of care by bringing talented and dedicated physicians into the VA system. Discoveries from VA-supported research benefit veterans, science and the world's health.

VA cardiovascular research represents an integral part of the overall scientific effort in this field. VA researchers include many nationally recognized, distinguished scientists and several Nobel Laureates. Most recently, 1998 Nobel Prize winner Ferid Murad, M.D. for research demonstrating the role of nitric oxide in regulating blood pressure, had been supported by the VA. Several VA investigators have been acknowledged for their work in cardiovascular research. For example, American Heart Association volunteer Gerald F. DiBona, M.D. was awarded the prestigious VA Middleton Award in 1995 for internationally recognized research on kidney and cardiovascular diseases. Also, VA investigators provide core faculty support at major medical schools affiliated with VA institutions.

The Medical Research component of the VA Medical and Prosthetic Research program supports both basic and clinical research, primarily investigator-initiated peer reviewed studies. This component provides funds for support of VA-based faculty members (M.D.s or Ph.D.s) at various stages in their careers, multicenter cooperative studies—a large portion of which are cardiovascular studies—and research equipment. The presence of a VA research program aids the VA. This small, but

internationally recognized, highly competitive research program in fiscal year 1999 supports 2,165 investigators at 107 VA facilities nationwide.

VA cardiovascular research is largely clinical in nature. The VA is a major contributor to this nation's clinical research, playing a unique role in the research community because of its ability to immediately translate research findings into clinical practice.

VA-supported research has produced landmark results and revolutionized treatment in the cardiovascular area. You and your family have benefited directly for VA heart and stroke research. Several cutting-edge examples follow.

Inflamed Arteries.—Many heart attacks and strokes are the end result of atherosclerosis, the disease process that causes obstructed blood vessels. VA-supported research has shown a major way inflammation causes atherosclerosis or hardening of the arteries. Scientists have identified large numbers of a certain receptor on inflammatory cells in heart blood vessels. If researchers can create a way to block that receptor, progression of atherosclerosis might be prevented.

Heart Bypass Surgery.—In 1996, an estimated 598,000 heart bypass surgery procedures were performed on 367,000 patients in the United States at an average cost of $44,820 per procedure in 1995. Generally, one year after surgery, 10 to 15 percent of the vein grafts used in these procedures become blocked. VA research has found that reducing the temperature of the solution used to harvest the vein grafts may stop heart arteries from becoming clogged with atherosclerosis. The study also discovered that while a daily aspirin stops artery vein blockage for a year after surgery, long-term survival depends on the extent of underlying disease before the procedure and the length of time of the procedure. In a landmark study, VA researchers found that heart medication works just as effectively as coronary artery bypass surgery for certain groups of patients with blocked arteries.

Gene Therapy May Help Heart Failure.—About 4.6 million people in the United States suffer from congestive heart failure, the leading cause of hospitalization for Americans age 65 and older. VA researchers have found in animal studies that inserting a gene in heart cells affected by heart failure started an active increase in the chemical that triggers the cells to beat more strongly. Additional research in this area could provide a new lease on life for millions of Americans. Also, VA scientists, using gene therapy in animals, increased the number of blood vessels that transport oxygen to the heart.

Stroke Risk Reduction.—About 9 percent of older Americans suffer from the most common type of an irregular heartbeat, atrial fibrillation, a risk factor for stroke. Research has shown that low doses of the blood thinner warfarin can lower the risk of stroke by about 80 percent in patients suffering from atrial fibrillation.

Stroke Survivor Improvements.—Stroke is a leading cause of permanent disability in the United States and the No. 3 killer. VA studies have produced therapies to enhance quality of life for survivors. VA researchers have created a software program to assess and treat the stroke-related speech disorder aphasia, have shown that strenuous exercise can benefit stroke survivors who are paralyzed on one side of their body, and have developed a rehabilitation procedure to restore arm movement. Researchers have identified seven pathways associated with motor recovery from stroke, allowing more precise predictions about functional recovery of stroke survivors.

Aspirin and Angina.—About 6.2 million Americans suffer from angina (chest pain) due to insufficient blood supply to the heart. In another landmark study, VA research found that aspirin cuts deaths and heart attacks by 50 percent in patients suffering from unstable angina.

Angioplasty Benefits.—In 1996, an estimated 666,000 angioplasty procedures were performed in the United States to restore blood flow to the heart by widening narrowed arteries. VA research was the first to evaluate this procedure. Results showed that after undergoing angioplasty, patients suffered less pain and can exercise longer than those taking only medication. Another study showed that clot-busting drugs produced comparable results to those of angioplasty at cost savings of $3,000 per patient. Each year more than 150,000 people are candidates for clot-busting drugs, according to the VA.

Heart Failure Drugs.—About 4.6 million Americans suffer from congestive heart failure, the often disabling inability of the heart to pump sufficient blood throughout the body. A VA study showed that heart medications can enhance the heart's pumping ability and keep sufferers of congestive heart failure alive. These study results have revolutionized heart failure treatment.

Non-Q-Wave Heart Attack.—Of the estimated 1.1 million Americans who will suffer a heart attack this year, an estimated 750,000 will experience the non-Q-wave—EKG classification—version. VA research showed that noninvasive treatment of certain non-Q-wave heart attack survivors saves money and is just as effective or in

some cases better than invasive procedures such as coronary angiography. Higher death rates for victims were associated with invasive procedures.

High Blood Pressure.—An estimated 50 million Americans have high blood pressure, the leading risk factor for stroke and a major cause of heart attack. VA research showed that consistent with private sector statistics, physicians increase antihypertensive medicine in only 25 percent of patients and that even those patients who had their blood pressure monitored were poorly controlled. Better management of these patients will reduce the number of heart attacks and strokes, America's No. 1 and No. 3 killers, respectively. An inexpensive computerized reminder system helps doctors manage patients and cut costs.

Cholesterol.—About 39 million Americans adults have elevated blood cholesterol levels (240 mg/dL), a major risk factor for heart attack and stroke. An estimated 11 million veterans are at increased risk of heart disease due to high cholesterol levels, according to the VA. A clinical trial showed that daily use drug gemfibrozil reduces coronary heart disease risk by 22 percent with major reductions in coronary heart disease, heart attack and stroke for individuals with low levels of "good" cholesterol and normal levels of "bad" cholesterol. Results could mean cost savings because gemfibrozil is more economical than statin drugs. Also, VA research showed the effectiveness of cholesterol screening, when broken down into HDL, the "good" cholesterol and LDL, the "bad" cholesterol, for adults—even those over age 65. Another study found that the addition of soy protein to a low-fat diet substantially lowers cholesterol with moderately high cholesterol levels.

Wheelchair Aerobic Fitness Trainer.—This VA-developed trainer has become an alternative to drug-induced stress testing for cardiorespiratory fitness and coronary artery disease in people with lower limb disabilities.

Heart and Stroke Research Challenges and Opportunities for VA

The research advances highlighted above and other progress have been made possible by congressional support of the VA Medical and Prosthetic Research program. Thanks to research, no longer does a heart attack or a stroke necessarily mean immediate death. Now that more people are surviving, heart attack and stroke can mean permanent disability, costly medical attention, and loss of productivity and quality of life.

Challenges and research opportunities to advance the battle against heart disease and stroke abound. Examples of on-going VA research are highlighted below.

Heart Failure Studies.—The growing number of sufferers from congestive heart failure has earned this disease the title of "the new epidemic." VA research is examining whether the addition of beta-blockers to standard treatment reduces deaths and enhances health and quality of life of patients. If beta blockers prove to be effective against heart failure, the drug could save the VA $9.4 million a year. Another study is creating a large DNA bank of sufferers to examine the genetic basis of heart failure. A third study, the first large scale, international, randomized clinical trial is assessing the role of digitalis in the treatment of congestive heart failure. It is evaluating the effects of this 200-year old treatment in preventing deaths from heart failure, the leading cause of hospitalization of Americans age 65 and older. Heart failure represented more than 22,000 VA hospitalizations in 1990 at a cost of about $100 million. Results will improve treatment of heart failure.

Heart Attack Research.—An estimated 1.1 million Americans will suffer a heart attack this year. VA research is assessing the most cost-effective way to diagnose and treat suspected heart attack victims without the use of costly invasive procedures. One such procedure being examined is a computer analysis of the heart's electrical signals during exercise. Findings from this study could save money, improve health care and reduce the number of surgical procedures.

Warfarin and Aspirin Study.—Heart attack remains America's single largest killer. A VA-sponsored study is analyzing the effects of warfarin, a blood thinner, plus aspirin versus aspirin alone in reducing deaths from heart attacks. Results could save 20,000 lives each year, according to the VA.

Atherosclerosis and Iron Research.—Atherosclerosis or hardening of the arteries is a major risk factor for heart attack and stroke. VA research is evaluating the concept that too much iron in the blood stream contributes to atherosclerosis. Results of this research could revolutionize the treatment of heart attack and stroke.

Irregular Heart Beat and Stroke Drug.—An estimated 1 million Americans suffer from atrial fibrillation, the most common irregular heart beat, which causes more than 75,000 strokes a year. A VA study is evaluating the efficacy of two promising drugs in maintaining normal heart beat. Research results will enhance treatment for atrial fibrillation and reduce stroke risk.

Stroke Rehabilitation.—Stroke will strike about 600,000 Americans this year; most survivors will remain permanently disabled. Studies to enhance functional capacity and capabilities of stroke survivors are underway.

The number of VA research applications has grown slightly over the last five years, but funding cuts and/or inflationary increases severely restrict support for approved applications. For the programs, which were reviewed for fiscal year 1998 funding, more than 30 percent of approved applications were funded. Ten years ago, 50 percent of the approved applications were funded.

Through fiscal year 1999, total dollars appropriated for the Department of Veterans Affairs Medical and Prosthetic Research program have increased $123 million since 1985 at an average annual rate of about 3 percent. However, there has been a decrease in terms of constant "1985 dollars" of $7 million. The Medical Research programs highlighted below are of interest to the AHA.

Investigator-Initiated Studies.—During fiscal year 1999 this program will constitute 65 percent of the Medical and Prosthetic Research appropriated budget. Under the President's 2000 budget, this program would be level funded from the fiscal year 1999 appropriated level. These investigators comprise the core of all VA research and provide the preceptorship for career development awardees.

Cooperative Studies.—In fiscal year 1999 this program supports 41 clinical trials. The VA offers a unique opportunity for cooperative studies due to close linkage among hospitals. These studies provide a mechanism by which research on the effectiveness of diagnostic or therapeutic techniques can achieve statistically significant results by pooling data on patients from a number of VA hospitals. The Cooperative Studies Evaluation Committee evaluates proposals developed by teams of VA clinicians and biostatisticians. The VA under this mechanism has supported many landmark clinical trials in the cardiovascular field (e.g., studies in high blood pressure treatment and coronary artery bypass surgery). Under the President's fiscal year 2000 budget, this program would be level funded.

Career Development Awards.—Applications for these awards are reviewed both locally and by the VA Central Office. This program experienced a decrease in the number of awards by 58 percent from a high in 1991 of 212 awards to a low of 88 awards in fiscal year 1997. In response to the Research Realignment Advisory Committee suggested rejuvenation of this program, a review began in fiscal year 1997 for the VA's Medical Research Service, Health Services Research and Development Service and, for the first time, Rehabilitation Research and Development Service. This will result in an anticipated 187 Career Development Awards in fiscal year 1999.

ACTION NEEDED

Today's investment in biomedical research will lead to future returns. These returns include continued decreases in death rates from heart attack, stroke and other cardiovascular diseases, reduced federal outlays for hospital and long-term care expenses, a well-trained cadre of biomedical researchers and a more healthy and productive society.

The American Heart Association recommends an fiscal year 2000 appropriation of at least $360 million for the VA Medical and Prosthetic Research program. Our recommendation is consistent with that of the Friends of VA Medical Care and Health Research. An appropriation of this amount will allow maintenance of fiscal year 1999 initiatives and implementation of new initiatives for fiscal year 2000. An fiscal year 2000 appropriation of at least $360 million for this program would continue current research momentum in cardiovascular diseases within the VA and help to maintain the VA's vital role in the overall scientific effort in this field. We strongly urge the VA to establish heart and stroke centers to advance the battle against heart attack, stroke and other cardiovascular diseases—America's No. 1 killer and a leading cause of disability.

PREPARED STATEMENT OF THE NATIONAL ASSOCIATION FOR UNIFORMED SERVICES

INTRODUCTION

The National Association for Uniformed Services (NAUS) appreciates the opportunity to submit this statement concerning the association's legislative agenda.

BACKGROUND

The National Association for Uniformed Services represents all ranks, branches and components of uniformed services personnel, their spouses and survivors. Our nationwide association includes all personnel of the active, retired, reserve and Na-

tional Guard, disabled and other veterans of the seven uniformed services: Army, Marines, Navy, Air Force, Coast Guard, Public Health Service, and the National Oceanic and Atmospheric Administration.

NAUS VETERANS AFFAIRS GOALS—106TH CONGRESS

The purpose of this association is to ensure a strong national defense as provided by a highly trained volunteer force. To ensure that high quality young people will be attracted to service in the armed forces the nation must ensure that adequate recruitment and retention incentives are available and that any promise of benefits to be earned by military services are honored. Unfortunately, over the past years many of the promises have been broken because of inadequate funding for veteran programs. The "breach of faith" by the government and the subsequent impact on retirees and veterans has been noticed and is affecting the numbers and quality of those considering military service—as shown by services missing their new member recruitment goals.

Health care

NAUS recommends enactment and adequate funding for legislation to authorize VA/Medicare subvention legislation on a fee-for-service basis. NAUS also supports subvention on a managed care basis as well. Both fee-for-service and a managed care component would provide for the most efficient and cost-effective delivery care.

We also recommend that Congress eliminate all co-payments for military retirees and TRICARE/CHAMPUS beneficiaries for care received in VA medical facilities and return to system whereby VA would be reimbursed by the military services for care provided to their beneficiaries. This would be a major step towards honoring the lifetime medical care promise and restore much of the faith lost in the government to fulfill its promises.

With an aging veterans population it is important that we improve the VA's ability to provide long-term care needs for disabled and poor veterans through a combination of VA facilities for veterans requiring specialized care and expansion of long-term care contracting.

Survivor's benefits

NAUS Strongly Urges the Principle of Replacement Income for Survivor's Benefits Payable to Widows of Catastrophically Disabled Veterans.

The DIC payable to widows of catastrophically disabled veteran's needs to be restructured to more closely parallel the percentage of replacement income provided by other Federal survivor's benefit plans such as the Military's Survivor's Benefit Plan, or the Federal Survivor's Annuity.

Catastrophically disabled veterans receive additional allowances because of their service-connected multiple disabilities and the family income may be $36,000 or more a year. While living, their wives are their primary care givers and often provide skilled nursing care. However, in performing this full-time duty they are not able to work and earn retirement or Social Security benefits in their own right. In these cases both the veteran and his family are dependent totally upon income from the Department of Veterans Affairs (VA).

Consequently, after their husband's death, the income of these widows drops to about $10,000 to $12,500 per year—depending upon the number of years of their husband's total disability, and the over lapping years of marriage. In the cited examples the percentages of income replacement are 28 percent and 35 percent.

As an issue of fairness we believe the replacement income for these widow's should parallel that of federal survivors, which is a about 50–55 percent. This change would affect about 32,000 widows of catastrophically disabled veterans.

NAUS also recommends that legislation be enacted to continue DIC payments for widows who remarry after age 55.

Education

There is now near universal agreement that the veteran education benefit is in need of sweeping reform. That statement in no way diminishes the Association's appreciation for the improvements made to the education benefit in the last two years, improvements that are a credit to all members of this Committee. NAUS is sincerely grateful for the enhancements enacted last year, particularly for the increase of 20 percent in the basic entitlement. We would like to see the following improvements enacted in the current Congress:

—Pay eligible veterans full tuition, fees, books and supplies + $400 per month for up to 36 months. Provide indexes for inflation and include non-institutional training.

—Eliminate the $1200 payroll reduction.

—Allow the services discretionary authority to transfer the benefit to a family member.
—Allow service members 10-years from first enrollment to use the benefit, not to exceed 15 years from separation.
—Exempt subsistence from counting as income for purposes of loan eligibility.
—Allow accelerated lump sum payments
—Allow VEAP participants to elect MGIB if they were on active duty on October 9, 1996 and pay $1200.

Employment and Reemployment

NAUS seeks the following improvements in veterans' employment benefits and programs:
—Congressional oversight in efforts to determine the military occupations for which it is feasible to meet civilian licensure, certification, and apprenticeship requirements.
—Equity for military retired veterans regarding military service creditable for civil service leave accrual and service creditable during reduction's-in-force.
—Improvement in the programs and services of the Small Business Administration that require special consideration for veterans.
—Establishment of programs to assist reserve and retiree entrepreneurs to sustain their business or self-employment during and to aid recovery following involuntary military service in the Armed Forces for war and contingency operations. This is especially needed in view of the immanent call up of the reserve forces to support what will be the long term operations and commitment required for peace in Kosovo.
—Repeal of the current law that inequitably imposes age restrictions on the "original appointment" to certain occupations (i.e., law enforcement, fire fighters, air traffic controllers) or amend current law to authorize a "computed age" for veterans and military retirees that credits prior military training and experience
—Repeal of the current law that prohibits civil service appointments in the Department of Defense only after 180 days immediately following military retirement.

Memorial affairs

NAUS seeks the following improvements in these final benefits received by most veterans:
—Codification of the eligibility requirements for burial in Arlington National Cemetery that includes elimination of all waivers (HR–70)
—Legislation authorizing conveyance of government land adjacent to Arlington National Cemetery for expansion of burial space
—Construction of a National Military Museum with sections for each armed service.

Concurrent receipt

NAUS seek enactment of legislation authorizing the concurrent receipt of VA disability compensation and military retired pay without an offset of either.

CLOSING

The National Association For Uniformed Services (NAUS) appreciates the opportunity to submit this statement concerning our Legislative Agenda for the 106th Congress.

PREPARED STATEMENT OF THE FLEET RESERVE ASSOCIATION

INTRODUCTION

Mr. Chairman. The membership is pleased that the Fleet Reserve Association (FRA) has been invited by this distinguished Subcommittee to present its request for funding the Department of Veterans Affairs for fiscal year 2000. On behalf of nearly 155,000 shipmates, I extend gratitude and a salute for the concern and active interest generated by you, Mr. Chairman, and the Members of the Subcommittee in providing funds for the protection, improvement, and enhancement of programs that are made available to the Nation's veterans.

Mr. Chairman, there seems to be some confusion with the name of the Fleet Reserve Association (FRA). Many believe that FRA is an organization of Reservists. Although FRA does proudly lay claim to Reservists among its membership, the majority are active duty and retired members of the Navy, Marine Corps, and Coast

Guard—collectively known as the Sea Services. Its name is derived from the Navy's program of transferring to the Fleet Reserve (Fleet Marine Reserve for Marine Corps personnel) persons who leave the service after 20 years of active duty but do not have 30 years to fully retire. During the required period of service in the Fleet Reserve, personnel assigned earn "Retainer Pay" and are subject to recall by the Secretary of the Navy.

This year FRA is commemorating its 75th Anniversary. It is the oldest and largest professional military organization exclusively serving and representing enlisted men and women of the Sea Services. It continues to seek protection and equity for those who serve or have served in the Sea Services, and those veterans requesting assistance. Since 1924, FRA has been active in pursuing Congressional and the Administration's support for enlisted quality of life and veterans' programs. FRA is proud of its service to the Nation and its veterans.

DVA FISCAL YEAR 2000 BUDGET

FRA's major goal for fiscal year 2000 is to seek increased funding for the Department of Veterans Affairs (DVA). Without additional funds, the Nation's veterans will be short-changed if the Administration's inadequate budget request is approved.

FRA's anxiety over the VA budget is well founded. In the chart below, the Association has selected a Federal Cabinet level department and several agencies whose programs may be compared somewhat to those provided the Nation's veterans. It is noted that for comparability, VA isn't getting its fair share of the Federal budget. From fiscal year 1995 through fiscal year 1998, for example, the Financial Management Service, Department of the Treasury, reports that of the five federal entities listed below, the lowest percentage increase following that of DVA is 3.6 percent greater. If a 14.2 percent increase in funds would have been provided DVA, an additional $1.3 billion could have been used for sorely needed improvements in veterans' programs.

[Dollars in millions]

Dept./agency	Fiscal year		Percent of increase
	1995	1998	
DVA	$37,769	$41,776	10.6
PHS	20,725	23,670	14.2
NIH	10,883	12,501	14.8
HCFA	310,657	379,950	22.3
H&HS	303,075	350,563	15.6

Further testament to the inadequacy of DVA budgets can be found in The Economic and Budget Outlook: fiscal years 2000–2009. It cited the VA for having one of the smallest percentages in discretionary spending in fiscal year 1999. Of the nine (9) categories (not including "Other") listed under "Non-defense Discretionary Spending," veterans' benefits was seventh, 1.2 percent less than the sixth place "Natural Resources and Environment."

Additionally, the Administration on February 1, 1999 announced that DVA's fiscal year 2000 budget is $200 million above last year's funding. $124,141,000 of that "increase" is to be obtained through the Medical Care Collection Fund (MCCF) from third party payers. To show further disregard, the Administration included a total of $749 million in its proposal that the DVA must collect from third party payers in order to fund improvements in veterans' health care.

In its belief that the VA budget continues to be grossly underfunded, FRA lists below the programs that should be authorized or expanded in the Department of Veterans Affairs (DVA) for fiscal year 2000. The Association urges the adoption of its recommendations and their eventual funding to assure full recognition of America's veterans and, if applicable, that they're compensated for the sacrifices made in service to the Nation and its citizens.

FRA RECOMMENDATIONS IN BRIEF

The following recommendations are submitted for consideration from the perspective of FRA's members whose average age is 67 years. Some are veterans of as many as three wars and most are retired from the Sea Services yet they are very concerned with the state of readiness of the Nation's Armed Forces and the dwindling VA budgets.

1. Appropriate funds to expand health care for all veterans to include the construction and leasing of additional nursing and long-term care facilities.

2. Provide additional funds to improve educational programs and provide voluntary open enrollment in MGIB for all current and past VEAP participants.

3. Appropriate sufficient funds to maintain and modernize cemetery facilities and equipment (including Arlington National Cemetery) and expand the number of cemeteries and burial spaces.

4. Provide support for the adoption of concurrent receipt of military retired pay with veterans' compensation without loss to either.

5. Deny funding to DVA for the enforcement of civil court orders directing the division of veterans' service-connected disability compensation and encourage the adoption of laws that will repeal the practice. And, further, to support amendments to the Uniformed Services Former Spouses Protection Act (USFSP) as outlined in H.R. 72.

6. Support the repeal of the statute requiring the repayment of separation pays or bonuses if the recipient enlists in the Reserve components or becomes entitled to reserve retirement pay.

VETERANS HEALTH CARE

Expand Access to Veterans Health Care.—FRA seeks adequate funds for the Department of Veterans' medical treatment and care centers. The Association believes that VA health care should be open to all veterans' regardless of their ability to pay. The Association quite agrees that there must be a system granting priority access for certain veterans; i.e.—service-connected disabled at 30 percent or more; however, all veterans rated 20 percent or less, or non-rated, should be granted access on an equal basis—first come, first served.

The latter group would include non-disabled military retired veterans who were promised free medical care for life but do not now have access to military treatment facilities (MTFs). These military retirees are forced to seek treatment from other than MTF sources. Congress, through the Base Closure and Realignment Acts (BRAC), voted to close more than 50 percent of MTFs near which the retirees resided for the purpose of obtaining the benefits promised to them and their families. It is only fair that Congress allow them a higher priority access to VA health care and direct the Department of Defense to reimburse the VA for care tendered. Frankly, FRA further believes that extending equal access to veterans as suggested above will improve quality and the administration of care in veterans' health care programs.

In making its recommendation, FRA is aware of the comments attributed to Senate Report 105–216, page 14, that the "VA has underutilized capacity that will allow treatment of additional veterans . . ." For those requiring hospitalization, page 15 notes that there are an "increasing number of unused inpatient hospital beds since outpatient care is on the rise." FRA knows that a major part of the problem is the scarcity of employees. This, coupled with complaints that the VA is either reducing, consolidating or eliminating health care services, points directly to the need to increase funding for the Veterans Health Administration (VHA).

Congress should shame President Clinton into standing by his remarks of March 6, 1995 (when he stated that his Administration "fought to fully fund [veterans] benefit programs") and provide full funding to strengthen and enhance the VA's health care system.

Subvention and MCCF.—Addressing the latter first, FRA recommends that to aid in providing additional funding for the VA health care system, DVA should continue to collect monetary receipts through the Medical Care Collections Fund (MCCF). However, receipts or estimated receipts from this program should not be included in the VA budget.

With an estimated 66 percent of the over-65 male population in the year 2000 expected to be veterans, it should be cost-effective for the VA and the Health Care Financing Administration (HCFA) to allow Medicare-eligible veterans to voluntarily utilize VA facilities for their health care. HCFA would reimburse the VA for care provided Medicare-eligible veterans and at the same time collect from third party insurers providing veterans Medigap or other commercial healthcare policies. Instead of Medicare dollars going to a commercial entity, authorizing Medicare subvention for the VA would then become one of the major building blocks to encourage DVA to continue and expand modernization of its health care program. Further, subvention will help in the quest to "fully utilize (the system's) capacity" and "increase the use of inpatient hospital beds."

FRA recommends that a demonstration project for the VA be authorized and funded to test the feasibility of establishing Medicare subvention programs within its health care facilities.

Tobacco-related Illnesses.—FRA recommends that the DVA be authorized and appropriated funds for the pursuit of monetary retribution from the tobacco industry. The funds obtained, if any, would be used for the purpose of establishing care and treatment for tobacco-related illnesses attributed to smoking while veterans were active members of the Nation's Uniformed Services.

The idea that tobacco-related illnesses for many veterans are not service-connected is ludicrous, especially if it pertains to those who served in combat environments. Cigarettes were once distributed free by tobacco companies and the military services and made available practically at cost in military stores. And, too, military seniors may have encouraged the use of tobacco by simply announcing, "The smoking lamp is lit."

Many service members may recall that cigarettes were a refreshing respite from the ordeal of combat, they soothed the nerves, calmed fears, comforted the wounded, eased distress in body and mind, and even aided in the subsiding of hunger pangs. The VA has been treating veterans for alcoholic and drug-related illnesses for years. Since the use of drugs is illegal, and alcohol is a craving (as is tobacco use) it's hypocritical not to treat tobacco-related illnesses and consider tobacco-related claims. FRA believes DVA need not hesitate any longer in initiating or joining negotiations against the tobacco industry for payments to support its VHA in providing the required care and treatment of affected veterans.

Nursing Homes, Long Term Care, and other Health Care Programs.—Our veterans are aging. World War II and Korean veterans are in their 60s and above. As noted above, by the year 2000 sixty-six percent of the male population in the United States will be veterans. More and more of them will become dependent upon the VA to provide the necessary care in nursing homes, domicilaries, state home facilities, and its underused hospital beds. The Nation can ill afford to wait for out-year appropriations before it expands nursing or long-term care.

The Federal Advisory Committee on the Future of VA Long-Term Care recently suggested that VA discontinue funding for the construction of nursing homes and, instead, expand contracts with home health agencies and nursing homes. FRA, however, has a problem with this approach.

In recent years there's been a rush of recommendations for Federal entities to turn over many of their operations and programs to the private sector. Some have merit, others do not. For our veterans, FRA believes that only the VA should be responsible. By placing veterans in private facilities, DVA could pass the blame to others. Still, the Association is acutely aware that some contracting is necessary. Consequently, FRA recommends the adoption of increased appropriations in fiscal year 2000 for the construction and leasing of facilities. Also included is an increase in grants to States for the purpose of constructing and operating such facilities for the benefit of its veterans.

Health Care Costs.—Recent reports by benefits consultant Towers Perrin and Hewitt Associates estimate health care costs will increase 7 to 10 percent in 1999. On average, HMO costs are rising 8 percent for enrollees without dependents. Medigap insurance premiums have soared to greater costs beginning January 1 of this year. These facts and more support the need for greater funds for the VA's health care system in fiscal year 2000. If increased funding is not appropriated, less care will be provided and quality will decline further.

Medical and Prosthetic Research.—FRA continues to support adequate funding for medical research and for the needs of the disabled veteran. The value of both programs within the veterans' community cannot be overstated. The need is there.

EDUCATION

Montgomery GI Bill (MGIB).—The MGIB is one of the major incentives for enlisting in the United States Armed Forces. It is with gratitude that FRA witnessed the fiscal year 1999 actions of the 105th Congress in increasing educational benefits for veterans eligible to participate in the program. But there are many others who should be authorized to enroll in MGIB and, for those currently in receipt of benefits, to receive increased funds that are commensurate with today's economy.

Since 1991 military operations and personnel tempo levels have increased dramatically. For example, optempo soared 143 percent since the Cold War ended. The Navy alone responded to orders to deploy 77 times during the past six years of the Clinton Administration but only 40 times during the eight years President Reagan was in office. All this with less manpower following Congress' authorizations to cut military personnel levels by more than 25 percent.

For these veterans and those who participated in the Veterans Education Assistance Program (VEAP), whether they withdrew voluntarily because it failed to offer satisfactory benefits or as a result of bad advise from senior officials, FRA believes

they should be provided an opportunity to enroll in the MGIB. Further, benefits under the MGIB should be revamped to offer benefits comparable to earlier GI Bills.

FRA continues to subscribe to (a)—the belief once offered by the Treasury Department that veterans who take advantage of their GI bill will return more money to the U.S. Treasury for every dollar spent by the Federal government for their education, and (b)—as stated by the Commission on Servicemembers and Veterans Transition Assistance (CSVTA), "a more financially attractive MGIB would enable our Nation to fully capitalize on the unique national resource of veterans' skills, training, experience, and character."

In relation to the MGIB and VEAP, FRA concurs with the CSVTA recommendation to improve and adequately fund the Military's Transition Assistance Program. (See below.)

Education Benefits for Active Duty Personnel.—FRA proposes an amendment to the current practice of not providing stipends to active duty personnel pursuing education under the MGIB. If the service member has two (2) or more years of honorable active service and the inclination to enroll in a course of education after regular duty hours, he or she should be authorized a partial stipend dependent on the number of hours completed each month. Today, many Service members find that they must seek employment after duty hours in order to provide additional—sometimes every day—comforts for the family. If the member receives a stipend for enhancing his or her level of education instead of "moonlighting," then additional strength is added to the CSVTA statement that: "America's leadership will include veterans, only if veterans can obtain the best education for which they quality." FRA recommends appropriations to fund such a program.

CEMETERY SYSTEMS

National Cemetery System.—There's no question regarding the need for expanding the VA's cemetery system. The new National Cemetery Administration (NCA) and its predecessor have and are doing much to meet the demand for burial spaces for aging veterans who are passing away in greater numbers than ever. It could do more, but without the necessary funds, the system will never meet the demand. Further, the practice of not providing adequate funds for the system is placing many of its facilities in jeopardy. The Nation cannot afford to allow these cemeteries to deteriorate in the maintenance of its facilities and grounds and the operation of burial services for the Nation's veterans.

FRA urges increased funding, fenced so that the NCA has exclusive use for the purchase of land, preparation, construction and operation of new cemeteries, the maintenance of existing cemeteries, and the expansion of grants to States to construct and operate their own cemeteries.

Additionally, to deter vandalism, FRA suggests funding appropriations to hire local police or security companies to patrol cemeteries during hours of closure.

Arlington National Cemetery.—FRA endorses the bill, H.R. 70, recently passed by the House, that establishes new eligibility requirements for burial in the Arlington National Cemetery. The Association requests that funds provided for the operation and maintenance of the cemetery be prohibited in their use for interments of any person or persons not meeting the requirements of H.R. 70.

Additionally, FRA supports the appropriation of funds for the future expansion of the cemetery to include portions of the property now housing the Arlington Navy Annex and any available property adjacent to the cemetery grounds.

CONCURRENT RECEIPT

FRA continues to advocate concurrent receipt of military retired pay and veterans' service-connected disability payments without loss to either.

Oft time actions proposed for military personnel are ignored by Congress because Federal civilian employees aren't to be recipients of like considerations. An example of this is currently being touted in Congress following the Department of Defense's recommendation to increase military pay in fiscal year 2000 above that for civil service employees. Yet, when the shoe is on the other foot, it is rare when military personnel are granted identical benefits proposed or provided for Federal employees. These are many, but most retired military veterans cite the law that authorizes their Federal civilian counterparts to receive their government pension concurrently with veterans' compensation for service-connected disability. Even more difficult to comprehend is the statute permitting retired military personnel, unauthorized to draw military retired pay concurrently with veterans' compensation, may gain employment in the Federal establishment, switch his or her military retired pay to a Federal employee pension, and then be eligible for concurrent receipt of both the pension and the veterans' compensation.

Some people argue that the reason concurrent receipt cannot be authorized is the same period of service to the Nation cannot be compensated twice. But, if this were true, why is a federal employee, who is also a member of the National Guard or Reserve, paid by the military for the annual 14 day training period and, at the same time, be a recipient of payment for his or her federal employment—plus a credit for both civilian and military retirement purposes? This is, without a doubt, dual payment for the same period of service.

(Note: This is in no way to be construed as advocating a change to the procedure of rewarding Guard and Reserve personnel who also are Federal employees.)

Another argument favoring concurrent receipt is the military's way of offering the military member little opportunity to choose non-disability or service-connected disability retirement. For example, a member of FRA had no choice but to retire under the military's non-disability provisions; his disability was rated as zero. Subsequently, within the year VA rated his disability at 60 percent. Others have retired from the military services with zero to ten percent disabilities only to have the VA grant them higher ratings. Since the military failed to offer many service members an appropriate service-connected disability rating, and the VA later gave them a much higher one, concurrent receipt in the form of H.R. 44, H.R. 65 or H.R. 303 should be given strong consideration for passage.

FRA recommends that the distinguished members of this Subcommittee actively support and encourage the repeal of 5304.(a)(1), 38 USC, and the enactment of H.R. 44.

COURT-ORDERED DIVISIONS OF VETERANS' COMPENSATION/RETIRED PAY

State Courts have been overly generous in awarding spouses and/or former spouses a portion of veterans' service-connected disability payments and military retirement pay. The former should be outlawed by Congress. Service-connected disability payments are made for the express purpose of compensating the veteran for physical sacrifices made in the Nation's military service, not by the veteran's spouse. Service-connected disability payments are to financially assist a veteran whose disability may restrict his or her physical or mental capacity to earn a greater income from employment.

FRA believes that this payment is exclusively that of the veteran and should not be a concern of the States' civil courts. If a civil court finds the veteran must contribute financially to the support of his or her family, let the court set the amount allowing the veteran to choose the method of contribution. If the veteran chooses to make payments from the VA compensation award, then so be it. The Federal government should not play the roll of the States' collector. FRA recommends the adoption of stronger language offsetting the provisions in 42 USC, now permitting Federal enforcement of State court-ordered divisions of veterans' compensation payments. Otherwise, to recommend that the appropriations process deny funds for the purpose of processing state court orders that direct the division of payments from the account of veterans who are authorized service-connected benefits.

FRA is truly grateful to the Chairman, House Committee on Veterans Affairs, and 15 other Members of this Body who are concerned that a Federal law allows the States to unjustly treat veterans with impunity. Not only does this affect the veterans described immediately above, but those entitled to military retired pay for their long and faithful service to the Nation in the uniformed services. Last year, and again early in the 106th Congress, Mr. Stump and his colleague, Mr. Norwood, had the courage to sponsor legislation that provides sorely needed equality in the treatment of military retired pay by State Civil Courts but, most importantly, by the very government to which the veteran has devoted years of honorable service.

Late last year, Chairman Stump held hearings on the Uniformed Services Former Spouses Protection Act (USFSPA). It was clear that the original law made its way through Congress under suspicious circumstances and has become a one-way weapon used by many former spouses and their attorneys to financially bleed their military spouses of outrageous sums.

A significant number in Congress speak of returning the money and power to the States, the very States that cry for more State-rights, but continue to look the other way so that Federal statutes will void the right and responsibility to enforce their own laws. FRA says; "Give back to the States not only the right to decide who is what, but the authority to enforce its own laws without using the Federal government as their 'bill collector'."

FRA strongly endorses Messrs. Stump and Norwood's proposal, H.R. 72, and urges all members of this Subcommittee to support its proposed amendments to the USFSPA which should be as fair to the military retiree veteran as it is for his or her spouse.

SEPARATION PAYS

The dismissal from honorable service in the uniformed services as a result of Congressionally-approved "downsizing" caused many mid-career young men and women to seek opportunities in the civilian sector. To ease their transition, Congress—at the urging of the FRA and The Military Coalition—agreed to provide certain separation payments for service members with six or more years of active service, but less than 20. On departure from their uniformed service, they were encouraged to join the Reserve or National Guard. However, few knew or were aware that if they eventually retired and received retirement pay, their separation pay, special separation benefit (SSB), or voluntary separation incentive (VSI) payment would have to be repaid to the Federal government. The same applies to those who later are awarded service-connected disability payments from the VA.

FRA is totally opposed to the repayments. The Association believes its shoddy treatment of the men and women who wanted a career in the uniformed services but were unable to complete that career because incumbent Administrations and Congresses did not authorize their retention.

Under current law the service member who is released from active duty and qualifies for certain pays or benefits never has to repay any portion of that stipend if he or she doesn't qualify for veterans' disability payments or is not accepted by the National Guard or Reserve Forces. If qualified for either, however, it's time for pay-back. It is difficult for FRA to understand why the individual willing to further serve the Nation in uniform or is awarded service-connected disability compensation should have to repay the Federal government for that privilege. The Association recommends the repeal or the necessary technical language to amend the applicable provisions in Chapters 51 and 53, 38 USC, to terminate the requirement to repay the subject benefits. (Also requires an amendment to 1704(h)(2), 10 U.S.C.)

OTHER RECOMMENDATIONS

In the event some of the recommendations of the Commission on Service Members and Veterans Transition Assistance (CSVTA) are adopted in the authorization process, FRA submits the following comments for the Subcommittee's consideration.

Veterans Health Care.—FRA has reviewed the recommendations of the Commission on health care and believes that some have merit. It is certainly agreeable that neither the VA nor DOD can meet the demand for health care, but this is a matter of funding. FRA does not agree with either the expansion of TRICARE or that VA beneficiaries should have access to Military Treatment Facilities (MTFs). This thinking also extends to the recommendation to provide transitional health care for recently separated service members and their families.

FRA does not support HMO-style health care for military personnel. However, TRICARE is all that is now available, but even it needs much work to improve its system of delivery. Active duty personnel and their families, for the most part, are not pleased with TRICARE. Neither are retirees and their families. Further, there is little if any space available for the latter group of beneficiaries in MTFs. Otherwise, FRA would not have recommended authorizing non-disabled military retirees to utilize VA facilities for their health care.

The current dissatisfaction with DOD's TRICARE system is adequate reason to oppose the CSVTA recommendation to expand the program within the VA Medical Services.

Transition Assistance Program (TAP).—FRA concurs with the Commission's recommendation to improve and adequately fund TAP. In the past few years FRA has opposed attempts by the Department of Defense to reduce this critical program that offers assistance to service members returning to civilian life when their periods of active service in the Armed Forces are concluding.

FRA believes that if the Armed Forces had an effective program it would encourage members enrolled in the MGIB to pursue their education benefits upon separation. In this respect, the Association is pleased that H.R. 4110 (Public Law 105–368) requires the VA and, in another section, military service secretaries, to "ensure separating service members are well informed of the eligibility requirements for education benefits." However, FRA is concerned that the law is limited to service members released from active or reserve commitments at the "convenience of the government." And, also, restricted to those enrolled only in VEAP. FRA has recommended that the language be amended to cover all departing service members whether enrolled in VEAP or MGIB.

Transfer of Education Benefits to Spouses and Children.—FRA advised the House and Senate Committees on Veterans Affairs that it was opposed to this recommendation by the Commission. The Association believes that the cost of providing education benefits to veterans' family members will soar to new heights. It's difficult

not to remember the years 1975 and 1976 when the high cost of funding the Vietnam GI bill caused the major veterans organizations and the Ford Administration to call for its demise. Many Vietnam veterans lost out on education benefits.

The MGIB, whose title: "All Volunteer Force Educational Assistance Program," was primarily adopted as a recruiting and retention incentive and is not so much a rehabilitation program as the GI bills designed for veterans of WW II, Korea, and Vietnam, most of whom were draftees.

The very language of 3001(4), 38 U.S.C., which FRA fully endorses, firmly establishes the MGIB exclusively for those who serve on active or reserve duty in the All Volunteer Force (AVF).

However, in discussing the issue with the senior enlisted Master Chiefs of the Navy and Coast Guard, their recommendation is to offer the transfer proposal only to those service members who reenlist and complete a minimum 20 years in the active components of the Armed Forces. The provision could very well be an excellent re-enlistment incentive.

Termination of the $1,200 contribution (Payroll Deduction) to the MGIB.—In view of the probability that the MGIB will undergo further improvement, FRA is on record as opposed to the CSVTA recommendation to terminate the $1,200 contributions of service members electing to receive MGIB benefits upon attaining eligibility. It believes the contribution adds an incentive for the service member to further his or her educational pursuits because of the investment made. However, in lieu of $100 per month for 12 months, the Association recommends $50 monthly deductions over a 24 month period. At the end of the two-year period, he or she is now eligible to begin receipt of MGIB benefits. Also recommended is the reimbursement of contributions if, at the end of the enlistment or period of honorable service, the member chooses not to participate in the MGIB. Further, if the member fails to complete the term of enlistment or service, or is in receipt of less than an honorable separation, no refund of contributions would be authorized.

Thrift Savings Plan.—FRA is also opposed to this recommendation unless it provides Federal matching funds as offered civilian employees for their participation in a similar program. Otherwise, the Association is concerned that a Thrift Savings Plan for uniformed personnel is not beneficial to most junior grades. Many have financial problems or barely manage to live within their budgets. Others work a second job after their regular duty requirements to provide day-by-day needs or additional comforts for their families. Since there is no incentive (matching funds) for junior personnel to participate, FRA believes the program will be perceived as "an officer benefit," not conducive to enhancing the morale of the troops. Again, FRA will subscribe to the program only if it has matching funds.

Refocus VA's Housing Program Toward Veterans in Transition.—FRA disagrees with limiting the VA home loan guaranty to one use. This restriction would place an undue hardship on the active duty service member and family who may wish to possess their own residence wherever assigned under military orders. To be able to do so, frees a housing unit on the military installation for a service member unable to afford a down payment to purchase a home or afford to rent a residence on the civilian market. Further, the Association believes that the veteran who becomes sufficiently affluent to upgrade his or her choice of residence should have the opportunity to do so.

Deliver Cost-Effective Services to Homeless Veterans.—FRA has concern that an inordinate amount of VA funds have been targeted to serving homeless veterans. In many cases the same veterans are in receipt of more than a fair share of existing benefits. FRA believes that the availability of rehabilitation, education and vocation programs, and the housing program established in H.R. 4110 (Public Law 105–368), are more than adequate to assist in turning homeless veterans into responsible citizens, although admittedly so, there are those who cannot be rehabilitated. Any further needs of affected veterans should be made available in the same manner as prescribed for beneficiaries of other veterans' programs.

Consolidate DOD and VA Disability Compensation Systems.—FRA isn't certain that the two systems are or could be compatible. The Association would support a study but withholds any recommendations until FRA reviews the final report. At this time, the Commission's recommendation to include "necessary changes in legislation" with the proposed report should not be granted.

CONCLUSION

Mr. Chairman. In closing allow me to again express the appreciation of the Association's membership for all that the Subcommittee has done for our Nation's veterans over these many years. FRA also is grateful for the opportunity to address the distinguished members of this panel on the issues so important to its members

and the millions of other veterans concerned that the DVA budget is inadequate. They look to this Subcommittee for a satisfactory resolution.

PREPARED STATEMENT OF THE VIETNAM VETERANS OF AMERICA, INC.

Mr. Chairman, Vietnam Veterans of America (VVA) thanks you and your distinguished colleagues for this opportunity to comment on the appropriations process for the VA fiscal year 2000 budget. VVA strongly believes that the Administration's budget request of $44 billion for operation of the Department of Veterans Affairs (DVA) is woefully inadequate, especially the $17.3 billion in actual appropriated dollars suggested for the Veterans Health Administration (VHA). VVA respectfully seeks your assistance in correcting a reckless budget request, that if passed, will inflict damage on an already troubled VHA.

VVA asks that you and your colleagues appropriate an additional $3.2 billion to ensure that the VHA will deliver quality health care and provide other needed services to our nation's ill and disabled veterans. While reasonable people can and do disagree on exactly how much is necessary to keep the current system operating at a reasonable level, VVA believes that the bare minimum needed under any scenario is the $1.7 billion recommended by your distinguished colleague, the Honorable Arlen Specter, Chairman of the Senate Committee on Veterans Affairs. Our analysis leads us to conclude that a more appropriate sum to maintain basic VA operations without further damage to organizational capacity to serve veterans properly is much closer to the $3.2 billion recommended by the "Independent Budget of the Veterans Service Organizations" (IBVSO). In any case, VVA believes that we all agree that additional resources are needed.

The VHA is a large and complex health care system. It includes a number of "Specialized Services Programs" that are at the core of the VA's mission of "Caring for he/she who hath borne the battle". These programs include such areas as Seriously Mentally Ill, neuro-psychiatric wounds of war such as Post-Traumatic Stress Disorder (PTSD), treatment for the Blind and Visually Impaired, Spinal Cord Injury, and Prosthetics. Indeed, such a comprehensive and large system is hard to manage. Unfortunately, a truncated budget will serve to only exacerbate existing managerial problems-at the cost to the veteran-patient.

VVA believes that if adequate resources are made available, VHA can further develop its capability to do a much-improved job as long as the Congress continues close oversight on outcomes. Such improvements to reduce repeated preventable use of resources include, but are not limited to such actions as taking a full and complete military/medical history on every veteran who enters the system, testing for ALL conditions that may be relevant to the branch./time/place/MOS/actual experience of the individual's military service. Such a comprehensive work up will lead to a more proper and complete diagnosis and a more effective treatment plan that will actually lead to helping restore the Veteran to the highest state of "wellness" and the greatest degree of self-sufficiency possible. VVA believes that much of the "churning" of veterans back and forth through the system can be prevented. This is better for the veterans who becomes well, and for the VA in that precious resources are not spent in dealing with preventable visits.

VVA believes that the fiscal year 2000 budget request is a recipe for implosion within VHA. The VA medical structure is set up to allocate resources utilizing a prospective payment model. This prospective payment model, however, is within a closed system where there are too few resources. Increased competition for these resources has already started to block needed resources to the smaller, more specialized parts of the VHA system. We have observed this happening for the last few years, and it is most evident right now in fiscal year 1999.

It is now commonly known that VHA does not have the finances to maintain the current VHA system. Due to a significant shortfall in operating resources in the current year, VHA has asked for authority to proceed with cutbacks that include closing of facilities and a reduction of staff, to begin immediately. It is now public knowledge that VHA is seeking authority to implement planning to contend with additional reductions due to a shortfall of at least $1.4 billion. This is coming from a system that was already preparing for reduction before the request. The announcement of an initial cut of 926 personnel at eleven sites is only the first wave of such reductions in capacity. It is VVA's understanding that at least another twenty-five sites have been approved for significant reductions.

The most troubling aspect of the budget request is that the VA is currently undertaking a series of "new" initiatives that will clearly involve additional cost. The VA has committed to move swiftly to test, treat, and compensate for the widespread problem of Hepatitis C among veterans, especially Vietnam veterans, which was

likely acquired as a result of military service. VVA believes that this is a vital and proper expenditure, desperately needed by affected veterans. Resources are necessary in order to pay for this treatment, however.

The VA is planning to commit an additional $40 million toward assisting homeless veterans and to increase long-term care by at least $105 million. While we certainly applaud these long-overdue steps, we are at a loss as to how the Office of Management and Budget (OMB) and the White House thought that the VA will be able to afford these vitally needed services without either providing additional funds or significantly diluting other existing, already underfunded services. VA's budget submittal simply does not "add up." Again, we respectfully request your committee to appropriate a VA budget that does "add up."

There is ever the need for a VHA system to serve as the primary means of delivering the highest possible quality of care to veterans. The fiscal year 2000 budget request is an affront to the veteran community, especially as millions of veterans are now of the age where health care is most needed. The normal problems of aging are often greatly exacerbated by injuries incurred in military service. Veterans health care is not just important to the veterans community, it is important to the future of this nation.

VVA is aware that an additional $2 billion for the VHA will not be acquired through the ordinary process of creating a budget. We know that the money must come from somewhere else. Mr. Chairman, a $20 billion budget for the VHA will be enough to simply preserve the organizational capacity of VHA to deliver its current state of medical care. If the Administration's budget request is approved, many veterans will find the chances of obtaining medical care even more scarce. Funding VHA at $20 billion would still constitute less of a percentage increase than that which was provided to Medicare over the last decade, and significantly less than medical inflation. We strongly urge you to do the right thing and preserve the VA health care system at a time when more and more veterans are counting on it. The offsets can be found, given the creativity, experience, and intelligence of you and your distinguished colleagues.

It is no secret that the Veterans' Benefits Administration (VBA) is in dire need of reform. The recent "Report of the Congressional Commission on Service Members and Veterans Transition Assistance" strongly recommends a modernization of VBA's benefits delivery and infrastructure. The article in The Washington Post of April 10, 1999, regarding the deplorable conditions of the Washington, D.C., Regional Office is illustrative of the worst of the problems that veterans face in attempting to get timely, fair, and accurate adjudication of claims.

The disability claims process is beset with an adjudication system that is inconsistent in quality and accuracy, and extremely poor in timeliness. Currently, according to VA officials, there are over 390,000 claims pending and another 100,000 claims on appeal. According to VA Under Secretary for Benefits Joseph Thompson, VA data shows that errors in the claims-adjudication process occur at a 36 percent rate and that 42 percent of claimants are dissatisfied with compensation and pension services. Vietnam Veterans of America believes that one of the reasons the system is so clogged is that veterans have lost faith that they will get a fair and accurate adjudication the first time around, and they are all too often correct in this assumption. If VBA would "get it right the first time" then the incessant stream of appeals would begin to diminish. However, at this point , VVA believes that we just have too few people trying to accomplish too much work at the same time that they are trying to modernize the system by which claims are adjudicated. Simply put, VBA needs more funding in order to hire more people to get the job done.

While VVA believes that the Veterans Benefits Administration (VBA) needs more staff, we also believe that VBA is plagued with an adjudication and appeals process that lacks a focus. There are no precise, definitive rules that can be effectively and fairly applied to the processing of most cases. To compound this legal problem, the VBA has failed to properly update its information management system. While trying to implement a more efficient system, VETSNET, the effort resulted in a disparate system of information management that holds no one clearly accountable for project performance and operational system capability.

It is common criticism that VBA is not all that accessible to veterans with many regional offices in areas of small population and a telephone system that is cumbersome and buttressed with layers of electronic "shields." Other stations, as in the extreme case of the Washington, D.C., VA Regional Office have virtually ceased to function. In sum, the VBA is an organization that is not accessible enough to veterans and is run on less-than-efficient databases. VBA is in real need of an organizational overhaul. While it is not just money that is needed, proper resources are certainly part of the solution.

In order for the jaded claims adjudication and processing system to become truly efficient, new information-management systems and technology must be acquired. A redesigning of both human and physical resources must also take place. Veterans deserve the benefit system that they were promised—one that provides seamless access to an effective claims-processing system centered on an adjudication process that is fair and timely.

Mr. Chairman, if these changes do not take place, we will have a 21st century VBA that is even more inept than it currently is. VVA believes that prescience is in order here and asks that your committee act now and provide a VA budget that can afford to make the necessary changes in VBA before it manifests into an even larger and more expensive problem. VVA seeks a VBA that puts veterans first and also is not a drain on taxpayers' dollars.

Mr. Chairman, I would like to respectfully remind your committee and all of Congress that we now stand on the threshold of yet another ground war in Kosovo which has the potential to consume and harm many young American men and women. Already three U.S. service members are being held prisoner. Is under funding the VA, and most especially the health care system, the right signal to send to these soldiers? VVA thinks not, and asks that you ensure that there is a system in place to truly care for these future veterans.

Again, I thank you for considering our views on this most critical issue to veterans of every generation.

PREPARED STATEMENT OF THE AMERICAN GASTROENTEROLOGICAL ASSOCIATION

SUMMARY OF RECOMMENDATIONS

The American Gastroenterological Association ("AGA") urges Congress to increase funding for medical research on digestive diseases and disorders through budgetary increases to the Department of Veterans Affairs ("VA"). Specifically, the AGA encourages Congress to provide at least a 14 percent increase over fiscal year 1999 raising the funding for VA health research programs from $316 million to $360 million, as recommended by the Friends of VA Medical Care and Health Research ("FOVA").

MEDICAL RESEARCH RECOMMENDATIONS

The AGA appreciates the opportunity to present its views regarding fiscal year 2000 appropriations for the VA. The AGA is the nation's oldest, not-for-profit specialty medical society, consisting of over 10,000 gastroenterologic physicians and scientists who are involved in research, clinical practice, and education on disorders of the digestive system. As the nation's largest and leading voice of the gastrointestinal research community, the AGA is uniquely qualified to advise Congress on the current status of federally-supported digestive disease research programs and the areas in need of further research.

Digestive tract disorders cost more than $115 billion annually. Gastrointestinal cancer, foodborne illness, gastroesophageal reflux disease ("GERD") and ulcers, motility disorders, inflammatory bowel disease, and hepatitis C account for the majority of digestive illnesses, impacting the lives of millions of Americans. They affect more than half of all Americans during their lifetime, ranking second among all causes of disability due to illness in the United States. Digestive disorders likewise strongly impact America's veteran population.

For some digestive diseases, medical research has brought us close to developing lifesaving treatments and cures. Yet, in others, we lack even a basic understanding of the cause and transmission of the disease. This testimony focuses on these serious health problems and makes recommendations on how Congress should allocate this country's precious medical research dollars.

GASTROINTESTINAL CANCERS

Approximately 226,300 new cases of gastrointestinal cancers will be diagnosed this year. Sadly, 131,000 Americans will die from these cancers. Certain veteran populations are especially at risk including those exposed to ionizing radiation, such as atomic test participants and Hiroshima/Nagasaki occupation forces. The most common cancers are described below.

—Colorectal Cancer is the second leading cause of cancer-related deaths in the United States. It is estimated that 129,400 new cases will be diagnosed this year with approximately 56,000 Americans projected to die from this disease in 1999. Colorectal cancer is linked to age with over 90 percent of people diagnosed

being over 50 years old. Further, African Americans have higher prevalence and mortality rates.

—Lower esophageal and upper stomach cancers have experienced a dramatic rise in incidence rates in the last 10 years.—In this year alone, nearly 22,000 Americans will be diagnosed with stomach or gastric cancer; 13,500 will die of it. A slightly lower number of people, 12,500, will be diagnosed with esophageal cancer this year. This cancer is more prevalent among African Americans.

—Pancreatic cancer will be diagnosed in 28,600 Americans in 1999 with the same number of people projected to die from this disease.

—Approximately 14,500 new cases of liver/intrahepatic bile duct cancer will be diagnosed this year in the United States and 13,600 deaths due to this cancer will occur. The incidence of liver cancer is increasingly dramatic due to the epidemic of chronic hepatitis C, notably more common among veterans.

—An estimated 3,600 people will die of cancer of the gallbladder and other biliary cancers this year with approximately 7,200 being diagnosed with this cancer.

The good news is that biomedical research, basic and clinical, has yielded increasingly positive cancer survival rates when patients' conditions are detected early. For example, 90 percent of people who develop colorectal cancer can be effectively treated if the disease is caught sufficiently early. Improved screening alone, however, is not sufficient. We need additional research to continue our understanding of this disease.

One of the greatest breakthroughs in gastrointestinal cancer research has been the discovery of a stepwise genetic progression in the development of gastrointestinal cancer. Researchers have identified a genetic link to gastrointestinal cancers in 20 percent to 30 percent of cases. Research shows that a genetic mutation at one generational level continues to mutate at succeeding generational levels, increasing a person's likelihood of developing cancer.

The VA has made cancer a medical research priority, but has not focused research on the following areas: (1) the genetic aspects of gastrointestinal cancer including the potential identification of other genes; (2) diagnostic tests for genetic abnormalities and prevention; (3) nutritional and environmental factors relating to the development of this disease, such as diet; and (4) the development and treatment of Barrett's syndrome (a common precursor to lower esophageal/upper stomach cancer) in patients with GERD. Research indicates that people with long-standing and severe heartburn symptoms are 43.5 times more likely to develop esophageal cancer. We urge the subcommittee to include language in the report accompanying the fiscal year 2000 VA-HUD Appropriations Bill which encourages the VA to intensify its research efforts on the genetic and nutritional/environmental causes of gastrointestinal cancers.

FOODBORNE ILLNESS

Foodborne illness is estimated to cost annually $5 to $6 billion dollars in medical costs and productivity losses. Some 6.5 to 33 million Americans suffer from foodborne illnesses each year, resulting in 9,000 deaths. Among the more common pathogens are Salmonella, Escherichia coli 0157:H7 (the pathological strain of the bacterium E.coli), Shigella, Campylobacter, Cyclospora, Listeria monocytogenes, and Cryptosporidium.

Not only does the VA population face the average risk of foodborne illness but also an increased risk due to potential bioterrorist attacks. As the goal of war turns from political concessions to mass injuries and casualties, one expects to see more bioterrorist attacks both against the military and the general population. Although people fear the more deadly anthrax and cholera viruses, some anticipate that actual attacks will involve foodborne and waterborne pathogens especially for terrorists trying to create mass panic and high morbidity costs with fewer deaths. This type of attack has already occurred in the United States in 1984 when a religious cult sprayed salad bars with Salmonella infecting over 750 people in an attempt to influence voter turnout and election results.

Current congressional efforts, which largely focus on inspection programs and on preventing the ingestion of contaminated food and water, would not protect against a deliberate bioterrorist attack. While these prevention-oriented initiatives certainly are important, treatments for those who do get sick once tainted food is consumed is essential. For some of these pathogens, we unfortunately lack even a basic understanding. As such, we encourage Congress to channel additional resources into research in the following areas: (1) the pathogenesis of the disease to identify the pathogens, to understand contamination and transmission patterns, to understand how pathogens translate into disease in humans, and to determine the reason for antibiotic resistance; (2) the reaction of the gut to infections. The research currently

being performed has focused on the kidney where few people are affected but the mortality rate is high. Stopping the disease when it is initially confined to the gut, however, would prevent the kidney from even being affected; (3) the development of animal models to understand how the pathogens cause disease and to develop treatment; and (4) the invention of vaccines or substances that bind with the toxins to prevent the illness.

The VA should join with the National Institutes of Health, the United States Department of Agriculture, the Food and Drug Administration, the Centers for Disease Control and Prevention, and the Department of Defense in implementing the Administration's Food Safety Initiative. The VA should emphasize research required to develop a greater understanding of the pathogenesis of foodborne illness and to discover effective treatments.

MOTILITY DISORDERS

Motility disorders affect five million Americans accounting for half of all gastroenterologic visits and ten percent of the visits to primary care physicians. Eight to seventeen percent of Americans suffer from functional gastrointestinal disorders, making it a major cause of morbidity and mortality from digestive illnesses, particularly among females. A higher prevalence of motility disorders was noted in Persian Gulf veterans, suggesting a potential link between the disorder and stress.

Research is needed due to the high prevalence of this disease and the lack of knowledge on how to identify, diagnose, and cure the disease. Irritable Bowel Syndrome ("IBS"), the most common motility disorder, is especially troubling because a patient does not present with any pathognomonic symptoms or laboratory findings of the disease, making diagnosis and treatment extremely difficult. IBS research is needed on: (1) understanding how the muscular and nervous system of the gut; (2) clinical descriptions and epidemiological studies of patients with IBS including family backgrounds; (3) genes that determine susceptibility and resistance; (4) brain interactions with the gut; and (5) virus foodborne infections that appear to initiate IBS in previously unaffected individuals.

A lack of a basic understanding of IBS has made drug manufacturers reluctant to fund research. If more federally funded research was focused on IBS, it would stimulate more private-public partnerships, and lead to advances in medical knowledge

INFLAMMATORY BOWEL DISEASE (ULCERATIVE COLITIS AND CROHN'S DISEASE)

Inflammatory bowel disease affects two to six percent of Americans or 300,000 to 500,000 people. Unlike IBS, inflammatory bowel disease ("IBD") involves an inflammation of the bowel. One type of IBD is Crohn's disease, which primarily involves the colon and small bowel. The other is ulcerative colitis affecting the inner lining of the large intestine. IBD usually begins in early adulthood and persists throughout life with remissions. IBD affects people in the prime and most productive years of their lives and results in substantial morbidity and economic loss to them and society. People with IBD experience abdominal pain, fever, bowel sores, intestinal bleeding, anorexia, weight loss, fullness, diarrhea, constipation, and vomiting. In severe cases, the patient can hemorrhage or contract sepsis/toxemia resulting in death. The cause of IBD is unknown; it may be a virus or bacteria that alters the body's immune response causing an inflammatory reaction in the intestinal wall. Studies on the cause of IBD are desperately needed to better understand the disease and work towards more effective management and treatment.

HEPATITIS C

Viral hepatitis is caused by six different viruses (commonly labeled A, B, C, D, E, and G). Hepatitis C accounts for 60 percent to 70 percent of all chronic cases of hepatitis. Approximately four million Americans are chronically infected with the hepatitis C virus ("HCV") with an estimated 200,000 new cases diagnosed annually. HCV is more prevalent among veterans than non-veterans with rates estimated at between 10 percent to 20 percent of all inpatients in VA Medical Centers. This higher prevalence may be linked to transfusions which are more common among veterans, especially those who experienced combat. Further, minority populations have a higher prevalence of HCV. This disease is projected to cost $600 million a year in terms of medical care and work loss, excluding transplantation costs. Between 8,000 to 10,000 people are expected to die from HCV this year with the death rate expected to triple over the next decade. It ranks second only to alcohol abuse as the cause of cirrhosis (i.e., liver cell damage and scarring) and liver disease, and is the leading cause for liver transplants in the United States. Further, 52 percent of all

VA liver transplant patients have HCV. Chronic alcoholism, a common concern among veterans, may increase the likelihood of developing chronic liver disease.

Acute hepatitis C results in a chronic infection in over 85 percent of the cases with most contracting chronic liver disease. This chronic infection is often asymptomatic, making detection extremely difficult. In fact, many people are not aware that they are infected, despite easy detection through a simple blood test. Twenty-five to thirty percent of HCV infected people develop symptoms ranging from mild to moderate problems of jaundice, fatigue, abdominal pain, loss of appetite, intermittent nausea, and vomiting to more severe, life-threatening conditions such as liver disease, cirrhosis, and end-stage liver disease, including cancer. In fact, the three main risk factors associated with developing liver cancer include HCV, the hepatitis B virus ("HBV"), and alcoholic cirrhosis with the increase in liver cancer being attributed to the rise in HCV and HBV.

Despite vigorous support by Congress and the VA, long-term remission can only be attained in up to 40 percent of HCV patients receiving anti-viral therapies. Further, no vaccines are currently available to prevent hepatitis C. Accordingly, more research is needed. The AGA urges Congress to support research in the following areas: (1) the molecular biology of HCV; (2) longitudinal study on the normal clinical course of hepatitis C and factors resulting in progression to cirrhosis and liver cancer; (3) epidemiological studies on hepatitis C and alcohol consumption; and (4) the interaction between HCV and other diseases such as diabetes and acquired immunodeficiency syndrome ("AIDS"). This research would enable the development of therapies to stop the progression of the disease, a vaccine to prevent transmission of HCV, and strategies for educating at-risk groups.

S. 71, introduced by Senator Olympia Snowe (R-ME), creates a presumption of service connection for the occurrence of hepatitis C for veterans who developed hepatitis C after experiencing the following while serving: (1) transfusion of blood/blood products before December 31, 1992; (2) blood exposure on or through skin/mucous membranes; (3) hemodialysis; (4) tattoo, body piercing or acupuncture; (5) unexplained liver disease or abnormal liver function tests; and (6) working in a health care occupation. S. 71 would raise the number of veterans eligible for treatment of hepatitis C at VA Medical Centers, making this research on a treatment even more pressing and cost-effective in the long term.

FUNDING RECOMMENDATION

The diseases, illnesses, disorders, and syndromes described above continue to take a huge toll on the American public and economy. The AGA appreciates Congress' commitment to biomedical research and to digestive diseases research in particular. However, more effort is needed. Many of the illnesses described above are only now beginning to emerge as the next epidemic. For others, like certain gastrointestinal cancers, research advances have placed the hope of eradication within our grasp. In either case, now is not the time to shortchange VA research programs. As such, we encourage Congress to ensure that the VA has adequate resources to appropriately pursue research opportunities in the areas discussed above by increasing funding 14 percent, from $316 in fiscal year 1999 to $360 in fiscal year 2000.

The AGA appreciates the opportunity to present its views on the fiscal year 2000 appropriations. Please call Michael Roberts, Vice President of Public and Government Relations at the AGA, at (301) 941–2618 if you have further questions.

PREPARED STATEMENT OF THE AIR FORCE SERGEANTS ASSOCIATION

Mr. Chairman and distinguished committee members, thank you for this opportunity to present what we believe should be among this committee's funding priorities for fiscal year 2000. As a nation, we ask our servicemembers to turn their mortal beings over to the dictates of their country. Their term of service is always arduous, and the job they do for all of us is fantastic. This committee among all segments of our national leadership holds the key to protecting and honoring our nation's warriors. You, in a very real sense, are the conscience of a nation in ensuring that our veterans are viewed as a vital national resource—not a financial burden.

As you work toward your appropriations decisions, the Air Force Sergeants Association and its 150,000 members urge you to ensure sufficient funding to provide for the integrity of the entire VA system. This funding and this nation's commitment to our veterans should ensure, with no delay, the full benefits, entitlements and medical treatment that those who have served have so rightfully earned.

AFSA members view all honorably discharged veterans as worthy of a full range of benefits that they earned through sacrifice and voluntary subjection to the unlimited liability clause: they formed a covenant with the nation to sacrifice their lives,

if necessary, to protect its interests. This nation's reciprocal response should be based on certain principles that this association urges you to use as a guide during your deliberations.

GUIDING PRINCIPLES

1. First, this nation owes its veterans dignified, transitional, recovery assistance . . . not based on rank or status, but simply because they served in the most lethal of professions.

2. Any decisions on care for the member must factor in a realization that most veterans are enlisted veterans. These veterans served with lower pay, generally reentered the civilian populace with non-transferrable military skills, probably had relatively little civilian education, and served in skills that are less marketable.

3. This nation's commitment cannot waiver simply because of the large number of veterans. Congress and (in turn) the VA must never make determinations simply because "the money is just not there." It is more a situation of national will—not economic constraints.

4. Our enlisted guardsmen and reservists are full-time players. They are part of the total force. Any differences between reserve component members and the full-time force, in terms of VA programs or availability of services, need to be systematically erased.

5. It is important that the commitment of our troops to combat or high-risk situations also involves an absolute commitment to care for any malady that results.

GENERAL ISSUES

Many veterans are frustrated and disappointed because promises that were made during their careers are simply not being kept. They feel that the covenant between the nation and the veteran was one-sided, with honor on the side of the veteran. We urge this committee to support a written guarantee in writing of benefits to which veterans are legally entitled by virtue of their service.

We applaud the Veterans Administration for progress made toward the reduction in the time required to process claims and adjudicate appeals. We urge you to do all that you can to facilitate the VA's continued progress in this effort.

Despite military service draw downs and the resultant lack of the availability of "honor guard" personnel, it is incumbent that this government to ensure full military honors and burial rights for those who have served.

Because of the ravages of war, the unique nature of military service, and numerous other reasons, many veterans are homeless. These people, by and large, paid a tremendous price by serving their nation. We must expend an extra effort to assist our homeless veterans.

Over the last few years, there have been several efforts to make "Veterans' Preference" a reality. We urge this committee to support any improvement that will put "teeth" into such programs to help veterans transition back into the civilian workforce.

MEDICAL CARE

Without question, the health care system administered by the veterans administration impacts, in one way or another, those who served. Some issues that are reflected in the many phone calls we have received follow.

1. All honorably discharged veterans must have the full continuum of care—mandated by law.

2. VA-Medicare subvention is very promising, and we request full support for this effort. Under this plan, Medicare would reimburse the VA for care it provides to non- disabled Medicare-eligible veterans at VA medical facilities. This is an opportunity to ensure that those who served are not lumped in with all those who never chose to do so.

3. The enlisted force is pleased with the possibility of VA-DOD sharing arrangements involving network inclusion in the DOD health care program, and especially, the practice of consolidating physicals at the time of separation. Theses decisions represent a good, common sense approach that should eliminate problems of inconsistency, save time, and take care of our veterans in a more timely manner; AFSA supports these approaches so long as neither DOD or VA beneficiary access and care are jeopardized

4. It is our contention that any limitation on the VA treatment of tobacco-related illnesses must be eliminated. Just as we care for those with other physical situations caused by their own lifestyle choices, it is absolutely wrong to draw the line here. I and many of you in this room can point out numerous situations from "care packages" with free 3-cigarette packs, to field duty and training punctuated by

"smoke'em if you gottem," as indisputable facts that smoking was (until very recent times) a very real part of the military lifestyle. Full VA funding for tobacco-related illnesses needs to be reinstated.

5. While the VA's drive to save money by reducing its expenses is commendable, we caution the VA that these reductions must not be the overriding target. The only bottom line in this system should be the welfare of the veteran.

6. The VA must be fully funded to provide for long-term care including nursing home care; care for chronically mentally ill veterans; and home care aid, support and services.

7. The number of veterans who are women has significantly increased in recent years. The VA must be funded to provide the resources and legal authority to care for women to include obstetric services and after-birth care for the mother and child.

EDUCATION

Many members join our Armed Forces to get an education. Those who entered the service after December 31, 1976, and before July 1, 1985, were offered the Veterans Educational Assistance Program (VEAP). Within that program, the military member contributes up to $2,700 which the government matches with up to $5,400. VEAP pays $300 a month for 27 months; however, there are approximately 55,000 members who came into the service between 1977 and 1985 who chose not to participate in VEAP because it was considered a relatively poor benefit in relation to the actual cost of classes. These G.I.s are now retiring (20-plus years of service) without any educational benefit.

Since 1985, the Montgomery G.I. Bill has been offered to new airmen entering the Air Force. If an airman chooses to participate, this program requires a $1,200 payroll deduction, $100 during each of the member's first 12 months of service. For that $1,200, the member receives an educational benefit of $528 per month for 36 months—clearly a much more valuable benefit than VEAP. However, the airman's enrollment decision must be made at basic military training; it is a one-time, irrevocable decision. At that critical juncture, many choose not to participate because they can't afford to do so due to their already-relatively- low pay. We ought to eliminate the current $1,200 payroll reduction taken from each member who opts to enroll in the MGIB. During the pressure of basic training (and at a time of lowest pay) is not the appropriate time that airmen, many of whom have families to support, should have to make such an important decision. We should let them elect to enroll in the MGIB at any time during their first enlistment.

The 1997 VA Authorization Act created an open window for some VEAP participants to convert to the MGIB. However, 110,000 (DOD-wide) VEAP participants were excluded from converting to the MGIB because government counselors gave them faulty information. We have received dozens of phone calls and letters decrying the fact that these airmen followed the rules; but were excluded because the government decided to change the rules at the last minute. Under VEAP, there is a 2-for-1 matching. If you have money in your VEAP account, it is non-interest bearing. Accordingly, education counselors in all services advised VEAP participants not to put money into their VEAP accounts until they were ready to use the benefit. Unfortunately, when the 1997 VEAP-MGIB window opened, the law allowed only those with money currently in their accounts to convert to MGIB. Tens of thousands of VEAP participants were excluded from the conversion because they followed the guidance of government counselors. In basic fairness, we need to reopen that window one more time and allow all currently serving military members to convert to the MGIB.

Finally, while the MGIB is a good program relative to VEAP, it has not kept up with inflation. While the cost of undergraduate education has gone up 5 to 7 percent per year since 1985, the MGIB benefit has not kept pace. If the MGIB was at the same relative value as at its inception, the MGIB benefit would be approximately $800 a month. I urge you to increased the value of the MGIB benefit and make it the same value (relative to inflation) it held when the program began.

Because many enlisted members have no choice but to go to work immediately after retirement, many never use their MGIB educational benefit. Those that are unable to use the benefit (many of whom have given the government $1,200 to invest for a significant long-term return) don't receive a cent in return from the government. In fairness to them, and in recognition of their unique sacrifices and risks, participating members should be allowed to transfer their educational benefit to family members—we ask your support in that regard.

With all of the national attention on educational programs, it is important that we include military members in that dialogue.

HOME LOANS

The current VA home loan program primarily attracts only marginally qualified veterans. Fees, closing costs, and down payment requirements should be restructured to reduce the overall risk to the program. The best way to attract new veterans is to eliminate fees and make the program as attractive a possible.

For our reserve component members, the Selected Reserve Home Loan Program was authorized as a temporary initiative and was, last year, once again temporarily extended. Congress should permanently extend this program. The concept of "weekend warriors" is certainly an unfair, inaccurate misnomer. This nation owes our guardsmen and reservists great deal, the least of which is provision of a full benefits package for their service.

AFSA supports all programs that give veterans viable alternatives, especially in the area of housing assistance. However, if other home loan programs are made available, liberal qualification criteria and the "no down payment" feature should be maintained for all sources. Additionally, the reusability feature of the VA Home Loan program is very important to military members and veterans who are required to relocate several times during a career.

In conclusion, AFSA believes that the work your committee does is among the most important done on the Hill. Your job is not only to protect and reward those who served; it is to demonstrate to those currently serving and who someday will serve that this nation is committed to honor those who give a portion of their lives to their nation. Today, we have touched upon just a few of the important issues that you will wrestle with during the coming months.

In conclusion, Mr. Chairman, we thank you for this opportunity to present the views of the Air Force enlisted community. As you ponder and debate the proper focus of appropriations for future VA programs, AFSA asks you to determine to capture a fair portion of the reported $1.6 trillion budget surplus for those who made that surplus and this nation's prosperity possible: America's veterans. On behalf of all AFSA members, we appreciate your effort and, as always, are ready to support you in matters of mutual concern.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PREPARED STATEMENT OF THE AMERICAN ASSOCIATION OF HOMES AND SERVICES FOR THE AGING

The American Association of Homes and Services for the Aging (AAHSA) is pleased to take this opportunity to present our comments regarding the fiscal year 2000 budget request for the U.S. Department of Housing and Urban Development (HUD) from the Clinton Administration. AAHSA is the nation's largest organization representing only nonprofit sponsors of senior housing. Our members own and manage over 300,000 units of market rate and federally assisted housing—including the largest number of nonprofit-sponsored HUD Section 202 elderly housing facilities.

As we stated in the past, as nonprofit sponsors of elderly housing we respond to entirely different motivations in developing housing for the poor, the needy, and the frail elderly. Our motivation is born of mission not profit. Ours is a mission of helping those whose needs are the greatest and of striving to provide housing and supportive services to all low-income elderly who need it.

Overview

As we begin the discussion of funding for elderly housing programs in the fiscal year 2000 HUD budget, we ask you to keep in mind the features that make elderly housing unique. Elderly housing provides a sense of physical and emotional security, which is particularly crucial for vulnerable older persons. It facilitates informal support among residents—generally an older woman living alone—and prevents a sense of isolation. It provides a cost effective means to link supportive services with housing for older persons, particularly critical in promoting independence and delaying more costly institutional care. Elderly housing has special design features unique to older persons, such as grab bars, pull-cords, lower cabinets, elevators, increased lighting, and non-skid surfaces. And, elderly housing incorporates programmatic features to encourage wellness, interaction with peers, and promotes community volunteerism. It provides and/or links community services, both formal and informal, through public and private institutions, neighbors, families and friends. As we stated in last year's testimony, housing for the elderly is more than a unit, it's home and it's a community.

Last year, AAHSA was particularly critical of an administration budget proposal that sought to fundamentally change the nature of the Section 202 elderly housing program. We believed—and appreciated this committee's leadership to get Congress to agree—that last year's Administration-proposed changes were ill-conceived, ill-planned, and ill-advised. Congress and elderly housing proponents believe strongly in the success of Section 202, and rather than dismantling this preeminent housing program for the elderly, were of the opinion that it could form the foundation around which other successful housing programs serving the elderly could be developed.

Last year, Congress roundly defeated each aspect of the Administration's elderly housing budget proposal, and challenged HUD to go back to the drawing board and craft a workable model for elderly housing that focused on both the present and the future. During the past year, HUD and the Administration worked closely with elderly housing proponents in studying the state of elderly housing and sought to meet that challenge.

Fiscal Year 2000 HUD Budget Proposal

The fiscal year 2000 HUD budget proposal that eventually emerged from the Administration incorporated many of the ideas, approaches and objectives that AAHSA and other elderly housing proponents have advocated over the years. Central to the Administration's elderly housing proposal is an historic multi-faceted housing initiative, a "Continuum of Care for the Elderly" program to "enable low-income and frail elderly to obtain decent housing and access the services that aging requires." During the fiscal year 2000 budget briefing conducted by Secretary Cuomo and HUD's various program Assistant Secretaries, AAHSA praised the department for taking innovative steps in this new direction to serve our nation's senior population. Specifically, the continuum of care for the elderly builds on existing programs—particularly Section 202—and was showcased as a comprehensive "housing security" approach for the elderly. The Administration's continuum of care includes: $510 million for Section 202 new construction; $50 million expansion of the service coordinator program; $87 million for 15,000 rental assistance vouchers linked to low income housing tax credits for new construction; rental assistance vouchers linked to Medicaid for assisted living; $100 million to renovate and retrofit existing elderly housing facilities for assisted living; use of the reverse mortgage program for rehabilitation and property improvement loans; and up to $5 million of Section 202 funds for intergenerational learning centers.

The Administration proposal serves the purpose of opening a positive debate over how best to serve elderly housing needs as we enter the new millennium. While AAHSA has a few modifications for further refinements, we believe the Administration's fiscal year 2000 budget proposal is a bold step positioning elderly housing as part of long term care. Because AAHSA has long been an advocate of a continuum of care approach utilizing elderly housing as part of the solution to long-term care for the elderly, our testimony will predominantly focus on that aspect of the Administration budget proposal. AAHSA's commitment to, and vision for the continuum of care dates back to the founding of the organization in 1961 and the earlier "lifecare" practices of some of our members. As we look to the future, AAHSA encourages policymakers to see elderly housing as a key component of this "continuum for the millennium."

Continuum of Care for the Elderly Proposal

Our comments below are designed to help the committee in its deliberation on specific parts of the Administration's continuum of care for the elderly proposal:

Section 202.—As Section 202 celebrates its fortieth anniversary in 1999, it is recognized as the nation's best and largest producer of affordable housing for very-low income seniors. Over the years, Section 202 has earned strong bipartisan support as the primary government program responding to the special housing needs of low-income elderly Americans. The program has coupled the cost benefits of project-based rental assistance with supportive services for frail elderly persons; has maintained a long record of sound management; and, its nonprofit sponsors have built a major portion of the nation's supply of quality, affordable elderly housing while demonstrating long-term commitment to their communities.

Although the Administration asserts that it has maintained full funding of $660 million for the Section 202 program in fiscal year 2000, in actuality, there are set-asides in the proposed budget that would reduce the funding level by $150 million to $510 million for development of 5,790 new units and rental assistance activities in fiscal year 2000. However, neither AAHSA nor the Administration should be forced to make a Solomon-like decision of choosing between supporting the continuum of care approach with its attendant parts, or supporting "full funding" for

Section 202 development. Both are needed, and neither should be shortchanged. In recent housing legislation, particularly in H.R. 202 and H.R. 1624, the Section 202 development program would be authorized at least at $700 million in fiscal year 2000. And, H.R. 1624 would establish separate funding streams, including mixed-financing, for the other elderly housing continuum of care-type activities without "robbing Peter" or Section 202 to pay for those other activities.

Additionally, AAHSA has long advocated for flexibility in the Section 202 program to enable mixed-financed, mixed-income, and mixed-use facilities. AAHSA supports the flexibility in the program offered by H.R. 202, which allows use of funds for acquisition, modifies income limits in high vacancy areas, and allows Section 202 funds to be use in conjunction with other federal and non-federal financing sources. The "other sources of financing" feature would be particularly useful in coupling Section 202 with low income housing tax credits to develop and increase the production of new housing units.

While we strongly support much in the Administration's continuum of care proposal, we encourage you to prevent reduction in funding for development activities under the Section 202 program and support $710 million in fiscal year 2000 funding for Section 202 development and project rental assistance. We urge Congress to establish a continuum of care for the elderly account and provide an additional $200 million for the Section 202 program to be available for mixed-financing and leveraging other development financing sources and enabling greater program flexibility. Program flexibility should include a change in statute to enable linkages between Section 202 and the low income housing tax credit program.

Service Coordinators.—AAHSA testified last year that the use of service coordinators in elderly housing facilities is an integral part of the continuum of care, and our facilities have come to reflect the vast support systems that enable the frail elderly to live independently with dignity and respect. Under the continuum of care concept, there are economies of scale benefits that accompany groups of older persons living together who have access to services to help make their life easier.

The Administration proposes $50 million for an expanded service coordinator program to serve residents of HUD-assisted elderly housing and other eligible elderly persons living in a project's neighborhood. Funding for the expanded program would be instituted as a set-aside under the Section 202 program. Over the years, AAHSA has advocated for a more reliable and stable source of funding for service coordinators, including funding service coordinators as a part of a facility's routine operating expenses. Once again, we urge Congress to establish a more routine funding mechanism for service coordinators. We suggest that Congress provide new funding for service coordinators through the current competitive grant process, and subsequently allow grant recipients the option to build the cost of service coordinators into their operating budget upon the expiration of the grant. In addition, many elderly projects are constrained from providing a service coordinator because HUD's 120 percent fair market rent cap prevents them from building the cost of a service coordinator into their budget. A waiver for nonprofit sponsors who specifically exceed the rent cap in order to fund service coordinators would resolve this problem. While we support the funding level proposed by the Administration—and it is consistent with the level of funds originally provided when the service coordinator program was first established—we oppose the notion that service coordinators should be funded out of Section 202 development funds as a set-aside in the Section 202 account. We urge Congress to establish a continuum of care for the elderly account in fiscal year 2000 and provide at least $50 million in funding for (1) renewal of expiring service coordinator and congregate housing contracts, (2) new service coordinator contracts, and (3) expansion, to enable service coordinators to serve other residents residing in the community.

Assisted Living Vouchers.—AAHSA continues to favor the project-based approach over tenant-based vouchers as the preferable method of providing rental assistance to low income elderly persons for many of the reasons we outlined in last year's testimony, including the most obvious reason that an older resident wants a place to age-in-place and prevent or delay placement in other institutional care settings. Vouchers make it more difficult for older persons, particularly more frail elderly and persons who need the service enriched environment of elderly housing, to find available and suitable housing in the community. And, vouchers do not expand the supply of affordable housing for the elderly. We continue to view vouchers as "eating our seeds," we can live off our seeds for awhile, but it is short-sighted, and does not build or grow the future.

However, HUD proposes a change in law to allow existing Section 8 tenant-based vouchers currently used by low income elderly to cover the rent portion of assisted living costs. Given the fact that these vouchers are currently in use by elderly residents, AAHSA would support the expansion and use eligibility of these Section 8

vouchers. The purpose is to both prevent the transitioning of the elderly resident to more costly institutional care, and to provide greater options to elderly residents in their choice of residential and care settings. H.R. 1624 would also authorize an additional $87 million for 15,000 incremental Section 8 vouchers to be utilized by low income elderly to help pay the rent cost of assisted living facilities on a 10 city/state demonstration basis. Priority would be given to very low income seniors who are Medicaid-eligible. The purpose of the demonstration is to gauge the effectiveness of Section 8 rental assistance in assisted living facilities, under controlled conditions, and report back to Congress with findings, particularly on the savings realized by serving Medicaid-eligible elderly persons in a non-nursing home environment.

These are objectives that AAHSA supports. We urge Congress to extend to low income elderly persons currently using Section 8 rental assistance vouchers the option to use their vouchers in assisted living facilities. We additionally support $87 million in funding for 15,000 incremental vouchers to be used by frail elderly in assisted living facilities.

Assisted Living Conversion.—Just as our residents are aging-in-place, our housing is aging-in-place, and is in need of modernization and retrofit. For years, AAHSA has urged Congress and the Administration to establish a modernization and retrofit program to address the problem of aging buildings, especially since the loss of the Flexible Subsidy program and non-implementation of Project Retrofit under the Congregate Housing Services Program in the 1990 National Affordable Housing Act.

Under the continuum of care, the Administration proposes up to $100 million of Section 202 development funds to be available for an innovative, competitive grant program to convert all or part of existing Section 202 projects to assisted living facilities through rehabilitation, modernization or retrofit. While AAHSA applauds the Administration for taking this particular half step forward, we believe that a full step is needed. This is a desirable objective, but we believe that increased flexibility would be more beneficial. H.R. 202 would allow savings generated from financial conversion of Section 202 facilities to be used for modernization and retrofit of facilities. H.R. 1624 establishes a $100 million capital grant program for the rehabilitation, modernization, and repair of most project-based federally assisted elderly housing, and allows for conversion of elderly housing units to assisted living. We urge Congress to support a continuum of care for the elderly account in fiscal year 2000 that provides up to $100 million in funding for the rehabilitation, modernization and retrofit of project-based federally assisted elderly housing, and up to $100 million for conversion of elderly housing units to assisted living.

Intergenerational Learning Centers.—AAHSA has long promoted the concept of co-location, or locating services and service providers on or in close proximity to elderly housing facilities. HUD proposes to use up to five percent or $5 million of assisted living conversion funds to provide space within elderly housing projects for Intergenerational Learning Centers where "the skills and experience of seniors will be harnessed to meet the need for affordable child care and allow seniors and children to learn new skills together." While AAHSA supports this co-location approach, we would expand the eligible use of funds to other co-location activities, including adult day care, senior centers, home health care centers, and other types of services and service providers. We urge Congress to support a continuum of care for the elderly account in fiscal year 2000 that provides up to $5 million in funds for co-location activities; and to provide language that encourages the use of funds from the CDBG account for co-location.

Other Issues

Financial Restructuring.—Last year, AAHSA outlined the arguments for the financial conversion of the existing debt-laden Section 202 inventory with Section 8 assistance to the capital advance program with project based rental assistance (PRAC), and urged this committee and Congress to consider changing existing budget rules to permit debt conversion while minimizing the budgetary impact. Since then, progress has been made in considering other ways of minimizing the up-front budgetary costs, including year-by-year debt abatement, prepayment and refinancing proposals. Once again, AAHSA urges the committee and Congress to allow for a range or menu of options in financial restructuring of the Section 202 inventory including debt conversion, prepayment and refinancing.

Program Funding.—AAHSA is additionally concerned with full funding for expiring Section 8 contracts; adequate funding at the Administration-requested level for the Section 811 and HOME programs; and prevention of resident displacement caused by owners opting out of the Section 8 program. We particularly urge Congress to proactively pursue ways to help stem the loss of affordable housing caused by owner prepayment and opting-out. Congress could help prevent resident displace-

ment by reducing the opt-out incentive by ensuring market returns to owners; by providing a right-of-first-refusal and other incentives to encourage the transfer or sale of opt-out properties to nonprofit organizations; by removing barriers to sales; and by facilitating acquisitions among sponsors with a long-term commitment to providing affordable housing. We also urge Congress to provide funding for "enhanced vouchers" to elderly residents in cases where expiring Section 8 contracts may cause rent levels to increase.

Conclusion

AAHSA is thankful for the leadership this committee has provided for elderly housing and for this opportunity to provide testimony. We are pleased to be able to contribute to the committee's deliberation on these critical issues, and we urge your support for the recommendations outlined in these comments. We hope that our comments will assist in helping you formulate a budget that is responsive to the increasing needs of very-low-income elderly. If you desire additional information, please contact Gerard Holder, Associate Director for Housing Policy at 202–508–9476 or gholder@aahsa.org.

LETTER FROM THE NATIONAL ASSOCIATION FOR EQUAL OPPORTUNITY IN HIGHER EDUCATION

SILVER SPRING, MD, *April 28, 1999.*

The Honorable CHRISTOPHER S. BOND,
Chairman, Subcommittee on VA-HUD-Independent Agencies, Committee on Appropriations, United States Senate, 274 Russell Senate Office Building, Washington, DC.

DEAR CHAIRMAN BOND: As President and Chief Executive Officer of the National Association for Equal Opportunity in Higher Education (NAFEO), I am writing to respectfully request your support and assistance with efforts to secure funding for minority programs in the fiscal year 2000 VA-HUD-Independent Agencies Appropriations bill. Specifically, on behalf of the 118 HBCUs represented by NAFEO, we ask that $20 million be provided to support the HBCU-UP program.

NAFEO is the national umbrella organization representing the nation's 118 Historically Black Colleges and Universities (HBCUs). Of this number, over 100 of the NAFEO/HBCUs were founded prior to the Civil Rights Act of 1964 with the primary mission of educating African Americans. In fact, many of these schools were established during the Reconstruction Era as a means of educating persons who had been slaves. The other 14 institutions that belong to NAFEO, known as "NAFEO's Other Equal Opportunity Educational Institutions (EOEIs)" were established after 1964 and serve significant numbers of African Americans and other minorities.

Underrepresentation of minorities in science, engineering and mathematics (SEM) fields is a serious problem that threatens our nation's ability to effectively address the scientific and technological challenges of the next century. As the nation prepares for these challenges, it is essential that available resources be focused on improving the ability of young people from underrepresented groups to acquire the skills needed for meaningful employment in the high technology enterprise. Given the strong track record of HBCUs in producing a disproportionately large number of minority undergraduates with degrees in these fields, additional resources are needed to assist these initiatives.

Currently, the National Science Foundation (NSF) Directorate for Education and Human Resources (HER) provides $6 million to three HBCUs ($2 million per institution) with the expressed purpose of strengthening their SEM education and research infrastructure, including support for faculty, research experiences for undergraduates and scientific instrumentation. Another $2 million is provided by the research and related activities account. While a 6 percent increase has been proposed for NSF generally, no increase is recommended for HBCU-UP, or the other minority programs administered by HER.

With respect to the fiscal year 2000 VA-HUD-Independent Agencies Appropriations bill, NAFEO is seeking increased funding for the NSF Education and Human Resources account. The request provides an additional $12 million above the fiscal year 1999 level, and will support an additional six institutions. This would ensure that the current centers would continue to receive support at the fiscal year 1999 level of $8 million while allowing for additional program participants.

A chart listing NAFEO's specific priority requests and the organization's general request is attached for your review. Thank you for your attention to this request. I look forward to meeting with you to discuss this and other initiatives in more de-

tail. The National Association for Equal Opportunity in Higher Education thanks you for all you do in "keeping the doors of opportunity open."™

Sincerely,

HENRY PONDER,
CEO & President.

PREPARED STATEMENT OF THE COUNTY OF SUTTER, CALIFORNIA

Thank you, Mr. Chairman, and members of the committee for this opportunity to speak before you today on behalf of the County of Sutter, California in support of two project requests for fiscal year 2000. The County of Sutter appreciates this committee's support, and we look forward to working with the committee to continue to improve our economy.

Emergency Operations Center.—The County of Sutter, California requests a $3.6 million earmark in the fiscal year 2000 VA-HUD Appropriations bill under Economic Development Initiative to construct a new Emergency Operations Center in Sutter County.

The County of Sutter has experienced four presidentially declared flood disasters in the last four years alone. In January 1997, Sutter County was part of the third largest evacuation in U.S. history when nearly 50 square miles were inundated. Given Sutter County location in the Sacramento River watershed, it is likely that additional emergency events will occur in the future.

The existing Emergency Operations Center (EOC) is wholly inadequate to meet the needs of the County and the region. It is located in a rural fire station pre-dating World War II that was actually dismantled and moved from San Francisco to its present location. It is small, noisy, poorly heated, and badly lit. Further, sanitary facilities are inadequate when the facility is in full operation. Perhaps most critical is the fact that modern communications devices—essential to emergency operations—do not operate in the existing EOC. And perhaps most ironically, the fire department must be relocated to a remote facility when the fire station is taken over for EOC purposes, thus placing the community at an even higher level of risk at the very time the risk level needs to be reduced.

The new facility will be located on high ground. The 10,000 square foot facility will include space for disaster operations, operational branch offices/meetings, media briefing facilities, restrooms, briefing areas, kitchen and dining areas, and off-shift rest facilities. Site improvements will include security gates, driveways, parking, a secure water source, an on-site wastewater disposal system, and security lighting.

The focus of the project is to upgrade the County's and region's disaster response capabilities by increasing usable area, centralizing vital communications and situation monitoring equipment, and adding modern support systems, such as networked computers and satellite communications.

The County is committed to constructing this facility and is willing to commit significant resources to capital facilities. However, federal assistance is needed if the County is to construct a facility capable of meeting the proven needs of the County and region. The assistance of this committee is greatly needed and appreciated.

Sutter County Industrial Development Projects.—Mr. Chairman, Sutter County also requests an earmark of $300,000 in the fiscal year 2000 VA-HUD Appropriations bill under the Economic Development Initiative to provide critical assistance in the County's efforts to improve its economy by way of developing two industrial areas in Sutter County.

Sutter County, located north of the City of Sacramento, is an economically depressed rural region which relies heavily on agriculture for economic stimulus. Sutter County has relatively high unemployment rates and relatively low per capita income levels, and needs to diversify its economy in order to improve the lives of its citizens.

Two areas in Sutter County are well-positioned geographically to provide economic development opportunities in the form of an industrial/commercial reserve and an industrial park. The South Sutter County Industrial/Commercial Reserve provides an opportunity to develop approximately 3,500 acres of land near the Sacramento International Airport and major transportation corridors. The Sutter Industrial Park is located five miles west of Yuba City. While these two areas provide real economic development and diversification opportunities, the County lacks the financial resources to stimulate significant interest and development in these areas.

Mr. Chairman, the County of Sutter appreciates the committee's continuing assistance related to improving our region's economy. Thank you for the opportunity to appear before your committee. I would be happy to answer any questions.

PREPARED STATEMENT OF THE CITY OF GAINESVILLE, FLORIDA

Mr. Chairman and Members of the Subcommittee, my name is Pegeen Hanrahan and I am the City Commissioner of Gainesville, Florida. I would like to submit the following testimony for the record and ask for your assistance with regard to two important initiatives on which the City is currently working.

Sweetwater Branch/Payne's Prairie Stormwater Protection Project

Background

The Sweetwater Branch basin contains approximately 1,710 acres and is located in the southeast central portion of the City of Gainesville. The outfall from this basin discharges into Payne's Prairie, a state owned preserve and park system, which eventually flows into the Alachua Sink, a natural sinkhole that drains directly into the Floridan Aquifer. This Aquifer provides the majority of drinking water to Florida's residents.

The Sweetwater Branch drainage basin contains urban, commercial, industrial and residential area stormwater runoff. Because the branch runs through some of the oldest portions of Gainesville, most stormwater runoff is directly discharged into the Branch with very little flooding attenuation or pollution loading reduction. The runoff has the potential to affect threatened and endangered wildlife such as the Bald Eagle, the Woodstork, the Sandhill Crane, and the Southeastern American Kestrel. In addition, many domestic wells are used to obtain water from surficial and intermediate aquifers in the area.

Water monitoring sites along Sweetwater Branch indicate that inorganic constituents and nutrients are elevated. These compounds adversely impact water quality and, potentially, vegetation in Payne's Prairie and degrade water recharging the Floridan aquifer system through Alachua Sink. Specific conductance has been increasing over time, with averages ranging from 305 to 945 umhos/cm during 1997. The average total nitrogen concentrations range from 0.25 to 1.08 mg/L. Average total phosphorus concentrations are found to be 1.16 mg/L, with many values exceeding 3.00 mg/L. There is a presence of relatively high levels of total and fecal coliform, with total coliform bacteria found to exceed 1,600 MPN/100mL. Aquatic macroinvertebrate sampling and analyses performed in 1996 indicate an overall poor health of Sweetwater Branch. In summary, the situation has created concern amongst environmentalists, business leaders, and concerned citizens throughout the region that Paynes Prairie and the Floridan Aquifer are being compromised.

Project Description

The City of Gainesville intends to conduct surveying and engineering analysis to determine the most beneficial and appropriate means of providing treatment of the stormwater being transported through the Sweetwater Branch prior to discharge to Paynes Prairie. Conceptual studies have been conducted previously to identify optional locations for such treatment facilities. Based on these studies, a tentative location has been selected for further analysis.

Project Benefits

The primary goal for the proposed project is to provide a comprehensive ecosystem management solution to the problem of stormwater runoff from downtown entering Sweetwater Branch, Paynes Prairie and the Alachua Sink. The project will reduce or eliminate the sediment, debris, nutrients and general pollutants currently being discharged.

SUMMARY OF FUNDING NEEDS

Project Phase	Funding Need	Year
Engineering/Surveying	$200,000	1st
Property Acquisition	800,000	2nd
Construction	1,000,000	3rd
Total	2,000,000	

It will be the City's intent to utilize $500,000 appropriated last year for this project through USEPA to fund the engineering phase and assist in the property acquisition phase.

Stormwater Treatment

The City of Gainesville has been developing a multi-faceted approach to addressing stormwater runoff problems within the highly urbanized 1,700 acre Sweetwater Branch watershed.

At the upper most limit of the watershed, there is a Duck Pond Wetlands Restoration project under design. This section of Sweetwater flows through the Northeast Historic District. The Restoration project includes restoring a channelized section of the creek to a more natural flowing creek.

Sweetwater then flows through the Central City District adjacent and through the Matheson Historic Park. The City recently completed the installation of a Bafflebox treatment structure and has permitted the installation of another type of treatment structure called a Vortex Box. These structures efficiently remove sediments and floatables that are generally carried to and through the creek.

The City obtained a Brownfields designation for property located on the southern perimeter of the Central City District for purposes of designing a stormwater and groundwater wetlands treatment and flood attenuation facility that will be developed and integrated into a city park. In addition, the facility will serve as the master stormwater detention facility for the Downtown Redevelopment District.

This site is located adjacent to the Historic Train Depot that the City has recently acquired and plans to renovate. The park will provide interconnections to several major rail/trail facilities that connect Downtown Gainesville to the City of Hawthorne and the University of Florida campus. There is an intermodal transportation center under design as well to be located on property adjacent to the proposed stormwater park site.

The City's Electric Utility is in the process of designing a repowering plan for the historic Kelly Power Plant located adjacent to this site. There is consideration of utilizing the reuse water from a nearby wastewater treatment plant. This water is currently being discharged to the Sweetwater Branch downstream of the proposed stormwater park site.

The final proposed treatment facility is located towards the southern terminus of the creek as it enters into the State owned Paynes Prairie Preserve. This treatment facility will provide final treatment of the runoff prior to discharging into the preserve and ultimately into the Floridan Aquifer through the Alachua Sink.

The City of Gainesville intends to utilize the $500,000 from USEPA to fund engineering phase and assist with property acquisition. Additional funding up to $1.3 million is needed to provide total property acquisition and construction. The City of Gainesville is providing funding from the Stormwater Utility Program for portions of this overall master plan as well.

The Depot Avenue Project

The Depot Project includes the reconstruction of approximately two (2) miles of Depot Avenue from SR 331 to US 441 and the development of the Depot Wetlands Park. The Depot Avenue portion of the project is intended to address current safety and capacity issues and includes the construction of two travel lanes, turn lanes, curbs, sidewalks and landscaped medians. Depot Avenue traverses Gainesville from west to east, approximately one-half mile south of, and parallel to, SR 26 (University Avenue). Its western terminus is at the eastern edge of the campus of the University of Florida and its associated student housing development, and its eastern terminus is at SR 331 in Southeast Gainesville. It skirts the southern edge of downtown Gainesville at its mid-point, and its intersection with SR 329 (Main Street) is considered to be the southern "gateway" to Downtown.

Depot Avenue is located adjacent to the existing Depot Avenue Rail-Trail, which is an 8 foot wide asphalt bike trail. It alternately connects an existing recreational park and the proposed Depot Wetlands Park, residential areas, commercial areas, and industrial land uses along its length. The redesign of the road will address these varying conditions and will also provide for the involvement of the neighborhood residents it serves.

The enhancement of Depot Avenue will encourage increased utilization of mass transit, bicycle and pedestrian modes of travel and increase accessibility to a major public heritage and recreation destination for the community. The City of Gainesville's RTS Transportation Center is located on the north side of Depot Avenue directly south of the core of Downtown Gainesville. The Transportation Center is a multi-modal transportation hub for the Regional Transit System, Greyhound, Amtrak and the Bicycle Commuter Facility.

The enhancement of Depot Avenue will also provide infrastructure and improved safety while accessing from downtown and the University of Florida area to the Porters Community, just west of SR 329 (South Main Street) and Southeast Gainesville. The Porters Community lies within Census Tract 2, which extends north of

University Avenue, and Southeast Gainesville lies within Census Tract 7. Census Tract 2 is approximately 37.7 percent African American and Census Tract 7 is approximately 75.6 percent African American (Census, 1990). Approximately 35.1 percent of all families in Census Tract 2 are in poverty and approximately 31.6 percent of all families in Census Tract 7 are in poverty (Census, 1990). The socio-economic conditions of these areas include high crime rates, sub-standard housing, and lack of services and investment. The enhancement of Depot Avenue provides for safer access to the higher employment areas of Gainesville, including downtown and the University of Florida, improving physical infrastructure, including drainage improvements, lighting and streetscaping, and providing safe bicycle and pedestrian facilities that connect both east and west Gainesville to Downtown.

The Depot Avenue Project will provide for beautification, and encourage redevelopment and infill in the urban core of Gainesville and its adjacent areas. This enhancement will provide a region-based incentive for reducing sprawl development in the Gainesville Metropolitan Area by providing an alternative east-west corridor to SR 26 that allows for maximum use of alternative transportation. As a consequence, this project will increase mobility while minimizing pollution and congestion associated with the use of single occupant vehicles.

The Depot Wetlands Park is a proposed 22-acre Stormwater Wetlands Restoration Park that will serve as the stormwater management facility and developed urban recreational park that will serve many adjacent and nearby residential neighborhoods.

As part of the stormwater management component of the project, the facility is intended to provide water treatment for the Depot Avenue Project as well as the Central City District portion of the watershed that is located upstream of the facility. This project is in the planning stages as the centerpiece of a USEPA and Florida DEP funded Brownfields pilot project.

Once constructed the Park will serve as a hub for several existing and planned rail trail bikeways. The Depot Project provides linkages to the Depot Avenue Rail-Trail that links with the Waldo Road Rail-Trail, the proposed Downtown Connector Rail-Trail that links with the Gainesville Hawthorne Rail-Trail, and the proposed 6th Street Rail-Trail. This trail system provides connections between the Downtown area, the University of Florida campus, many residential neighborhoods, and other municipalities. The trail system serves not only recreational users but also serves as an alternative transportation facility.

The Depot Park is home to the Historic Train Depot Building that was recently purchased by the City of Gainesville for purposes of rehabilitation. The Old Gainesville Depot was built in 1907, and was placed on the National Register of Historic Places in 1996. The City of Gainesville was founded as a rail hub linking Fernandina Beach on the east coast of Florida to Cedar Key on the west coast in the mid-1800's and uses a train symbol as its official seal. The Old Gainesville Depot's under-roof, otherwise open loading docks will provide open vistas to the adjacent Stormwater Park. The Depot building will house a unique mix of destination-oriented cultural and commercial uses supportive of redevelopment in the Depot Area, the Depot Park, the rail-trail system, and the RTS Transportation Center. The historic Depot building's unique character and location will serve to make it both a lively destination hub for the neighborhood and a catalyst for further redevelopment of the area south of downtown. The building is a standing testament to and a significant visual emblem of Gainesville's rich history. It is also an historic symbol of transportation choice that is particularly appropriate to its envisioned new uses, the Stormwater Park, the adjoining rail-trail and its nearby connections that are being developed, and to the RTS Transportation Center that will be built across the street. The restoration of this building in conjunction with the restoration of the 22-acre Depot Park is expected to provide a major community destination and regional "eco-tourism" attraction for the community.

The City's Electric Utility is in the process of designing a repowering plan for the historic Kelly Power Plant located adjacent to the Transportation Center, Depot Historic Structure and the Stormwater Wetlands Restoration Park. The planning firm of Dover, Kohl and Partners has recently completed a community-planning process held in conjunction with the repowering project. This community-planning process included the entire Depot Avenue area adjacent to Downtown. The City encourages citizen participation in the community-planning process and actively provides opportunities for participation in the planning of public infrastructure such as the Depot Avenue Project.

The Depot Avenue Project will include property and right-of-way acquisition, design and construction activities at a cost of approximately $18.8 million. The Depot Wetlands Park includes property acquisition, design, remediation and construction activities at a cost of approximately $10.0 million.

PREPARED STATEMENT OF CITY OF DAYTON, OHIO

Chairman Bond, Ranking Member Mikulski, and Members of the Subcommittee, thank you for the opportunity to submit the following testimony which briefly details a concept that we call "Tool Town" for which we are seeking your partnership and support in the amount of $2 million.

Tool Town is an idea that was created by a tooling community and machining task force during the development of the comprehensive plan for the city of Dayton. Tool Town will be a precision metalworking park for the tooling and machining industry located on underutilized industrial property in downtown Dayton. Tool Town will concentrate tooling and machining companies, support services, and educational opportunities in a unique campus-like environment. It will provide the opportunity for companies to share equipment, staff, and resources and to cooperate in new ways to meet a variety of customer needs. This unique approach will not only support the region, but also help the tooling and machining industry compete globally and retain these high-paying jobs in the United States.

In the short term, Tool Town would provide a home for 23 businesses employing over 1,500 people, and through its growth over the next 20 years, would house over 80 tooling and machining businesses and still have the capacity for additional growth. Just within the city of Dayton, this industry would be the direct supplier of 5,600 new jobs and the generator of an equal number of new, spin-off jobs.

Ensuring the success of the tooling and machining industry will help accomplish goals established in our comprehensive plan, including increased per capita income, poverty reduction, revenue generation, and job creation. These goals are relevant to the entire region, especially in areas that formerly were centers of manufacturing and distribution and whose citizens have suffered the most from the loss of those industries and the impacts of urban sprawl. The creation of Tool Town will support the long-term viability of the tooling and machining industry and provide jobs for people who need them.

Tooling and machining businesses can provide secure, well-paying jobs with benefits and the potential for advancement. The jobs are available to a high school graduate after a nine-month training program at Sinclair Community College, located in downtown Dayton. Sinclair has a tooling and machining certification program that is recognized as the best in the United States.

The average graduate has a minimum of three job offers and all graduates get jobs. They are also designing a new curriculum to provide advanced training which will produce "top gun" machinists.

The development of the Tool Town campus will also demonstrate the feasibility of reusing brownfields. We have already received an U.S. EPA Brownfield Pilot Program grant to complete an environmental assessment and develop a reuse strategy for this site. A successful brownfield project in our region will stimulate similar activities on other underutilized and abandoned industrial sites. Its location in the urban core permits economic development without additional major investments in public infrastructure by reusing the existing roadways and utilities that are already adequate to support full development of this site.

REGIONAL STRENGTHS

The Miami Valley region has tremendous strengths in tooling and machining. We are the fourth largest concentration of tooling and machining industries in the United States. A recent survey of 11 counties in this region[1] indicates that there are currently over 825 tooling and machining companies employing approximately 26,000 people. This represents a $1 billion yearly payroll and $2.2 billion annual sales revenue.

The industry is growing in our region. In the last five years, the number of jobs in tooling and machining has increased by 22.7 percent. This is compared to a total employment growth rate of 5.3 percent in the Dayton-Springfield area and 7.1 percent in the state of Ohio.

We have a wide breadth of capabilities in the industry, including precision machining; molds; and special machines, processes, and services. We have the ability to meet a variety of customer needs through cooperating among area firms.

Educational opportunities are also a regional strength. As mentioned above, Sinclair Community College is located near Tool Town and is currently providing train-

[1] Survey completed by the Center for Business and Economic Research, the University of Dayton, Survey area includes Butler (northern portion), Champaign, Clark, Clinton, (northern portion), Darke, Greene, Miami, Montgomery, Preble, Shelby, and Warren (northern portion) counties.

ing for this industry. They are also working with Dayton Public Schools on a possible joint venture to be located at the Tool Town campus.

PARTNERS

There is a network of partners already involved in and committed to this project. Partners at the local level include public and private organizations such as the Dayton Tooling and Machining Association, whose members have contributed $250,000 to provide two years operating capital for the Tool Town Foundation; Montgomery County; Sinclair Community College; the Brownfield Redevelopment Authority; and the Miami Valley Economic Development Coalition. Local funding contributions toward tooling and machining initiatives represent over $1.7 million, including the construction of the Dayton/Miami Valley Entrepreneurs Center, an Edison technology incubator to be located in tool Town. Local in-kind contributions represent $835,000 worth of staff time dedicated over the next three years to implement these initiatives.

At the state level, the Ohio Department of Development has pledged operating funds for the Entrepreneurs Center of up to $200,000 a year and the Ohio Department of Transportation is supporting our application for a Transportation and Community and System Preservation Pilot Program (TCSP) planning grant for the Tool Town campus.

As previously mentioned, the federal government is also partnering on this project, including awarding Dayton a U.S. EPA Brownfield Pilot Program grant and the U.S. Economic Development Administration contributing $1.1 million toward the Entrepreneurs Center. We were also selected to participate in the final round of the TCSP grant program and hope to receive a $300,000 planning grant for the Tool Town campus. In addition, the city of Dayton has allocated $670,000 of our HUD funds toward acquisition of a former foundry that comprises 11 acres of Tool Town.

CONCLUSION

The tooling and machining industry is globally significant. It has a bright future. It is the core technology of every kind of manufacturing and is essential to research and development, not to mention our country's infrastructure, space program, and defense readiness. It is essential, that as a nation, we maintain our ability to engineer, build, and maintain tools.

While the global market presents opportunities there are those who are working hard to take this lucrative business away from the United States. The Pacific Rim countries already have 40 percent of the world market in this industry, equivalent to the United State's share, and their stated plan is to acquire 80 percent of it. Tool Town will be a national demonstration project of a new way for businesses to work together to meet this challenge. It will help ensure that the United States will increase its share of this industry in the new century.

PREPARED STATEMENT OF THE HABITAT FOR HUMANITY INTERNATIONAL

Mr. Chairman, Ms. Ranking Member, Distinguished Members of the Committee, colleagues, and guests: It is a privilege to testify on behalf of legislation which advances the opportunity for low-income people to achieve the American Dream of homeownership. Habitat for Humanity has two basic goals: To build houses with—not for—persons who in no other way could own their homes; and to make it a matter of conscience that everyone deserves a simple, decent place to live. The SHOP and Capacity Building programs support and advance both of these goals in important ways.

Before I illustrate just how much of an impact these programs make, allow me to describe Habitat for Humanity International and its role in the process. Habitat for Humanity is an ecumenical Christian organization; for 23 years, we've been building houses with people in need throughout the United States and much of the rest of the world. Last fall, Habitat dedicated its 70,000th house. In little more than a year, we expect to complete our 100,000th house. The families who move into these houses make monthly payments on no-profit, no-interest mortgages; they also contribute as much as 500 hours of "sweat equity." Habitat for Humanity offers these families—chosen without regard to race, religion, sex, or national origin—a "hand up," not a handout. Habitat's nearly 1,500 affiliates in the United States select homeowners on the basis of need, their ability to pay the no-interest mortgage and their willingness to partner with us (invest sweat equity). Each of these affiliates carries 501(c)(3) non-profit status and is directed by its own locally elected vol-

unteer board of directors. Only about one of every four affiliates has any paid staff; the rest are operated entirely by volunteers.

Habitat uses two federal programs to help "set the stage" for its homebuilding: the Self-Help Housing Opportunity program (SHOP) and Capacity Building. These programs make grants to Habitat for Humanity International, which, in turn, makes grants to its affiliates in all parts of the country. Habitat is strictly accountable to the Congress for use of program funds. We make regular reports to the Secretary of HUD.

The Congress last year re-authorized SHOP and Capacity Building for fiscal year 1999 and fiscal year 2000; now the programs await appropriations for which national and regional non-profit groups will compete. SHOP and Capacity Building merit appropriation of funds, because they work. At Habitat, for example, we're on track to build more than 4,000 houses with the SHOP 1996 and SHOP 1998 awards we've received—in fact, when the building is done, we'll have built about 400 more homes with the assistance of the two SHOP grants than our agreement with HUD calls for. SHOP funds are used only for land and infrastructure. Organizations awarded funds must average one house built for every $10,000 included in the two-year grants (we're averaging $9,071 for each SHOP 1996 house and $8,086 for each SHOP 1998 house). At Habitat, our affiliates are responsible for raising the rest of the funds to build each house, which, on average, costs at total of $43,251.

In the three years since the inception of SHOP, Habitat for Humanity and Housing Assistance Council have been the primary users of the funds. SHOP has made a significant impact on housebuilding among Habitat's affiliates in the U.S.; affiliates participating in the program built 60 percent more units in 1998 than they did in 1996. Every day, we see SHOP do exactly what it's meant to do—give Americans in need the chance to move into their own homes and slip the bonds of poverty. We respectively request that $20 million be appropriated for SHOP for fiscal year 2000.

The Capacity Building program allows Habitat for Humanity International to fund affiliates' initiatives to increase the number of houses they build. Affiliates are required to show us how Capacity Building funding can help them increase homebuilding volume by at least a 15 percent increase. With Capacity Building funds from the Supplemental 1997 budget, 62 Habitat affiliates plan to increase homebuilding volume by 169 percent in the next three years!

Capacity Building funds are used in two ways. Approximately one-third of the funds helps provide technical assistance to affiliates through the support of affiliate managers (each affiliate manager advises 30 affiliates). Affiliate managers provide a variety of training to local volunteers, resulting in increased production of Habitat homes. Approximately two-thirds of Capacity Building funds are made available to local Habitat affiliates to provide equipment and persons to develop capacity to increase house numbers. Since no more than one-fourth of Habitat affiliates have any staff and since Habitat's experience is that even one staff person raises the numbers of houses almost exponentially, affiliates may apply for funds for staff positions on a three-year diminishing basis (100 percent funding the first year, 75 percent the second year, 50 percent the third year). This method motivates affiliates to take full responsibility for staffing by the fourth year. Many more affiliates seek these funds than can be accommodated. It is important to note that each affiliate must first raise $3 for each $1 in Capacity Building funds it receives. We respectively seek $10 million to be appropriated in fiscal year 2000 for Capacity Building.

SHOP and Capacity Building are not about statistics or processes; they're about building hope for Americans who have so little. I could not describe these programs adequately if I didn't offer at least a few examples of the lives they have touched.

Minnie Burgess, a new Habitat homeowner in Miami, Fla., only dreamed of homeownership before she heard of S.H.O.P. and Habitat. She spent much of her time keeping eight grandchildren from the drug dealers milling about her former apartment complex. Today, thanks to Habitat and S.H.O.P. funds, she and her family live in a safe neighborhood.

"I can't even explain what Habitat has done for me and my grandkids," Burgess said. "We're all prouder now and have room to get around a little more."

Carol Seumptewa, a Habitat homeowner in Arizona, couldn't afford a decent house for her 21-year-old quadriplegic daughter and herself on her receptionist's salary. But because of S.H.O.P., they will soon move into a brand new handicapped-accessible home equipped with a roll-in shower, lower sinks and handrails.

SHOP also helps improve lives by fighting crime. A Habitat-developed subdivision in Lynchburg, Va., deters wrongdoing through design features incorporated in its street layout, landscaping and lighting. The 88-home development—Jubilee Heights—can be traced to S.H.O.P. money that "set the stage" for housebuilding.

Capacity Building is also building a repertoire of success stories at Habitat. One of the best examples is that of four affiliates in the Mississippi Delta area of north-

west Mississippi that are putting Capacity Building funds to work to hire a resource developer who will target other sources of funding. The new fund-raising impetus is expected to result in about 20 houses in less than three years. It's just one instance of how Capacity Building provides the seed money for even more resources that accelerate housebuilding.

There is a story behind every new house. SHOP and Capacity Building are changing lives one family at a time and thousands with each grant. Let's keep the momentum going. Appropriations of the SHOP fiscal year 2000 and Capacity Building fiscal year 2000 programs will see to it that more Americans build better futures.

PREPARED STATEMENT OF ST. JOSEPH'S HOSPITAL HEALTH CENTER

Mr. Chairman, thank you for the opportunity to submit this testimony and for the support that this Subcommittee gave to St. Joseph's Hospital Health Center last year. St. Joseph's, located in downtown Syracuse, New York, is a non-profit 431-bed hospital and health care network providing services to Onondaga County and to patients from 15 surrounding counties. St. Joseph's is best known for its ranking as the #1 hospital in New York State for open-heart surgery in terms of lowest overall mortality rate. We are very proud of this ranking, which we have held for three consecutive years. What many people do not know is that we are also the largest hemodialysis center outside metropolitan New York. My statement is focused on these two areas of expertise at St. Joseph's and how we plan to initiate a chronic disease management model that will benefit our current patients with heart and kidney disease and enhance the quality of life for at-risk patients in the region. We see this initiative as one with not only health enhancement benefits but also with significant positive economic implications for the community and the region.

St. Joseph's provides over $7 million in bad debt and charity care to our service region. This comes to about 4 percent of our operating budget. This number has steadily risen over the years and we feel it will continue to do so unless some dramatic steps are taken. In order to increase access to patients who are underserved and at-risk for disease, we have implemented a program of "patient-centered care." We believe we achieved our #1 ranking for cardiac care through this process, which employs a secondary prevention model for disease management. By applying a multidisciplinary team approach to heart disease and preparing patients before surgery and rehabilitating them after, we have reduced mortality rates as well as the number of second hospitalizations. We have done this to improve the overall health of an underserved and underinsured patient base, but also for practical financial reasons. While our rehabilitation and education programs for our cardiac patients are largely unreimbursed, we are rewarded by having to perform less expensive charity care on patients who would typically end up back in the hospital without disease management.

Recognizing that early assessment is important to reducing the number of expensive treatments required later in life, St. Joseph's instituted a Wellness Place at a local mall so that people could stop in at their convenience. The Wellness Place provides free, general health screenings such as blood pressure readings, cardiac and diabetes risk assessment, counseling and patient education and seminars. Last year, approximately 15,000 people used the Wellness Place. Nearly 1000 of these people were determined to be at risk for heart disease, diabetes, or vascular problems. These individuals were offered follow-up services intended to change lifestyle, such as nutritional counseling, smoking cessation, exercise programs and other similar regimens. They were also offered a choice of primary care physician if none was identified. This is all done at considerable unreimbursed expense to St. Joseph's but with the knowledge that a great deal of money will be saved in the long run—for the patient, the Medicare system and the hospital. The most dramatic economic implications I mentioned are encompassed within this concept—but not all. At risk patients are working people who may lose jobs if their disease progresses. It is important to realize, however, that patients with diagnosed diseases or who have congestive heart failure, may still work and lead productive lives if an effective disease management program is initiated at the earliest stage possible. The other economic benefits come in the form of the support required for this program. I will detail those later in this statement.

Assessment is the first line of defense in chronic disease management; but, there are many other factors involved after this step is taken. A program for management of disease must adequately educate patients and then foster a sense of individual responsibility for the importance of following prescribed regimens. This takes a great deal of initial monitoring and time spent with patients by telephone, at community health centers, and in the home. This also requires coordinated community

participation by physicians, nurses, pharmacists, physical therapists, educators, behavioral specialists and even employers.

Diabetes, leading to kidney disease and kidney failure, is the most expensive disease in the country. The second most expensive, and #1 admitting diagnosis for Medicare, is congestive heart failure. The U.S. spends more than $7 billion annually in Medicare dollars for these diseases. The clinical relationship between chronic kidney failure and heart disease (e.g., high blood pressure) requires similar early intervention techniques as well as later management, treatment, and rehabilitation. Utilizing resources already developed and in place for our cardiac rehabilitation program, St. Joseph's is proposing to further develop a chronic disease management program focused on hemodialysis. Combining resources in this way will be cost effective and has the potential to radically change the management of kidney disease.

The specific objectives of the program will begin with early identification. Timely referrals to a nephrologist can be improved so that more aggressive treatment can be initiated to prolong kidney function and allow better preparation of the patient for dialysis. Second, we will identify, investigate, evaluate, and implement technology that will promote in-center self care and home hemodialysis modalities. The Aksys Corporation has developed a product that has the potential of achieving this objective. Third, we will utilize the St. Joseph's Cardiac Rehabilitation Model for the renal patient. This model will emphasize education and exercise with the goal of improving the percentage of patients that stay employed, reduce frequency and length of hospitalizations, and improve patient acceptance of and control over disease processes. Finally, we will apply our disease management techniques to our overall goal of reducing the percentage of candidates for kidney transplantation. The ultimate goal of the renal patient and the health care industry is to have renal patients lead a "normal" life. Currently, kidney transplantation is the modality that is most associated with that goal.

Our history of service and specialization in the areas of cardiac and kidney disease has proven that there is a demonstrable need for a chronic disease demonstration in these areas for the Central New York region. The demonstration will involve relationships and initiatives in Dialysis, Cardiac Care, Home Care, and Wellness. What we lack at this point, is a facility that can be shared by both cardiac and dialysis patients. Our current dialysis facility, the largest outside the New York Metropolitan area, is woefully inadequate in every way. The facility was originally built as a modular, temporary, unit over 20 years ago. We now treat our overload of patients in the hallways and have legitimate safety concerns that come with overcrowding and questions as to the future structural integrity of the plant itself. We have not replaced this facility for financial reasons but, fortunately, have been able to treat patients satisfactorily. We have three satellite clinics in the region that are also operating at capacity. Our goal is to implement our demonstration program in an on-campus facility that will provide the space needed for dialysis, exercise facilities, classrooms, meeting rooms, examination rooms, and nurse and allied professional training space. Training of personnel is an important aspect of implementing an innovative chronic disease model.

In terms of economic development for the region, we believe that keeping our patients healthy and productive will have the most dramatic impact on the economy albeit in the long term. For the shorter term, we believe the training programs that we currently provide and will expand in areas such as home care, nursing, rehabilitation specialists, and counseling, to name a few, will bring employment opportunities to people in and around Syracuse. As we expand our efforts, we will likely train people outside the immediate area to be able to serve the outlying areas where our satellite clinics are and in homes in more remote locations. The facility we envision will also provide many construction jobs over the next couple of years. The two-story facility, equipment and program operation will cost approximately $12.5 million. St. Joseph's has requesting Federal partnership grant funding of $5.1 million that will also cover start-up operating costs. We estimate, based on our current services, that our operating budget will exceed $5.5 million per year.

As you know, St. Joseph's received $750,000 last year to begin the planning and site preparation necessary for the new Center. We are very grateful for this support and urge you to complete this investment with an additional $2 million in fiscal year 2000 toward our total requested federal share for the intiative. Having made this request, which we realize is considerable, we would like to assure the Subcommittee that St. Joseph's will provide, through private sources, the remainder of the estimated total for this effort or $7.4 million.

We recognize the magnitude of this request but believe wholeheartedly that this facility, and the implementation of our chronic disease management model will repay this initial investment many times over in terms of Medicare savings and in terms of providing a national model for replication across the country.

Thank you.

PREPARED STATEMENT OF THE VILLAGE OF FREEPORT, LONG ISLAND

Chairman Bond and members of the Subcommittee, I am Mayor William F. Glacken of the Village of Freeport, Long Island.

I appreciate your receiving this testimony from me about the revitalization of the Freeport Nautical Mile, a critical project affecting our Village and Region. Representative Peter King is fully aware of the importance of this project to our community, and has written to you in support of our project.

The Village of Freeport is the largest Village on Long Island's South Shore. It is located approximately 25 miles east of Manhattan. We have a population of approximately 50,000, making us the second largest Village in the State of New York.

Freeport is one of Long Island's historic commercial, residential and recreational centers, with a history of settlement stretching back over 300 years. We have welcomed successive waves of immigrants throughout our history. Large percentage increases in our population occurred at the turn of the century, in the 1920's, and particularly in the rush to the suburbs which followed World War II. Our identity as a multiracial, ethnically diverse community goes back for decades. I am particularly proud that in our community black, white and hispanic residents are almost equally represented in our total population. These residents are also equally committed to building their futures in our Village. I know they represent a tremendous asset in making Freeport a model for 21st century growth and cooperation.

As an older suburb, we share many of the problems and challenges that face urban areas and small cities. Our central business district has been "hollowed out" by competition from regional shopping malls. We have a high property tax burden in relation to other areas of the County and region, due in large part to a growing school system with a higher than average population of children at risk and new immigrants with limited English language capability.

When I came into office two years ago, the Village faced a looming deficit and a true financial crisis. In addition, Freeport had not made necessary infrastructure improvements needed in our waterfront and central commercial areas to retain small businesses and attract visitors. With hard work and tough decisions, we have stabilized that situation, but this is the situation and the context in which we face the project I want to talk about with you today: the Revitalization of one of the Freeport's priceless assets, our working waterfront, "The Nautical Mile."

Freeport is one of New York State's Historic Maritime Centers, the largest one within Long Island's South Shore Estuary. It is the only large, diverse working waterfront in Nassau County, home to commercial fishing vessels, fish markets, boat sales, seafood restaurants, charter boats and marine-related businesses and shops. Although it has been a vital engine of economic and recreational activity for more than a century, a number of factors including the economic downturn of the early 90's, changes in the region's commercial fishing industry, the closing of several marinas which had been long time anchors on Woodcleft Avenue, and a deteriorating infrastructure caused by recurrent flooding and postponed rehabilitation contributed to decline along The Nautical Mile.

We needed to act to save the Nautical Mile from irreversible decline. We have acted. We have begun to implement one of the most ambitious revitalization projects now underway in Nassau County. In the coming months, the entire one mile length of Woodcleft Avenue will be raised by as much as 2 feet as necessary to finally end the recurrent flooding that has hit our businesses so hard. Magnificent water views and public access to the water along boardwalks and bike paths will be opened, as the Village develops the Little Swift Creek Recreational Facility at the water gateway to Woodcleft Canal. A new 11 foot wide brick-paved Promenade will replace existing narrow walkways. Utility lines will be relocated underground and decorative lighting installed to further enhance the Nautical Mile. A new pier and Esplanade will be built at the center of the Nautical Mile on the grounds of the Long Island Maritime Education Center, a unique museum and educational facility also known as "The Seaport at Freeport" and the only satellite program managed by the South Street Seaport Museum.

We are also working to consolidate some of our wholesale and retail fish marketing to a "mini-Fulton Fish Market" to help retain and strengthen the Nautical Mile's remaining commercial fishing ventures. And finally, working with Nassau County we hope to reconstruct the road which Freeport named for one of its celebrity citizens, Guy Lombardo Avenue, to provide a thematically designed link between the Nautical Mile and our currently economically distressed central business district.

This ambitious project has stretched our resources to the maximum. Protecting and revitalizing Freeport's waterfront has been recognized as a regionally significant project, and we have received critical support through competitive proposals that have won support from FEMA, federal ISTEA funds, Empire State Development and other State agencies, and from private industry. I am requesting $4.2 million today from your Committee to provide vitally needed assistance that will ensure the momentum we need to make the Nautical Mile Program a success. I thank you on behalf of all of Freeport's citizens for your consideration and help in working with us to build Freeport's future on high ground.

PREPARED STATEMENT OF THE UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to submit this testimony to your hearing record. As President of the University of the Sciences in Philadelphia (USIP), I make an appeal on behalf of both campus and community. The University of the Sciences in Philadelphia, formerly known as the Philadelphia College of Pharmacy and Science, has been a member of the Philadelphia community since 1821. USIP is the oldest institution of higher education in the field of pharmacy in the country and holds the very special distinction of having most past and current pharmaceutical founders and/or CEOs in the country as alumni. The specific purpose of my statement is to make a case for federal assistance to develop a highly visible, 11.2-acre tract of land donated to the University by the Unilever Corporation, parent company to Breyer's Ice Cream. This piece of land is adjacent to the University and actually doubles the size of our city campus and provides USIP an unprecedented opportunity to significantly change the face of our West Philadelphia community.

The University of the Sciences in Philadelphia has developed a $100 million campus development plan that will take 20 years to complete. This would include off-street parking facilities for students, a new academic building to showcase the University's science programs, a new field house to address the long-standing and critical need for recreational facilities, a new laboratory building and/or a new dormitory. All of these will be built around a central quadrangle of open space, which will enhance the University's unique green, urban environment, and provide a link for an existing community park, The Woodlands, and a proposed Botanic Trail. A new 650-space parking lot will help ease congestion and parking issues in the community, freeing up space for commuters who use the trolley, residents, and consumers at local businesses.

Presently, the University campus is somewhat fragmented. A major thoroughfare into downtown Philadelphia runs through the center of the campus and currently contains pedestrian, vehicular, and trolley traffic. On the southwest side, the campus backs up to the historic Woodlands Estate now located in a 55-acre cemetery. While this is being promoted as a tourist attraction as part of a West Philadelphia revival effort, very few tourists would venture beyond this point. On the other side of the campus, the 11+ acre tract containing the abandoned Breyers Ice Cream plant abuts a newer part of the campus.

The first phase of this plan addresses current safety and appearance issues. It involves the demolition of the ice cream plant that covers more than half of the total acreage of this new plot. This structure, parts of which are 75 years old, has fallen into a state of severe disrepair. Since Breyer's Ice Cream left the Philadelphia region, this dilapidated, abandoned structure has been an eyesore for the community as well as a reminder of lost jobs. In addition to the removal of the Breyer's Ice Cream plant, the first phase of the development plans calls for improving the safety of the campus, beautification of the area and creating a more integrated campus. To address these concerns, the University of the Sciences in Philadelphia plans to make several improvements to the roads bordering or running through the campus. These include redesigning traffic patterns and parking around the campus to be safer and more efficient for pedestrians and commuters; and developing a clearly delineated, geometrically-organized system of pedestrian pathways and open spaces linking the southern and northern campuses.

Philadelphia is a federally designated Enterprise Zone, but the University's neighborhood is just beyond the boundaries of this Center City-focused initiative. The University of the Sciences in Philadelphia, however, is located in West Philadelphia, an area recognized by the Economic Development Administration as an area eligible for federal assistance. The average income for West Philadelphia residents is half of those living in Center City and Chestnut Hill/Mount Airy. The news stories, highlighting crime activity, and general appearance of pockets of West Philadelphia, has been a major concern for prospective students from outside the area.

Unlike other area universities and colleges where the safety of students has forced many institutions to become contained communities, students at the University of the Sciences are active participants in the Philadelphia community. Our students gain valuable training and professional experience from the local community and feed this experience into Philadelphia's growing health care, pharmaceutical and biotechnology economies. These include 160 hospitals, 150 research labs, five medical schools, schools of dentistry, podiatry, optometry and veterinary medicine as well as seventy-five percent of the United States pharmaceutical firms, all located within a two-hour drive of Philadelphia.

The University of the Sciences in Philadelphia is scheduled to receive $369,000 in earmarked funds through the recently enacted TEA–21 legislation. These funds will be requested as reimbursement in the costs of the beautification of streets surrounding the campus, the development of open green space, and the relocation and diversion of certain side street traffic.

These efforts will contribute significantly to redevelopment efforts currently underway just to the north with very positive implications for the residents of the immediate community in terms of safety and beautification. Recognized by the federal government as an area eligible for federal assistance, the University of the Sciences in Philadelphia is seeking a $3 million HUD Economic Development Initiative (EDI) grant in the fiscal year 2000 VA, HUD and Independent Agencies Appropriations bill. This Federal help will allow revitalization in West Philadelphia to happen more quickly and lessen hazards associated with abandoned property and mixed traffic thoroughfares.

The proposed campus expansion plan will provide numerous benefits to the University, the community and the City of Philadelphia, including increased job opportunities, a safer community and reduced traffic congestion. The University of the Sciences will be better positioned to continue its long-standing tradition of educating health care professionals. Unfortunately, this will not be possible without the development of this donated land. Regardless of the development plans of the University, the Breyers Ice Cream plant is a hazard, not to mention an eye-sore to the community, that is in desperate need of removal.

On behalf of the students at the University of the Sciences and the community of West Philadelphia, I thank you for your time.

PREPARED STATEMENT OF THE TUBMAN AFRICAN AMERICAN MUSEUM

Mr. Chairman and Members of the Subcommittee, as Director of the Tubman African American Museum I appreciate the opportunity to submit testimony for the record addressing the economic development initiative developed for the Tubman African American Museum.

The Tubman African American Museum is located in Macon, Georgia and is Georgia's largest African American Museum. Founded in 1981, the Museum is dedicated to educating all people on aspects of African-American art, history, and culture. In addition to its permanent and visiting art exhibits, the Tubman hosts concerts, plays, celebrity storytelling and frequent lectures by well-known authors. Through workshops, festivals, publications, youth camps, special events, and community and school outreach programs, the Tubman offers school children and the residents of Macon, Georgia a forum for social and cultural understanding in an accurate and historical perspective.

Mr. Chairman, the Tubman African American Museum is clearly a leader in educating people about African-American art, history, and culture. Numerous articles in national publications attest to the fact that the Museum is already having a large impact on many lives. Recent articles in the Washington Post and the Wall Street Journal and segments on NPR, PBS, and CNN highlight the positive influence the Tubman is making in the Macon community. The Tubman not only provides resources to the local community, the Georgia Council for the Arts also recognizes the Museum as the 38th out of 184 art organizations in the State of Georgia.

The Tubman's popularity and public visitation continues to grow at a rapid rate. In the last five years, the Tubman has grown from less than 5,000 visitors in 1992 to more than 65,000 in 1997. We have documented that visitors come from around Georgia and from all fifty states to visit the Tubman African American Museum. As audiences grow, it is apparent that the Museum's current facility is no longer adequate to accommodate the dynamic and popular educational and community programming.

The Tubman African American Museum is literally bursting at the seams. Large school groups are often turned away due to the lack of Museum space. The lack of physical space also makes it difficult to meet the public's demand for public lectures,

workshops, and summer camp, forcing the Tubman to rent space "off-campus" for these activities.

The turn-of-the-century building that currently houses the Tubman is substandard in many ways. The ceilings throughout the building are eight feet tall, making the facility inadequate for many exhibitions. In addition, the current facility does not have a loading dock or elevator, limiting the Museum to a variety of exhibits. Limited space at the Tubman also confines the Museum to only display 5 percent of its permanent and prized collection, "The Noel Collection." The Noel Collection represents thirty years of Lynn and Michael Noel's acquisition of thousands of pieces of African-American art. As a contribution to understanding African-American art and culture, the Noels have honored the Tubman with pieces of their collection to display at the Museum. Unfortunately, about ninety-five percent (95 percent) of the collection is in storage in Houston.

In 1997, as a result of the Tubman's facility restraints, the Museum's Board of Directors and Executive Director undertook a long-range planning study to determine ways in which the Museum can appropriately expand its services to state and regional suffices and to position itself as a primary tourist attraction. After carefully planned research and feasibility studies, the decision was made to build a new Tubman African American Museum seven times the current size. The new Tubman African American Museum will be located in the heart of downtown Macon. Positioned downtown near the Georgia Music Hall of Fame and the Georgia Sports Hall of Fame, the new Tubman African American Museum will be another added attraction to bring tourists to vibrant downtown Macon.

The development of a new Tubman African American Museum promises great economic growth for downtown Macon, Georgia. In fact, this initiative is one of the top priorities for the "New Town Macon," Macon's downtown revitalization organization. The Mayor of Macon, City Council, County Commissioners, and a wide range of community organizations have endorsed this project as an important component of downtown's economic development efforts. To this end, the City and the County have pledged funds in support of the new Tubman. In addition to public funds, the Tubman has initiated a private capital campaign to raise funds for the $15 million project.

Mr. Chairman and Members of the Subcommittee, I urge your careful consideration in awarding the Tubman African American Museum with an Economic Development Initiative (EDI) grant in the amount of $5.2 million. An Economic Development Initiative grant would complement our community, state, private, and local support and funds for the Tubman's program growth and facility expansion.

With the Tubman's history of contributing to Macon's social, economic, and educational growth, we hope that the Senate Appropriations Subcommittee on Veterans, Housing and Urban Development, and Independent Agencies will take careful consideration in awarding the Tubman a grant for fiscal year 2000.

Mr. Chairman, I would like to take this opportunity to thank our Georgia Senators, Senators Paul Coverdell and Max Cleland, and their staffs for their leadership and efforts in supporting this project. The Tubman African American Museum and the citizens of Macon appreciate their commitment and hard work.

Mr. Chairman, thank you for this opportunity.

PREPARED STATEMENT OF THE CITY OF NEWARK, NEW JERSEY

Mr. Chairman and members of the Subcommittee, thank you for giving us the opportunity to submit testimony about projects under your jurisdiction that are critical to the people of Newark, New Jersey. Newark is truly at a crossroads: we are a City with all of the problems of many major urban centers, but we are also a City with vast potential. We have begun to turn the corner—there is a renewed vitality and sense of optimism in Newark.

Our downtown is undergoing vibrant revitalization. The acclaimed New Jersey Performing Arts Center (NJPAC), which includes a new public plaza open space, opened in 1997. An adjacent waterfront park and historic area along the Passaic River is scheduled to begin construction by the U.S. Army Corps of Engineers later this year, and a minor league baseball stadium where the Newark Bears will begin to play this summer is almost completed. Renovated office buildings, and new retail spaces add to the mix of activities which are all changing the face of Newark. But we know that the renaissance of our City cannot just happen in the downtown business and arts center; it must also include the residents and their neighborhoods in meaningful, substantive ways. The proposals for economic development activities outlined herein may be disparate, but they all relate to improvements in the quality of life for residents of and visitors to Newark.

Newark is the largest City in New Jersey, with 275,221 residents in 1990, and ranks sixty-third in the nation in population. Newark's twenty-four square miles of land makes it the smallest of the country's top one hundred cities, with the fifth highest population density in the nation. Much of our land is taken up by Newark International Airport, higher education and medical facilities, and other institutional uses, increasing the density of our actual "livable" space. The median family income, according to the 1990 Census, was only $25,816—as opposed to $47,589 for the State—and our population is five years younger than the State average. Twenty-nine percent of our population was under the age of 18, and twenty-six percent lived below the poverty line. For people living in these conditions, there are basic needs which must be met: the availability of open space and recreation areas, the availability of jobs, and the availability of an infrastructure which is conducive to the development of business and industry.

Fundamental to the goal of bringing Newark back is the revitalization of its neighborhoods. Key to this improvement is the revitalization of municipal parks in some of our poorest and most densely populated areas, in full partnership with neighborhood residents and community based organizations. Toward this end, the City of Newark seeks the assistance of this Subcommittee in securing funding to execute a plan to revitalize neighborhood municipal parks. Projects have been selected in each of the City's five wards, with specific strategies developed for each. The City of Newark will make every effort to match dollar for dollar federal support through its operating and capital budgets, staffing and in-kind services. Support is also expected from the private sector, including foundations, corporations and individuals.

The City's Department of Neighborhood and Recreational Services will embark on a community partnership for parks strategy, currently being tested in the largest municipal park, Jesse Allen Park. A local grassroots campaign with advertising will be coordinated to invite all neighborhoods surrounding each of the thirty-five small city parks to collaborate and make theirs a community park according to the established process. In each of the cases described below, a "Friends Of" park association is being formed of citizens who live around the park, and anchoring community institutions, such as schools, the faith-based community, community development groups, and local agencies. Each association will be helped by the City to form a board and become a 501c3 non-profit organization. Each group will be expected to get at least 10 percent of the surrounding neighborhood residents to join the association and donate at least one dollar, and will participate in joint orientation and training with peers from similar groups city-wide. The City will award additional funds for that particular park, which the "Friends Of" group will help to administer to execute improvements and create programming. It is anticipated that funding will be in the amount of $1,000 per acre of park, plus matching with various foundation and corporate partners.

Federal support will be utilized to match municipal capital investment in improvements. The City administration will maintain its current efforts and services, such as lawn mowing, trash removal and basic landscaping. In addition, our comprehensive strategy will include support from other municipal departments. The Engineering Department will address capital needs, develop comprehensive physical plans and drawings for each park, compiled in consultation with the community group. The Police Department has pledged to create walk-ride units of officers who patrol in and between specific parks, train watch groups who undergo association training, and organize police youth and adult athletic leagues to compete in the parks. The Newark Public Information Office will coordinate the communications and media strategy, both for initial outreach and with each association in determining its own campaign direction and format.

The specific municipal parks that have been identified for participation in the demonstration project and the unique strategies for each are briefly described below.

Riverbank and Independence Park in the East Ward.—These parks are in the crowded Ironbound section, where the neighborhood has very little open space. The City is working with local groups to develop the designated park area near the Passaic River with jogging trails, soccer fields, and new open space.

Jesse Allen Park in the Central Ward.—This park is adjacent to one school and near several others. It was recently the focus of several discussions and meetings with community groups. It is in the heart of the City's poorest area, and has been subject to repeated vandalism. The City and the newly formed Jesse Allen Park Association are working jointly to develop and execute a plan that includes the refurbishment of ballfields, a revitalized playground, a new concert area, and security measures.

Kasberger Field in the North Ward.—These playing fields and recreation area are virtually hidden in the neighborhood in North Newark. It has attracted the atten-

tion and interest of many little league groups who want to help fix up the facility for ongoing use. A security fence, lighting and better drainage have been identified as vital needs.

Boylan Center and West End Park in the West Ward.—Boylan is the only City recreation Center in the West Ward, and West End is the only municipal park. Both need landscaping, furniture and signage to better serve their local area populations.

Mildred Helms Park and St. Peter's Recreation Center in the South Ward..—Mildred Helms is a long narrow park in the heart of a dense residential neighborhood. It adjoins an elementary school, but is littered with crack vials, debris and broken glass, and has broken playground equipment. Yet the area children play there daily, as it is the only open space in the immediate area. This is a site where neighborhood organizing will potentially enable substantial change in the environment. St. Peter's is a complex including basketball courts, a pool and a center building on the other side of the ward. This facility, too, is in need of community support to overcome chronic vandalism and return it to full utilization.

The City of Newark is seeking the support of this Subcommittee for a $5 million allocation to help to implement the City's overall strategy for park and neighborhood revitalization. Based on community partnerships and a sense of pride and ownership, the children of Newark will truly have the opportunity to be a part of the City's renaissance.

The second project is one that will have a tremendous impact on the redevelopment of industrial property close to Newark International Airport, known as the Airport Support Zone. In order to accommodate the expanding businesses which must be close to the airport and Port Newark/Elizabeth, adequate drainage and unflooded roadways are necessary. Simply put, the roadways in this area are prone to flooding, making access to local firms and homes impossible. Motorists are often stranded during severe rain, and the ground floors of some area businesses become waterlogged.

The South Side Interceptor/Queens Ditch are the principal stormwater conveyances draining the southern part of the City of Newark. The South Side Interceptor picks up stormwater in the vicinity of Weequahic Park and carries it to the Queens Ditch in the vicinity of Newark Airport. Queens Ditch empties into the Airport perimeter ditch, before discharging into the Newark Channel at Port Newark. Both conveyances suffer from collapsed sections, heavy sedimentation due to relatively flat gradients, and other blockages. The result is insufficient capacity, leading to flooding on several key traffic arteries. Major rehabilitation is required to restore flow and capacity.

The project is critical to support expansion of Newark Airport. The redevelopment of Frelinghuysen Avenue—the heart of the Airport Support Zone—and the Waverly Yards property—an old railroad facility directly across Rte. 1 from the Airport—are vital. This area is located immediately adjacent to the Northeast Corridor, the Airport Monorail Extension, and a proposed conference center and hotel complex. Reconstruction of the South Side Interceptor will eliminate the flooding problems on Frelinghuysen Avenue, especially in the vicinity of the critical connections with Route 22 and I–78. The removal of standing water will enhance the connections of this area to Newark Airport and further its development as an Airport Support Zone. The rehabilitation of the Queens Ditch will reduce flooding in the vicinity of International Way and Waverly Yards. The combined project cost is estimated at $10,000,000.

The Newark Museum's New Science Initiative is another project which ties together economic development, community outreach and educational opportunities. The Museum is recognized as one of the nation's leading cultural institutions, and serves almost a half million adults and children each year. Science-related programs draw more visitors than any other offerings.

Realizing the opportunity to attract larger audiences and better serve Newark and New Jersey residents, the Museum has embarked on a new science initiative. In planning the program, the Museum staff has been guided by the principles contained in Goals 2000 and by New Jersey's recently adopted Core Curriculum Content Standards. Critical thinking, mathematical and scientific understanding will be fostered as visitors question, experiment, compare, and analyze real specimens from the Museum's science collections, and participate in planetarium and Mini Zoo programs developed to effectively communicate complicated and abstract science concepts.

The Newark Museum seeks $2.0 million to support the Science Initiative. The City of Newark has committed $1.7 million to date toward the preparatory collections care necessary to make this initiative possible. Additionally, The Museum plans a $5 million operating endowment fund based upon a public/private partner-

ship to assure adequate on-going support, of which $1.2 million has been raised to date.

The final project brought to the Subcommittee for consideration is a major economic development initiative that will create a professional sports and entertainment complex in downtown Newark. It is being planned by a consortium of private businesses, nonprofit representatives and the City administration. As this new economic development initiative is evolving from preliminary to concrete plans, there is a unique opportunity for an important downtown facility linked to a key transit hub.

This project will use the attraction of a major league sports franchise to locate a state-of-the-art arena as a key cornerstone for development. The mission of this project is to harness the momentum initiated by the successful opening of NJPAC, and create a vibrant, state of the art sports and entertainment district in downtown Newark. It will be a catalyst to the evolving creation of a vibrant downtown corridor—as development continues based on strong anchors elements. These include NJPAC, the Gateway complex of modern office buildings, the Newark Museum and Main Library, the refurbished Newark Penn Station, the new Joseph G. Minish Waterfront Park, and the Newark Bears baseball stadium. A new light rail system, the Newark Elizabeth Rail Link, is in final design, and will ultimately be the spine along which these projects are arrayed.

The preliminary plan for the Newark Sports and Entertainment Center master plan consists of a covered multi-purpose sports arena with 19,000 seats, ancillary parking, a new television production and broadcast complex, up to 2 million square feet of new commercial and retail space, including hospitality facilities. The sports and entertainment center will provide superior access to a broad customer base, create sizable, measurable, bankable fiscal benefits for the taxpayers of New Jersey, and will, consistent with the commitment of the New Jersey State Plan, "steer development from environmentally sensitive zones and back into urban areas." As the project creates a destination location—which will create new incremental spending—it will help to revitalize New Jersey's oldest and largest city and establish a new sports paradigm linking professional athletes to the youth of the state.

The Newark Sports and Entertainment Center is expected to draw nearly two million people to the city each year. The estimate includes those attending sporting events, family entertainment shows like the circus, concerts and other attractions. In addition, the development of the Newark Sports and Entertainment Center will act as a catalyst to the increased demand for and opening of restaurants, shops, hotels and small service businesses that meet the needs of patrons. Local corporations, small businesses, city residents, and local employees are expected to benefit from the Newark Sports and Entertainment Center through improved quality of life, better entertainment and retail options for is current workforce, and improved job opportunities. At least 5,000 jobs in construction, ancillary services and direct employment are anticipated.

A unique aspect and public benefit of this project is the establishment of a foundation to benefit inner-city youth in New Jersey. Community Youth Organization (CYO) has been formed by the largest investor in the ownership group of the NJ Nets. CYO will be a partner in the profits of the team, and is committed to investing its profits in children, people and businesses in Newark.

The total population of the region in a 25-mile radius of Newark—excluding New York—is 5,088,656, and includes New Jersey's five most populous cities. In an approximate 10 mile radius of Newark, the population is 2.1 million with a median family income of $54,683. This contrasts with Newark's population of 265,000 and median income of half that of residents in the 10 mile radius. A recent survey of Newark's mid-day population found 266,000 local residents, 52,000 non-resident workers and 24,000 non-resident students. The six colleges and universities in the city have over 45,000 students and faculty. Newark is also home to major corporations, including Prudential Insurance, Continental Airlines, Blue Cross/Blue Shield of NJ and Public Service Electric and Gas. Newark's Penn Station, a stop on the Northeast Corridor for Amtrak as well as New Jersey Transit trains and buses from throughout the State, is only a short walk from the proposed sports and entertainment complex. This concentration of people with discretionary income for entertainment and dining, and easy access to public transportation, will be encouraged to use this significant purchasing power in the City of Newark.

The ownership group for a major league sports franchise has indicated the ability to contribute approximately $200 million of private funds toward the anticipated $300 million project cost. The gap in financing will be filled with a combination of tax-exempt revenue bonds (subject to debt limits), user fees and grants related to the job generating abilities and economic development potential of the project. The City plans to use proceeds from parking and hotel taxes to subsidize the project.

The city will immediately benefit by the presence of the Newark Sports and Entertainment Center, as it will pay property taxes on land that is currently city-owned or underutilized.

Public funds are expected to be utilized for site acquisition and off-site infrastructure improvements. The project area includes a large tract of vacant land and underutilized buildings which has been declared an "Area in need of Redevelopment" under the Redevelopment statutes of the State of New Jersey. This Committee's endorsement of an allocation of $15 million in funding through the Economic Development Administration for site acquisition and project construction is respectfully requested.

PREPARED STATEMENT OF THE DEPARTMENT OF NEIGHBORHOOD AND COMMUNITY SERVICES, CITY OF TALLAHASSEE, FLORIDA

Mr. Chairman, I would like to thank you and the Members of the Subcommittee for this opportunity to submit testimony to discuss the commitment and the partnership between the City of Tallahassee and Florida State University for the comprehensive revitalization of the oldest historically African American community in the capital of the State of Florida. We are requesting your support for an Economic Development Initiative grant for $3.5 million to assist us in our efforts to develop an $80 million arts and entertainment district that would rebuild the economic and employment base of this community.

Frenchtown, established in 1841 by French settlers who created a small enclave of homes and businesses is one of the first neighborhoods established in Tallahassee. After suffering many hardships the French gave up on this area, which after the Civil War was then claimed by freed slaves. The Frenchtown neighborhood grew as a community and for over 100 years became the economic and cultural center of Tallahassee's Black Community.

In the late 1950's and early 1960's with the onset of integration, the closing of the historically Black high school, and the urban flight that occurred continued into the 1970's and 1980's the Frenchtown community began its downward spiral of social and economic decline.

The deterioration of the Frenchtown community can be traced to a breakdown in the basic cycle of community regeneration. People who raised their families in Frenchtown have aged and remained. Their offspring faced with the increase in urban decay, coupled with the phenomena of expanded choices brought on by integration, chose not to develop their lives in Frenchtown. The children who were raised in the Frenchtown community, opting for the expanded choices brought on by integration accelerated the trend of decline in the social, cultural, economic and home-ownership base of Frenchtown.

The City of Tallahassee has joined with the citizens who have remained and have undertaken the implementation of a long standing commitment for the comprehensive revitalization of this community strategically located in the center of the urban core of Tallahassee. Frenchtown has the potential to become one of the most desired and diversified neighborhoods in the City. The Frenchtown community is within a one mile radius of two major state universities, Florida A&M University and Florida State University. Florida State University is located directly across the street from the Frenchtown community. The State Capitol, the Tallahassee-Leon County Civic Center and the City's downtown, which accounts for over 15,000 jobs and the hub of the City's public transportation system are all located on the southern boundary within a four block radius of Frenchtown. The City's plan for redevelopment of this community is all encompassing. It consists of a concentrated effort to rebuild the home-ownership base of the community, to revitalize the main commercial thoroughfare of the community, to preserve the historic and cultural institutions of the community and through the development of the Frenchtown Arts and Entertainment District to recapture the legacy of Frenchtown as a center for commerce and entertainment for the Tallahassee community and provide a major infusion into the employment base of Frenchtown.

A comprehensive neighborhood revitalization strategy, in order to be successful must seek to create partnerships among federal, state and local governments, the private sector, community organizations and neighborhood residents. In this pursuit, the City of Tallahassee and the Florida State University (FSU) have formed a partnership, coming together and combining key aspects of their major development and redevelopment activities to develop a $85,000,000 Economic Development Initiative, the Frenchtown Arts and Entertainment District. This partnership will result in the linking of the University's proposed $40 million new performing arts

center with the City's proposed $45,000,000 Frenchtown Arts and Entertainment Complex. This City/University partnership will encompass the following activities:

—A joining of the University's and the City's respective development and redevelopment efforts, which are on either side of US highway 90 (Tennessee Street), through an attractive and convenient pedestrian promenade. The promenade would link the exit of the Arts and Entertainment Complex's 1,000 space garage in Frenchtown with the entry of Florida State University's Fine Arts Complex which is anchored by a 1,200-seat Performing Arts Center.

—The development of a 261,000 square foot Arts and Entertainment Complex constructed around an 1,000 space parking garage. The Complex includes a 75,000 square foot museum of African-American History Science and Technology, a 60,000 square foot 100 unit suites hotel, 30,000 square feet of retail shops, 20,000 square feet of restaurants and night clubs, a six-plex movie theater and 76,000 square feet of apartments and condominiums.

The Economic Development Initiative grant is a critical element of this project. The funds will be used to cover the finance charges for the first ten years of a $8,000,000 108 loan. The 108 loan proceeds will be used for property acquisition and for the installation of infrastructure for the Frenchtown Arts and Entertainment Complex.

This development of this complex will create approximately 300 temporary jobs and 500 permanent employment and training opportunities for very low income individuals who are transitioning from welfare to work and for other low- and moderate-income persons from the Frenchtown community specifically, and from other low income neighborhoods of Tallahassee. The development of this Complex on this site will complete the revitalization of the Frenchtown commercial district, returning it once again into a viable commercial, cultural, residential and employment center.

The acquisition of the site for the Arts and Entertainment Complex with the 108 loan proceeds will remove from this community slum and blighted conditions. These conditions that exist on the site stem from vacant dilapidated abandoned buildings and vacant lots that foster illegal drug traffic, vagrancy, illegal dumping and other crimes.

The development of this project will satisfy all of the requirements associated with the Economic Development Initiative Grant and the Community Development Block Grant Programs.

Mr. Chairman, granting this request will position us to complete the comprehensive revitalization of this community. It will enable us to return the Frenchtown community to the time when it was a center of employment opportunity, business ownership, home-ownership, entertainment and a thriving cultural life.

Again, I thank you for this opportunity to request your support of our efforts to rebuild this neighborhood.

PREPARED STATEMENT OF HAMPTON UNIVERSITY

Mr. Chairman and members of the Subcommittee, I am Dr. William R. Harvey, President of Hampton University in Hampton, Virginia. I would like to thank you for allowing me the opportunity to testify in front of the Senate Appropriations Subcommittee on Veterans Affairs, HUD, and Independent Agencies to discuss the development of the Technology Implementation Initiative, an important effort currently underway at Hampton University. Hampton University is requesting a $3 million Economic Development Initiative (EDI) grant in your fiscal year 2000 Veterans Affairs, HUD, and Independent Agencies Appropriations Bill to help implement the Technology Implementation Initiative.

About Hampton University

Hampton University is a comprehensive institution of higher education, dedicated to the promotion of learning, building of character and preparation of promising students for positions of leadership and service. Its curriculum emphasis is scientific and professional with a strong liberal arts undergirding. An historically black institution, Hampton University is committed to multiculturalism. The University serves students from diverse national, cultural and economic backgrounds. From its beginnings to the present, the institution has enrolled students from five continents: North America, South America, Africa, Asia and Europe and many countries including Gabon, Kenya, Ghana, Japan, China, Armenia, Great Britain and Russia, as well as the Hawaiian and Caribbean Islands and numerous American Indian nations.

Research and public service are integral parts of Hampton's mission. In order to enhance scholarship and discovery, faculty are engaged in writing, research, and grantsmanship. Faculty, staff and students provide leadership and service to the University as well as the global community. In achieving its mission, Hampton University offers exemplary programs and opportunities that enable students, faculty and staff to grow, develop and contribute to our society in a productive, useful manner.

The Technology Implementation Initiative at Hampton University

According to the Institute for Higher Education Policy, the top information technology challenges confronting colleges and universities include helping faculty integrate technology into instruction, providing adequate user support, and providing the appropriate financial planning for information technology. More college courses are using technology then ever before. The percentage of classes using e-mail increased to 44 percent in 1998, up from 33 percent in 1997, 25 percent in 1995, and only 8 percent in 1994. Today, one-third of all classes are using Internet resources as part of the syllabus, compared with 25 percent in 1997, and 15 percent in 1996. Further, almost one-fourth of all college courses are using World Wide Web (WWW) pages for class materials and resources, compared with 8 percent in 1996 and only 4 percent in 1994.[1]

Hampton University recognizes that the quality of undergraduate education must keep pace with the needs of students who will take their place in an information intensive workplace. The University also recognizes that its teaching faculty should be sensitized to the potential benefits and trained in these new and emerging technologies. In order to address the needs of our students and faculty, the Technology Implementation Initiative concept has been initiated as a university-wide project that plans to integrate educational technology with the teaching and learning environment.

The Technology Implementation Initiative is designed to enhance Hampton University's ability to provide cutting-edge technological services in order to create an interactive web that will link the entire Hampton University community all over the globe, including learners, faculty, staff, and the community. The Technology Implementation Initiative will fully integrate the Hampton University campus infrastructure in a unified secure network. The administrative and academic buildings and dormitories will be wired for the delivery of the Internet and the University's Intranet system. The Initiative will also expand the University's uplink/downlink capabilities to develop distance learning relationships through on-site programs in the Caribbean, Africa, Europe, and other settings.

A key to the success of the Technology Implementation Initiative will be the development of our faculty's technological skills. Workshops and programs will be offered to our faculty and staff that will focus on the integration of technology in the classrooms and in the community.

The Technology Enhancement Initiative will incorporate the development of the Academic Technology Mall (ATM), a comprehensive service center designed to support information literacy and promote the application of new and emerging educational technologies that enhance the teaching-learning process. The ATM currently serves as the hub of a campus-wide network that distributes voice, video, and data throughout key instructional and administrative buildings. The ATM facility is composed of a public access laboratory, faculty development laboratory, computer classroom, electronic classroom, and the media productions department.

The Technology Implementation Initiative will provide for a student-focused entity that offers an array of computer and multimedia services and resources. It will foster a creative work environment where students utilize self-directed and self-paced technologies in identifying, accessing, and generating data and documentation needed for their courses and research applications. The student laboratory will consist of Pentium and PowerMac computers, Internet access, and a wide variety of software, printers, and other peripheral equipment that are fully networked.

Mr. Chairman, Hampton University's goal is to become the preeminent minority research institution capable of competing with majority institutions. The creation of the Technology Implementation Initiative will greatly enhance Hampton University's position as a leading minority research institution. It will spur further business and scientific investment in the Tidewater region, and will create an ideal atmosphere for coordinated, interdisciplinary research at the University. The Initiative will enable Hampton University to be better positioned to attract collaborative research between the University and national laboratories and industry, and thus

[1] Institute for Higher Education Policy. February 1999. *Distance Learning in Higher Education.* Data available from <www.ihep.com>.

enhance the academic, scientific, and economic climate of the University and the entire Tidewater region.

I thank you for this opportunity to testify.

PREPARED STATEMENT OF THE COLLEGE OF AGRICULTURE AND TECHNOLOGY AT MORRISVILLE, NEW YORK

Mr. Chairman and members of the Subcommittee, I am Dr. Ray Cross, President of the College of Agriculture and Technology at Morrisville, New York. I would like to thank you for allowing me the opportunity to testify in front of the Senate Appropriations Subcommittee on Veterans Affairs, HUD, and Independent Agencies to discuss the development of the Telecommunications Center for Education, a vital initiative currently being developed by the SUNY Colleges of Technology (UCT) Alliance. The UCT Alliance is requesting a $3 million Economic Development Initiative (EDI) grant in your fiscal year 2000 Veterans Affairs, HUD, and Independent Agencies Appropriations Bill to help develop the Telecommunications Center for Education.

The UCT Alliance is a strategic partnership of the State University of New York's five colleges of Agriculture and Technology that has been created to better serve the educational and economic needs of the people of rural New York. The UCT Alliance colleges, located in Alfred, Canton, Cobleskill, Delhi, and Morrisville, have historically shared a common emphasis on experiential and "practical" learning through extended laboratory and internship experiences. The UCT Alliance has established relationships with business and industry across New York, and sponsors partnerships with high schools in their region. Through local Advisory Committees, the Alliance Colleges maintain close contact not only with local businesses and industry, but also with both the public and private sectors throughout the state. The Alliance Colleges are thus uniquely situated to assist in the economic development of the region.

In order to effectively transform the five Colleges of Agriculture and Technology into more collaborative institutions and assist the Alliance's students and local communities, each campus must upgrade their respective distance learning technologies and facilities. To obtain this goal, the UCT Alliance is developing the Telecommunications Center for Education. The Telecommunications Center for Education will create a virtual campus that will fully connect and integrate the more than 14,000 students currently enrolled in the five colleges. We know from recent semesters that the current and future demands for these types of services far exceeds our current ability to provide these needed resources.

The Telecommunications Center for Education will house a variety of cutting-edge telecommunications equipment designed to enhance instruction and learning. The centers will contain "classrooms of the future," which will be equipped with videoconferencing/distance learning equipment, computer ports and cabling for networking, and technology that will provide access to satellite downlinks and uplinks. These high-tech conferencing and instructional facilities will make it possible for each campus to fully develop its capacity as a workforce training center for its students and the region's business community.

A mainstay of the economy throughout New York State, agriculture and technology training is highly specialized and critical to the nation's economy. Training for these careers, however, is not widely available in New York. In addition, employers in such fields as manufacturing, construction, physical therapy, and telecommunications continue to clamor to hire skilled employees. Students in the rural areas of upstate New York, though, do not have the exposure and resources to properly train to be competitive for the industries.

Through the Telecommunications Center for Education, The UCT Alliance will step fully into its role of providing training centers for the skilled technical workforce. The Telecommunications Center for Education will provide benefits to the agricultural community by creating linkages to agriculture-related businesses and institutions. These linkages will spur the development of a more skilled workforce, enhance competitiveness in national and international markets, and stimulate many of the diverse facets of the rural economy.

The Alliance has a responsibility to not only generate new knowledge, but to deliver that knowledge to businesses and citizens in our area. Business and industry located near each of the alliance colleges are interested in providing continuing education for their employees. On each of the campuses, the Alliance will also make the distance learning centers available to these businesses as centralized, off-site training centers. In other cases, the video-conferencing/distance learning capabilities will make it possible to deliver instructions and training directly to the worksite.

In the future, the Alliance Colleges will work to develop training contracts with national companies based in New York State and other neighboring states to deliver specialized coursework over video networks to train employees on the new technologies and techniques needed to remain competitive in the global marketplace.

Rural communities are faced with the very real need to provide a better and more highly trained employment base. The Alliance Colleges have accepted this mission and are creating the Telecommunications Center for Education as a model demonstration that can be replicated in numerous other states whose rural communities are facing similar challenges. For these reasons, the UCT Alliance is seeking initial federal funding of $3 million in the fiscal year 2000 Veterans Affairs, HUD, and Independent Agencies to help develop the Telecommunication Center for Education. This is part of a two-year federal request of $6 million, out of a total project budget of over $14 million. This federal partnership, in conjunction with the over $8 million to be provided by the State of New York and from private sector resources, can help make the mission of a more highly trained and technologically competitive rural America a reality in the years to come.

I thank you for this opportunity to testify.

PREPARED STATEMENT OF THE INFORMATION TECHNOLOGY CENTER AT FAIRFIELD UNIVERSITY

Mr. Chairman, thank you for providing the opportunity to submit testimony concerning an important initiative Fairfield University is undertaking to ensure the progress of information technology education and training in two educationally underserved cities in the State of Connecticut. In particular, my testimony addresses the need to establish an Information Technology Center, and the importance of such a resource as a logical step in advancing the knowledge of information technology among primary and secondary school students and adults in and around the cities of Bridgeport and Norwalk. As President of Fairfield University, I would like to provide the Subcommittee with a brief overview of the state-of-the-art resources that the University can bring to address the educational and workplace challenges brought about technology.

As you are aware, constant advances in technology have resulted in an ever-changing workplace environment. This is especially true for the computer industry, where the Labor Department estimates that an average of 95,000 new computer scientists, systems analysts and programmers will be needed every year from now until 2005. As a result, studies have indicated that to ensure national economic growth into the millennium we must prepare our school systems to meet the demands of the technological era by providing cutting-edge skills at the primary and secondary level. In addition, educational programs must also be developed at the collegiate level for university students, as well as for returning adult students who need to modernize or enhance their skills.

Fairfield University, a leading university in Connecticut, has proposed a solution to meet the occupational needs in its State for the twenty-first century. The proposal involves the utilization of an existing state-of-the art telecommunication infrastructure that will provide educational programs and training to children at local primary and secondary schools, to returning students through satellite learning programs, as well as to students throughout the University.

The proposed Fairfield program is unique for a number of reasons. First, it will provide technical education and training for primary and secondary school students studying in local urban public schools. A recent study published by the National Assessment of Educational Progress indicated that more than half of urban public school students, many from areas similar to those surrounding Fairfield, scored far below national averages in reading, math, and science. The Fairfield programs will reach students who have historically not received extra support for basic and advanced technical skills and training. While school funding at the local level remains scarce, this program will assist public schools to advance the skills of its children without tampering with its budget. Second, similar to the federally funded School-to-Work movements, these newly founded programs will help students to improve and excel in basic and advanced educational areas, while simultaneously preparing them to enter a modern-day workforce. As a result, the programs offered by Fairfield will prove beneficial to securing economic growth for the State.

Another feature that makes the Fairfield telecommunication infrastructure unique is its ability to provide technical training through the creation of its convenient satellite learning programs. This is especially important for returning adult students who need to modernize their skills in order to be competitive in the contemporary workplace. Recent State of Connecticut employment cutbacks in the banking, insur-

ance, and manufacturing industries have produced alarming unemployment rates among its highly trained workers. Fairfield University is prepared to meet the challenges posed by this problem through satellite learning programs that will train these workers so they can re-enter the workforce. In addition, the satellite learning programs will target members of the community who have little or no technical skills, so they also can obtain work in the technical field. The benefits of satellite learning programs from Fairfield University are then twofold: The programs will decrease recent State unemployment rates among highly-skilled workers, and concurrently provide better job security for the low-skilled and low-income wage earner.

As Connecticut seeks to address the educational needs of its citizens and meet the workforce needs of employers it must develop strategies for capitalizing on the resources and strengths of its higher education system.

Technology uses at Fairfield University: A Career Preparation Model for the State of Connecticut

There is a need in the State of Connecticut and across the country to create partnerships between institutions of higher learning and the community. The primary focus of these collaborations should be with secondary education and business/industry. The proposed relationships can reduce high school dropout rates by infusing added resources and expertise into the school system, and can increase the caliber and breadth of job-training opportunities for local industry.

The computer industry has initiated outreach efforts, putting equipment and software into schools to train students in information technology, helping to increase skills and combat the shortage of high tech employees. For example, it has been estimated that currently there are approximately 350,000 computer programmer and system analyst jobs vacant in the U.S. These companies cannot sell products without a skilled workforce to install and service systems. Unfortunately, privately funded pilot programs cannot be set up in every U.S. city. Institutions of higher education in partnership with industry can fill this gap for training in information technology.

Telecommunications technology is the vehicle through which institutions of higher education can provide broader educational access to the community. Students, educators, parents, senior citizens, and the unemployed are just a small sampling of the potential recipients of on-line training sites throughout the community.

Connecticut's Fairfield University possesses a singular, award-winning resource that can bridge the gap and help accomplish these goals. An already established state-of-the-art telecommunications infrastructure consists of a fiber system that reaches every computer in every classroom, faculty office and student residence hall. In total, 23 campus buildings share voice, video, and data services. The backbone portion of this system was recently upgraded to 155 Mbits from 10 Mbits. In addition, the University operates satellite dishes for program downlinking and teleconferencing and a campus television network with 50 channels, eight of which are programmed exclusively by the University.

Cablevision Head End is a facility on campus providing a high-speed networking hub for Cablevision in Connecticut. Through this resource, voice, video, and telecommunications are made available to Cablevision's residential and commercial customers. This facility has the potential of providing the University with access to Cablevision's entire customer base with national outreach potential. Cablevision Head End is also fiber optic and reaches a broad audience inclusive of local schools, private homes, work places, and community centers.

The academic and administrative staff at Fairfield possesses extensive expertise in working with the local community, as witnessed by the multitude of community outreach projects that complement current programs. These efforts can be greatly enhanced, reaching broader audiences through the development of a comprehensive distance learning curriculum. What is required to take this step is modest when compared to what can be accomplished in a very short time. The establishment of an Information Technology Center will provide the central location for all departments and disciplines to meet, develop, and transmit curricula via television or computer to classrooms, workplaces, community centers, or homes. It will also provide easy access to digital library resources for the students and the business community regionally and potentially statewide.

Establishing an Information Technology Center (Academic Computing, Media, and Technology Training): A Bridge between Fairfield University and the Community.

Building upon the existing telecommunications infrastructure, Fairfield University can provide expanded services to the community. Utilizing a distance learning model, training opportunities can be developed serving the school systems, State

agencies, and businesses. Proposed training opportunities can be designed to increase skills, improving workforce readiness for emerging employment in the State.

Fairfield University plans to upgrade, expand, and renovate a large portion of its library structure and establish a Center dedicated to utilizing the telecommunications infrastructure to improve community outreach efforts from all of the various departments of the University. The Center will have state-of-the-art facilities for distance learning including: Satellite up-link and redistribution; Electronic classrooms; Multimedia rooms; Conference center auditorium; Computing and projection equipment; Electronic information databases; Research in collaborative teaching and learning; and A digital library collection for community and business use.

The Center will be used by the University faculty and staff for internal instruction, and will be available to residents of the surrounding communities on an as needed basis and, through various partnership relationships, designed collaboratively to meet the emerging needs of the community.

Fairfield University has comprehensive career preparation resources that can be utilized and shared with the community. These include: The School of Continuing Education; the Graduate School of Education and Allied Professions; the School of Engineering; the School of Business; the School of Nursing; and the College of Arts and Sciences.

Fairfield University's telecommunication capability is one of the best in the country. The construction of an Information Technology Center will help to coordinate and expand existing outreach as well as provide the foundation for new collaborations. Using expanded technology resources, faculty will be able to design and develop new curricula. The current technology resources at Fairfield, combined with the existing expertise of faculty and administrators, represents a strong foundation upon which this Information Technology Center will flourish.

The specific programmatic components of this Center, in brief, will include information technology and computer training (including Internet-2) as well as a Global Information Resource Center for Fairfield County's corporations. This proposal seeks a federal partnership grant from HUD in the amount of $3 million to assist in the establishment of the Information Technology Center at Fairfield University to foster the essential dialogue required to ensure that the University's curricula is aligned with the ever-changing needs of society and the workplace.

For these reasons, we believe a Federal partnership demonstration at Fairfield University has the potential to meet the economic development needs of Connecticut's schools and businesses as well as the broader community throughout the State. We appreciate the Subcommittee's attention and consideration of our proposal for such a partnership opportunity.

Thank you.

PREPARED STATEMENT OF THE UNIVERSITY OF MEDICINE AND DENTISTRY OF NEW JERSEY

Mr. Chairman and members of the committee, I am Dr. Stuart Cook and I am the president of the University of Medicine and Dentistry of New Jersey (UMDNJ), the largest public health sciences university in the country. The UMDNJ statewide system is located on five academic campuses and consists of 3 medical schools, and schools of dentistry, nursing, health related professions, graduate biomedical sciences and a school of public health. UMDNJ also comprises a University-owned acute care hospital, three core teaching hospitals, an integrated behavioral health care delivery system, a statewide system for managed care and affiliations with more than 100 health care and educational institutions statewide. No other institution in the nation possesses the resources which match our scope in higher education, health care delivery, research and community service initiatives with state, federal and local entities.

I appreciate this opportunity to appear before you to testify on behalf of two priority projects of UMDNJ which we believe are consistent with the mission of this committee; namely, the Child Health Institute of New Jersey and the Neurological Institute of New Jersey.

The Child Health Institute of New Jersey is located at the UMDNJ-Robert Wood Johnson Medical School (RWJMS) in New Brunswick, New Jersey. Nationally, RWJMS ranks among the top ten medical schools in the percentage of minority student enrollment. The school ranks in the top one-third in the nation in terms of grant support per faculty member. RWJMS is home to The Cancer Institute of New Jersey, the only NCI-designated clinical cancer center in New Jersey; The Center for Advanced Biotechnology and Medicine; the Environmental and Occupational

Health Sciences Institute, the largest environmental institute in the world, and the Child Health Institute.

Disorders of health affecting infants and children exact a terrible toll in both human suffering and economic impact on families and the community. State and Federal public policy places a priority on efforts to prevent and treat childhood disorders. The prevention of conditions such as mental retardation, muscular dystrophy, sickle cell disease or cystic fibrosis has nearly incalculable benefits to society. Although such centers are common in some parts of the country, the metropolitan New York/New Jersey region does not have a research center designed specifically to address issues of child health.

The Child Health Institute is a comprehensive biomedical research center focused on the health and wellness of children. In this program, medical researchers direct efforts toward the prevention and cure of environmental, genetic and cellular diseases of infants and children. The Institute is integral to the long-term plan for the enhancement of research at the medical school in developmental genetics, particularly as it relates to disorders that affect a child's development and growth, both physically and cognitively.

The Institute will be linked physically and programmatically with both the medical school and the Children's Hospital at Robert Wood Johnson University Hospital, the core teaching hospital of Robert Wood Johnson Medical School. Locating the Institute in New Brunswick will promote the development of new partnerships among the Institute, the medical school, the teaching hospitals affiliated with UMDNJ and with the multinational pharmaceutical, biotechnology and chemical interests throughout New Jersey.

The Child Health Institute will act as a magnet for additional growth in research and health care program development in the region. New Brunswick has emerged as the premier "Health Care City" in New Jersey through the efforts of UMDNJ, its schools and affiliated hospital network, and the ongoing support of Johnson and Johnson, the largest manufacturer of health care products, and the Robert Wood Johnson Foundation, one of the largest philanthropic foundations in the world.

The Institute will encompass 83,000 gross square feet and will house more than 40 research laboratories and associated support facilities. Fourteen senior faculty will direct teams of M.D. and Ph.D. researchers, visiting scientists, postdoctoral fellows, graduate students and technicians for a full complement of some 130 employees. At maturity, the Institute is expected to attract $7 to $9 million of new research funding annually. The Institute's total annual operating budget is projected to be $10 to $12 million. Applying a standard economic multiplier of 5, the total impact on the New Brunswick area is estimated to be $50 to $60 million per year. Construction costs for the Institute are estimated at $27 million, with approximately half of that figure associated with local employment.

The Child Health Institute has already received $11.8 million in private funding from the Robert Wood Johnson Foundation and from Johnson & Johnson. The Institute has also applied for a $1 million NIH Research Facilities Construction Grant, and we anticipate some state funds to be available for our research facilities. We respectfully request $10 million for infrastructure development and program assistance for the Child Health Institute of New Jersey. This combination of state, federal and private resources will enhance UMDNJ's commitment to children, health care and the economic development of our communities.

The Neurological Institute of New Jersey has been established by the UMDNJ-New Jersey Medical School and UMDNJ-University Hospital as a center of excellence in the neurosciences in recognition of the expertise that exists in this discipline on our Newark campus. No other entity in New Jersey approaches the depth of human expertise, technological advancements and research achievements that exist in the variety of services at the medical school and the hospital.

University Hospital is the core teaching hospital of the medical school. It is the major provider of tertiary neurological and neurosurgical services to the State of New Jersey including patient care, education and research. The NJMS Department of Neurosciences is ranked sixth nationally in research funding with about $4 million annually. NJMS offers the only fully accredited neurosurgical residency program in the state.

The Neurological Institute would serve as an umbrella under which clinical, research and educational efforts would be focused. The delivery of clinical care would be provided through University Hospital, its clinics, physician offices and affiliates. Education would be provided by multi-disciplinary teams focused on neurological disease including prevention, early diagnosis, treatment and rehabilitation. The Institute would collaborate with its regional academic affiliates, the New Jersey Institute of Technology and Rutgers University in promoting research.

Neurological disorders including stroke, epilepsy, multiple sclerosis and Alzheimer's disease are common and debilitating. Neurological diseases are a leading cause of death and disability in the United States, affecting some 50 million Americans. Five million new cases of neurological disorders are diagnosed every year, which is five times the number of new cancer cases diagnosed.

An estimated 4 million Americans suffer from Alzheimer's disease. With the baby-boom generation approaching retirement age, that number could triple in a few short years. Experts say that Alzheimer's is the fastest growing disease of the new millennium and America is ill-prepared to deal with it. New Jersey could be particularly affected. Despite our small size, New Jersey ranks ninth in all states in its number of senior citizens.

Veterans are another group particularly at risk for neurological diseases because of post traumatic syndrome and exposure to chemical agents. More than 500,000 veterans live in New Jersey with some 150,000 residing in UMDNJ's catchment areas.

Neurological diseases and disorders account for about $400 billion in health care costs and lost productivity.

While the devastation of neurological disease and injury can be horrific, amazing breakthroughs in treatment and new drugs or surgical techniques are occurring. These breakthroughs require painstaking research and testing, significant financial support, and a concentration of clinical expertise and potential research subjects in a controlled environment. Unfortunately, the lack of such a statewide focus in the neurosciences has limited New Jersey's participation in and access to leading edge research, clinical trials and beta-site technology. The Neurological Institute will allow New Jersey to establish the credentials and clinical material necessary to compete for the advanced basic science and clinical research projects that currently are out of reach. Also, the critical mass of expertise provided by the Institute will hasten the pace at which theories become therapies in New Jersey through its educational opportunities and sponsorship of new technology at its clinical sites.

The employment of new MRI technology can aid in the diagnosis and treatment of neurological diseases. We are working on the newest treatments available, and an investment in the work of the Neurological Institute is critical to advance our work. The Institute would focus the attention of pharmaceutical companies on the concentration of patients and availability of physicians and research nurses experienced in drug trials. The Institute will provide direction and coordination to physician referral efforts. Targeted community-based primary care and neurological specialty physicians will be invited to join the UH medical staff and will be conferred member status in the Institute. An ambitious program of continuing medical education in all fields related to neurosciences will be established to provide referring physicians as well as patients with a positive exposure to the academic and clinical proficiency of the Institute.

The Institute seeks a major step forward in the research arena with the acquisition and placement of a state-of-the-art Magnetic Resonance Imaging (MRI) instrument. This MRI, with a rated field strength of 3–4 Tesla, would place New Jersey in the forefront of neuroimaging groups. Imaging instruments with this field strength are expected to provide spatial resolution in the millimeter range and temporal resolution of less than one second—both carrying great significance at physiological levels. Areas of research will include language, learning, memory, visual processing and spatial representation. Clinical applications will include Alzheimer's disease, multiple sclerosis, tumor characterization, and epilepsy where brain dysfunction is clearly established. Applications will also extend to fibromyalgia, chronic fatigue syndrome and post traumatic stress syndrome, where neurological origins are not yet established.

UMDNJ already has established programs in neurosciences at the medical school and at the Veterans Administration Medical Center in East Orange. We are well positioned to conduct research of direct relevance to veterans. We would collaborate with the VAMC and with our research partners, Rutgers University and the New Jersey Institute of Technology, in the development of a neuroimaging lab.

Before assuming the presidency of UMDNJ, I served as Chair of the Department of Neurosciences at the New Jersey Medical School for 25 years. I also served as chair of the East Orange VA Medical Center's Neurology Services for 10 years. I am well aware of the strong, dynamic link between UMDNJ and the Veterans Administration Medical Center. The VA was there for me when I was starting my medical career and I want to be there for the VA to continue providing the very best health education, research and patient care to the men and women who risk their lives in service to our country.

We respectfully request $1.5 million toward the capital and instrumentation costs from the Department of VA/HUD for the Neurological Institute of New Jersey.

Thank you for the opportunity to appear before you today. We thank the members of this Subcommittee for your leadership in supporting national and international research and development initiatives. This committee has been a strong supporter of the universities and research institutions in this country. Your leadership on many biomedical initiatives is especially appreciated.

ENVIRONMENTAL PROTECTION AGENCY

PREPARED STATEMENT OF THE NATIONAL ASSOCIATION OF CONSERVATION DISTRICTS

The National Association of Conservation Districts is a nongovernment association that represents the nation's 3,000 conservation districts and more than 16,000 men and women who serve on their governing boards. Established under state law, conservation districts are local subdivisions of state government charged with carrying out community-based programs for the protection and management of natural resources. Conservation districts work with nearly two-and-half million cooperating landowners and operators and provide assistance in managing and protecting nearly 70 percent of the private lands in the contiguous United States.

Conservation districts work with a number of local, state and federal natural resource agencies in carrying out a wide variety of conservation and environmental protection programs. Partnering with state water quality agencies, state conservation agencies and the U.S. Environmental Protection Agency, districts are key players in implementing federal and state water quality protection and enhancement programs.

Since the passage of the 1972 Federal Water Pollution Control Act (Clean Water Act), tremendous strides have been made in cleaning up point sources of water pollution such as industrial and municipal wastewater discharges. The progress in treating point sources has been made possible, in large part, by an investment of nearly $100 billion in federal funds for the construction of municipal wastewater treatment plants. Nonpoint sources of pollution—runoff from cropland, construction sites, mining activities, lawns and city streets—are much more elusive targets and pose a significant obstacle to achieving the nation's water quality goals. Pollution prevention remains the key to effectively dealing with nonpoint source pollution.

When Congress enacted Section 319 in the 1987 amendments to the Act, it recognized that nonpoint source pollution control is best addressed through state and locally driven cooperative, incentive-based management programs. With federal assistance and state matching efforts, Section 319 state management programs have resulted in considerable progress in controlling nonpoint source pollution. Some 38 states have also established companion agricultural nonpoint programs that provide technical and financial assistance to farmers and ranchers to help them implement conservation practices that stem runoff.

Although progress has been made, lack of adequate funding is still the primary obstacle to addressing the nation's nonpoint source pollution control problems. After 25 years and a near $100 billion federal investment in wastewater and industrial waste treatment, the most pressing water quality challenges today revolve around nonpoint source pollution and runoff from animal feeding operations.

Section 319 of the Clean Water, which provides grants to states for nonpoint source pollution control, has proven to be a popular and successful tool for addressing nonpoint source water quality concerns. Conservation districts manage nearly 40 percent of Section 319 funds and have a proven track record of success in providing technical assistance to landowners to install practices to stem runoff. However, the workload facing us is considerable and this level of funding—about $80 million in fiscal year 1999—falls far short of the federal commitment needed to address local needs. The federal dollars invested in Section 319 also leverage considerable state and local resources. Last year alone, state and local governments invested more than $1 billion in conservation efforts with much of that directed toward water quality concerns. An increase in federal funding will bring even more state and local resources to bear. Conservation districts believe that $300 million is the minimum needed for EPA's Section 319 grants-to-states program in fiscal year 2000.

Clean Water Act Section 106 State Program Grants are another important tool to help states develop and implement effective water quality protection programs. Matching these funds with their own resources, states are able to better plan and set priorities that more effectively address those needs. Conservation districts recommend a funding level of $120 million for Section 106 in fiscal year 2000.

In addition to the already pressing need for conservation assistance, EPA and USDA's recently released Unified National Strategy for Animal Feeding Operations (the AFO Strategy) calls for the voluntary development of comprehensive nutrient

management plans (CNMPs) for some 450,000 agricultural operations that are not subject to the National Pollution Discharge Elimination System permit program. Although voluntary, the AFO Strategy will create a tremendous new workload for states to provide assistance to producers in developing the CNMPs. Estimates in the number of staff years needed at the field level to assist farmers and ranchers in this initiative range as high as 8,000 FTEs. The President's budget request recognizes some of this need by requesting $651 million in funding for its Clean Water Action Plan. However, that funding level still does meet the on-the-ground needs.

Further, since EPA is moving forward with plans to increase its regulatory oversight of animal feeding operations, we urge the subcommittee to include in its report direction that any additional funds should be used to increase technical and financial assistance to farmers and ranchers to implement the AFO Strategy. Specifically, more assistance should support the development and implementation of integrated pest and crop management systems, nutrient and animal waste management plans, and installation of additional conservation measures to reduce erosion and the resulting polluted runoff.

The Great Lakes National Program (GLNP) has been instrumental in protecting the water quality of the largest freshwater ecosystem on Earth. EPA works with 187 conservation districts in the Great Lakes Basin in carrying out erosion and sediment control programs, developing remedial action plans for areas of concern and helping landowners install needed conservation practices to protect water quality. While the Great Lakes Basin is home to some 40 million people, the impact of the Great Lakes National Program echoes throughout much of North America. To protect and enhance this important investment, conservation districts recommend funding the Great Lakes National Program at $16 million and Great Lakes Erosion and Sediment Control at $600,000 in fiscal year 2000.

The Clean Water State Revolving Fund (CWSRF) is a significant financial tool for achieving clean and safe water, and for helping meet the significant needs for the nation's wastewater infrastructure over the next 20 years. Conservation districts applaud the President's initiative to allow states to reserve up to 20 percent of their CWSRF for use as grants for nonpoint source pollution control and estuary management. We strongly encourage you to direct that a substantial part of the funding under a nonpoint source SRF set-aside be made available for agricultural landowners. Because of the difficulty many agricultural producers have in recouping the costs of implementing water quality management practices, loans from the SRFs have been little-utilized. However, grants to defray the costs of best management practices will be much more popular to landowners and effective in obtaining the water quality improvements we all seek. However, we oppose the President's proposal to cut funding for the CWSRF program by $500 million. At the very least, funding for the CWSRF program should be maintained at the fiscal year 1999 level of $1.350 billion.

In addition to EPA's water quality and other programs, the President in his budget request proposes a new undertaking called the Better America Bond (BAB) program. The BAB provides $1.9 billion in bonding authority in fiscal year 2000 and $9.5 billion over the next five years to help communities preserve green-space, protect water quality and redevelop brownfields. Much of the program is aimed at obtaining easements for those purposes. Conservation districts support the Better America Bond program as long as easements are obtained on a willing-seller basis.

In recent years, both the public and private sectors have recognized the valuable role wetlands play in proving both water quality benefits and valuable fish and wildlife habitat. Nonetheless, we still lose roughly 100,000 acres of wetlands annually to various types of development. Conservation districts strongly support efforts to reverse this trend and increase the inventory of wetlands nationwide. While we recognize some wetlands conversions will always be necessary, there are many innovative ways to restore lost wetlands and even create new ones. We believe that protecting and enhancing the nation's wetlands can be achieved through education and by providing landowners the technical and financial assistance they need protect these valuable resources. The nation's conservation districts support fully funding EPA's "wetlands protection grants" program in fiscal year 2000.

We appreciate the opportunity to provide our recommendations to the Subcommittee. In addition to the above, other detailed program recommendations are outlined below.

FISCAL YEAR 2000 RECOMMENDED APPROPRIATIONS FOR SELECT PROGRAMS OF THE U.S. ENVIRONMENTAL PROTECTION AGENCY

[Millions of dollars]

Programs	Fiscal year—				
	1999 Admin.	1999 NACD	1999 Final	2000 Admin.	2000 NACD
State Programs Grants (Sect. 106)	115.000	120.000	115.000	115.500	120.000
Nonpoint Source Pollution Control Grants to States (Sect. 319)	200.000	200.000	200.000	200.000	300.000
Water Infrastructure (CWSRFs)	1,253.000	1,350.000	1,350.000	800.000	1,350.000
Drinking Water Infrastructure	775.000	1.250.000	775.000	825.000	825.000
Great Lakes National Program	13.441	16.000	14.700	13.367	16.000
Great Lakes Erosion & Sediment Control	0.350	N/A	0.500	.....	0.600
Gulf of Mexico Program	4.283	7.300	6.897	4.300	7.300

PREPARED STATEMENT OF THE NATIONAL ASSOCIATION OF CONVENIENCE STORES AND THE SOCIETY OF INDEPENDENT GASOLINE MARKETERS OF AMERICA

The National Association of Convenience Stores ("NACS") and the Society of Independent Gasoline Marketers of America ("SIGMA") submit this statement regarding the fiscal year 2000 appropriation from the Leaking Underground Storage Tank ("LUST") Trust Fund that is part of the spending bill for the Environmental Protection Agency ("EPA"). SIGMA and NACS urge: (1) that the LUST Trust Fund statute be modified to allow the States to use some portion of the appropriations they receive under cooperative agreements with EPA for enforcement of the underground storage tank ("UST") regulations; and (2) that the LUST Trust Fund appropriation be increased.

Introduction of SIGMA and NACS

SIGMA represents over 260 independent gasoline marketers operating in all 50 States. Last year, SIGMA members sold over $33 billion of motor fuel, representing over 22 percent of all motor fuels sold in the United States. SIGMA members supply over 26,000 retail outlets across the nation and employ over 195,000 workers nationwide.

NACS is a trade association representing more than 2,200 retail members operating convenience stores, many with motor fuel dispensing operations, in the United States and around the world. NACS member companies operate more than 72,000 convenience stores across the nation and employ over 750,000 workers nationwide.

Background

Under EPA's UST regulations (40 C.F.R. Part 280), all USTs that were in the ground on December 22, 1988, had to be upgraded to new tank standards, replaced with new tanks, or closed by December 22, 1998. EPA provided a 10-year compliance period largely due to the diverse nature of the regulated community and the number of USTs owned or operated by small businesses.

As the December 22, 1998 deadline approached, there were widely varying estimates of compliance rates. Based upon these estimates, EPA predicted that non-compliance on December 23, 1998 was going to be approximately 35 percent, largely from USTs owned by State and local governments and small businesses. NACS and SIGMA, based upon member-supplied information, believe that their members' USTS are better than 96 percent compliant.

In August 1998, EPA published its post-1998 UST enforcement strategy, relying primarily on the states to be the lead UST enforcers. The Agency, in response to an inquiry from the House Commerce Committee, indicates that it has approximately 33 full-time equivalents (largely borrowed from other Office of Solid Waste programs) available for UST enforcement at the regional level. Further, the August strategy document stated that non-compliance after December 22, 1998 was not an option and that temporary closure of out-of-compliance USTs was the appropriate response.

On December 9, 1998, EPA issued supplemental guidance on its UST enforcement strategy. The Agency decided to prioritize its enforcement, essentially giving a six-month enforcement delay to "low priority" UST owners and operators—that is, State and local governments and small businesses with four or fewer USTs. SIGMA and NACS have been very critical of EPA's December 9, 1998 guidance.

During the past two Congresses, the House has passed amendments to the LUST Trust Fund, expanding the allowable uses by the States of the Trust Fund's appropriations they receive under cooperative agreements with EPA. One of these expanded, allowable uses is enforcement of the UST regulations. EPA supported State use of LUST Trust Fund monies by the States.

Amend the LUST Trust Fund to Allow State Use for Enforcement

NACS and SIGMA urge the Subcommittee, working with the Environment and Public Works Committee, to include in the fiscal year 2000 appropriations from the LUST Trust Fund a statutory modification that allows the States to use some portion of the LUST Trust Fund monies they receive from EPA for enforcement of the UST Regulations.

There is a substantial environmental benefit from allowing State use of LUST Trust Fund monies for enforcement. Older tanks that have not been upgraded, replaced or closed are the ones most likely to leak and threaten human health and the environment. Increased enforcement will uncover sooner these non-compliant USTs, abating the potential environmental harm earlier.

State use of LUST Trust Fund monies for enforcement provides an equitable benefit to the regulated community. SIGMA and NACS support fair and even-handed UST enforcement. UST owners and operators, including NACS and SIGMA members, have spent considerable sums in complying with the tank regulations over an unprecedented 10-year compliance "window." EPA and the States also have had a decade to figure out fair and even-handed UST enforcement. It is a slap in the face to those UST owners and operators who have spent hundreds of millions of dollars in complying with EPA and State UST mandates if the law is not appropriately enforced. With few enforcers and little UST enforcement leadership by EPA, increased State enforcement sends appropriate signals to the regulated community that non-compliance with the law will not be tolerated.

At the recent House Appropriations subcommittee hearing on EPA's fiscal year 2000 spending, the Agency Administrator responded to LUST Trust Fund questions, expressing concern that stepped-up enforcement would put small businesses, especially "moms-and-pops," out of business. NACS and SIGMA believe Ms. Browner's concern is misplaced for at least three reasons.

First, in response to a question from the House Commerce Committee, EPA stated that State-supplied information suggested minimal dislocations, particularly in rural areas, if retail gasoline outlets were forced to close because of the December 22, 1998 deadline. SIGMA an NACS are not aware of any change in this information. EPA's UST regulations are not designed to protect competitors, especially when they have chosen for a decade not to comply with the law. At the same time, EPA ignores the moms-and-pops who have mortgaged their homes or their children's educations to comply with the UST regulations or who have gone out-of-business because UST upgrades or replacements were uneconomic.

Second, as part of its December 9, 1998 supplemental guidance, EPA provided an opportunity for UST owners and operators to self-disclose their UST non-compliance in return for an abatement or elimination of civil penalties. According to the Agency, fewer than 200 self-disclosures were received and most were from New York companies where EPA is the lead UST enforcer. EPA's self-disclosure policy was broadly disseminated last December. Small businesses, including mons-and-pops, had a fair opportunity to enter into reasonable consent agreement with the Agency.

Third, in a recent letter to Senator Chafee, EPA said that currently "low Priority" UST owners and operators, including moms-and-pops, will lose their enforcement status on June 22, 1998—that is, there will be no further "grace period" after this initial six months. If this truly is EPA's policy and position, then the Administrator should not be upset if the States use some of the LUST Trust Fund monies for enforcement after October 1, 1999.

Based upon the foregoing, NACS and SIGMA believe a sufficient record exists for statutory modification to the LUST Trust Fund to allow the States to use some Trust Fund monies for enforcement of the UST regulations.

LUST Trust Fund Appropriations Should Be Increased

SIGMA and NACS support increased funding over the Administration's request from the LUST Trust Fund, especially if State use of the monies for UST enforcement is approved by the Congress. Because of the December 22, 1998 compliance deadline, it is expected that there will be a "blip" in reported UST Releases and resulting cleanups. Increased funding from the LUST Trust Fund will help to ensure that the pace of corrective actions are not retarded.

At the same time, NACS and SIGMA are concerned that the LUST Trust Fund has a substantial unobligated balance which is being used to reduce the Federal def-

icit. LUST Trust Fund monies should go to the use for which the tax is levied and collected, especially when the tax often cannot be passed through in the per-gallon selling price of motor fuels.

PREPARED STATEMENT OF THE CENTER FOR THE ENGINEERED CONSERVATION OF ENERGY AT ALFRED UNIVERSITY

Mr. Chairman and Members of the Subcommittee, I submit this statement to encourage your support for the Center for the Engineered Conservation (EnCo) at Alfred University. The mission of this Center is to validate cutting-edge environmental technology and foster the conservation of energy and environmental resources. Alfred University's, record of accomplishments in these areas is well known in the research community, the private sector and with those federal agencies focused on Global Climate Change. To enhance EnCo's ability to assist with research, development and technology transfer in resource conservation, we request a $2.5 million federal partnership grant from the Environmental Protection Agency through your fiscal year 2000 legislation to help establish the $24.7 million Center.

EnCo was designed as a platform to develop, test and deploy environmentally-sound energy efficient technologies. It will oversee a consortial research effort involving industrial partners, state and local agencies, and the Federal Government. The EnCo Center which will function as a "living laboratory"—the facility will be used by the consortium to deploy and validate next generation building, industrial manufacturing, and transportation technologies. The living laboratory concept involves the use of a "smart," self-powered building where promising technologies can be tested and demonstrated full-scale. The laboratory will be flexible to allow it to continuously adapt emerging technologies.

EnCo will bring together a multidisciplinary group of scientists and engineers from across the University, from industry and from other universities as appropriate and will interact closely with start-up companies currently located in twin incubator facilities constructed in Corning and Alfred, NY. These incubators have established a strong record in technology transfer, and will play a critical role in bringing the products and processes developed at EnCo to the marketplace. The research and development that will be undertaken by EnCo takes advantage of Alfred University's internationally-recognized expertise in ceramic engineering and materials science and its location in the "ceramics corridor" which is comprised of industry and academic talent in these areas of research. In this way, EnCo's programs will have a very substantial influence on national energy conservation research and product development.

Given the link between energy efficiency, environmental impact, and developments in engineering and materials science, EnCo will provide numerous opportunities for interdisciplinary research in the areas of resource conservation and improved energy efficiency, the EnCo facility has been designed to meet and surpass the highest Environmental Protection Agency building codes and standards. The facility will greatly enhance technologies relating to indoor air quality while utilizing environmentally preferable materials. EnCo will also develop and incorporate into the building, cutting-edge technologies for water and wastewater usage. Further, this innovative facility will maintain low VOC content and incorporate recycled content materials into the structural framework.

Following are examples of how EnCo's research activities complement and enhance the priorities of the Environmental Protection Agency:

—Indoor Air Quality research conducted at EnCo will focus on:
  —Source control measures designed to control, reduce or eliminate harmful air contaminants that originate from the site, and from building materials, furnishings, equipment, mechanical systems and maintenance products.
  —Ventilation control measures designed to ensure that adequate, clean, outside air is delivered to inhabitants and entails the utilization of exhausting mechanisms, air filtration measures and monitoring for air contaminants.
—Environmentally-Preferable Material Selection research at EnCo will focus on:
  —Emphasis will be placed on the validation of environmentally-preferable materials which offer multiple benefits, such as reduced emissions, increased durability and environmental advantages (such as recycled content).
—Water Use research conducted at EnCo will focus on:
  —Reducing water use through low flow equipment, water efficient appliances and automatic cut-off valves.
  —Processing waste water via a Solar Aquatic wastewater treatment system couple with a constructed "wetlands" area.

—Storm water reduction through the use of advanced roofing systems, pervious paving systems and other landscape architecture systems.

—Waste Management research will take place during both the construction and operational phases of the EnCo facility, including:

—Construction waste management designed to minimize the generation of waste material during the construction period, pre-identification of a recycling master plan for construction debris and the protection of existing trees, soils and other significant site features affected by the construction process.

—Waste management programs deployed during the operational phase of EnCo will include the design of facility space to separate, sort and store the various waste streams (including hazardous waste) from the building and its laboratories.

The EnCo initiative will benefit significantly from the New York State Energy and Research Development Authority (NYSERDA), which—has completed a building pre-design study for EnCo focusing on the building design process NYSERDA and will provide technical assistance for consideration of whole building approaches to energy conservation, cost-sharing for building modeling and design commissioning, as well as incentives for the purchase of energy efficient equipment. NYSERDA will continue to provide design assistance related to the sustainability issues cited earlier. In addition, EnCo has been selected by NYSERDA to partner with the National Environmental Technology for Waste Prevention Institute (NETI) at the University of Massachusetts to identify "high impact" industries in the Northeast Region (New York/New England.) Close attention will be paid to cross-linkages in energy, pollution and economic characteristics and to common processes that impact on energy usage and the environment.

Through EnCo, new products can be brought to bear in the reduction of energy consumption in dramatic ways. To facilitate the introduction of these products into the marketplace, there must be a mechanism whereby the economic benefits of the products are validated by real world working experience. Private sector investments in advanced energy-efficient products and processes have a demonstrated positive economic return. What is required in order to do this is a coordinated research agenda based in a high impact, "smart building" or flexible laboratory. This research requires access to a facility which can be easily fitted with the latest technologies to test how different systems work alone or in tandem with other newly developed technologies. Effective technologies will then be transferred to our highly successful business incubators for development as products for market.

Alfred University's accomplishments in the areas of renewable energy, energy conservation and efficiency, and its commitment to interdisciplinary research with industry and federal laboratories—all justify a strong federal partnership in the full implementation of EnCo. The institution and its non-federal partners have already committed significant resources towards the establishment of EnCo, and are now requesting that the Federal Government provide a reasonable match for this effort. The creation of the Center for the Engineered Conservation of Energy will serve as a model in the advancement of energy-efficient and environmentally sound technologies and research while producing economic benefits both regionally and nationally.

Alfred University has already invested considerable resources in the establishment of EnCo, which will cost a total of $24.7 million to build, equip and operate. The EPA, through its Science and Technology and Environmental Programs and Management programs, is at the forefront of promoting and supporting initiatives aimed at preventing, regulating, and abating environmental pollution. EnCo has been designed to serve as a model facility that will incorporate the most advanced environmental standards and designs into its structural concept and research programs. For these reasons, and those outlined previously, I urge your consideration of Alfred's proposal for $2.5 million as a wise investment in our national search for ways in which to enhance our productivity and quality of life while protecting our energy and environmental resources.

Thank you.

PREPARED STATEMENT OF THE COMMITTEE FOR THE NATIONAL INSTITUTE FOR THE ENVIRONMENT

Chairman Bond, members of the Subcommittee, thank you for providing us an opportunity to present written testimony.

The Committee for the National Institute for the Environment has been working since 1989 to improve the scientific basis for environmental decisionmaking. The CNIE is nonpartisan organization that takes no position on particular environ-

mental issues other than the need for better connection between science and the decisionmaking process. We do not receive any federal money and we are not here today to seek any funding that will go to our organization.

We have submitted testimony before this Committee for several years on the need for a trusted source of scientific information on environmental issues that is separate from the regulatory agencies of the federal government. This source should provide objective peer-reviewed science that answers the key questions of decision makers and affected parties inside and outside of the government. We believe that an opportunity to create such a trusted source now exists in the context of the National Science Foundation. Our testimony today encourages the Committee to take advantage of this opportunity and to fund NSF at a level above the President's budget for the purpose of improving the scientific basis for environmental decisionmaking—a need I know you recognize.

The core principles that we advocate are:

A non-regulatory science body with a mission to improve the scientific basis for environmental decisionmaking;

Integration of:

—Assessments of the state of scientific knowledge on environmental issues

—Competitively awarded support for peer-reviewed research organized around environmental topics

—Distribution of credible non-partisan information using modern technologies, and

—Support for science-based environmental education and training.

Involvement of all stakeholders in its activities equally, inside and outside the federal government.

THE NEED FOR A TRUSTED SOURCE OF SCIENTIFIC INFORMATION ON THE ENVIRONMENTAL ISSUES

No one seeks to perpetuate environmental problems that threaten our health, economy, and quality of life. Yet, we are often in a situation of making decisions without a strong scientific understanding of the issues. The impacts of those decisions can be very costly in terms of money spent without accomplishing real progress or in lives that are adversely affected by real problems that go un-addressed. Without sufficient investment in science, decision makers often lack the reliable information they need to make informed choices.

Much of the environmental research supported by the federal government is conducted by regulatory or management agencies on short-term topics of direct importance to the agency. Because these agencies often act as an environmental police force, they and their science is viewed by many with mistrust or seen as tainted with a political agenda. This is not a criticism of regulatory and resource management agencies, simply an observation of an avoidable consequence of their missions.

On the other-hand non-regulatory agencies like the National Science Foundation have a great deal of public trust and support. In the case of the National Science Foundation this trust and support is well deserved. The science supported by the non-regulatory Foundation have served this nation so well that we might well call it the National "Success" Foundation.

Yet, many of the most important and controversial environmental issues such as urban air quality, potential effects of endocrine disrupters, ecological relationships related to collapsing fisheries stocks and possible relationships between ethnicity and exposure to toxicants are poorly addressed by the federal science agencies. They are tackled first within regulatory agendas and later, if at all, within science agendas. They become embroiled in controversy and make lawyers rich. This needs to change.

The National Science Foundation is beginning to recognize that it has a role to provide the science to understand, resolve, and even prevent these environmental problems. Spurred, in part by the interest of this Committee as well as by our efforts, the NSF is beginning to recognize that this new role can be taken on in a way that complements its traditional role as the nation's source of fundamental science, but that it will take some institutional changes as well as additional funding to fulfill both its traditional role and this new role as a leading provider of science to improve environmental decisionmaking.

SUPPORT FOR THE NIE INITIATIVE

Our effort to create a source of credible scientific information on the environment has been developed in partnership and has been endorsed by more than 440 organizations, including:

—State and local government groups such as the National Association of Counties, U.S. Conference of Mayors, Council of State Governments, National Association of Attorneys General and National Conference of State Legislatures,
—Most national and many local environmental groups,
—The U.S. Chamber of Commerce and more than 30 state and local chambers of commerce and business associations,
—255 colleges and universities,
—85 scientific societies,
—Three former administrators of the Environmental Protection Agency and six of seven former EPA Directors of Research and Development.

Our Board of Directors reflects this diverse support; I am one of three elected state and local governmental officials on the CNIE Board. As an environmental engineer and as the recently retired Majority Leader of the Utah State Senate, I have seen far too many examples of legislators and administrators needing to make a decision when the science was not sufficient. Many decisions can not and should not be deferred, but we also need a process to ensure the adequacy, quality and the independence of the science that we need. This nation needs to increase its investment in environmental science and engineering. However, it needs to do it in a way that involves decision makers and other stakeholders in helping scientists and engineers to determine priorities. The proposal to implement the principles of a National Institute for the Environment under the National Science Foundation offers this opportunity.

THIS COMMITTEE'S SUPPORT FOR THE NIE INITIATIVE

We greatly appreciate the past support of your committee for the proposal is known as the National Institute for the Environment or the NIE. As part of the House-Senate Conference Report 105–297 to accompany the fiscal year 1998 appropriation to the National Science Foundation, you stated, "Finally, the conferees encourage the National Science Foundation to study how it would establish and operate a National Institute for the Environment."

RESPONSE OF THE NATIONAL SCIENCE FOUNDATION

Last April, the National Science Foundation reported to this Committee that it was "committed to environmental research and education in all areas of science and engineering, and is eager to expand its role in a manner consistent with overall national goals and with its mission and strategic plan." But the NSF did not have a plan of action at that time.

Last summer, the National Science Board (NSB) created a Task Force on the Environment "for the purpose of assisting NSF in defining the scope of its role in environmental research, education, and assessment, and in determining the best means of implementing activities related to this area." The findings of the Task Force will be presented to the NSB at its meeting on May 7, 1999.

Although we are not aware of the details of the Task Force report, we are very encouraged by the workings of the Task Force. We have been given considerable opportunity to work with the Task Force and have been impressed by it significant efforts to go beyond the status quo and provide genuine leadership for the nation on this issue. We understand that they will propose an ambitious initiative for NSF, which we hope will be consistent with the NIE principles and goals that we have outlined previously.

The Task Force plan seems likely to provide mechanisms for making environmental science supported by the NSF more relevant and helpful to the nation's need for more scientific environmental decisionmaking. This is something that this Committee and Congress has urged for a long time. I hope that we can all look at the NSF plan as a real victory. However, the greatest plan will come to naught if this Committee does not provide support—both intellectual and funding.

In addition to the work of the Foundation's Task Force on Environment, new NSF Director Rita Colwell, is making science for understanding the environment one of her top priorities. The NSF budget request for fiscal year 2000 includes a new $50 million initiative for integrated environmental science, under the theme "biocomplexity"—a term coined by Dr. Colwell to describe the complex interrelationships between living beings and the environmental systems in which they live. This would boost NSF's environmental portfolio to $670 million, with the vast majority being managed through NSF's disciplinary directorates.

Today, we wish to make the following points:
—Congress should take advantage of this excellent opportunity to place environmental decisionmaking on a more scientific basis by giving a clear sign of its support for the NSF's efforts to connect its environmental science funding to the

decisionmaking needs of the nation. We encourage this Subcommittee to give the same kind of priority to NSF that the subcommittee of jurisdiction has given to the National Institutes of Health. Investment in environmental science is essential to the health of our citizens and our economic strength. Only by investing in a new approach to science will we be able to achieve one without compromising the other.

—We encourage the Committee to fully fund the NSF's biocomplexity and environmental initiatives.

—We encourage the Committee to add additional funding above President's request for NSF to implement the principles of a National Institute for the Environment through the Foundation. We support the proposal of the Coalition for National Science Funding (CNSF), of which we are a member, for a $562 million, 15 percent increase over fiscal year 1999 funding for NSF. This would help to maintain America's preeminence in science upon which so much of our economic well being depends. Such a level of funding would also allow the Foundation to take immediate steps to implement the principles of the NIE without adversely impacting other scientific endeavors.

—We recommend that in the context of providing funding over the President's request, that this Committee give special attention to an increase in environmental science funding to implement the recommendations of the Task Force, consistent with the principles of the NIE. Since we do not yet know the details of these recommendations, we would like to keep the option open of coming back to this Committee with suggestions for ensuring that NSF's proposal is consistent with the desires of this Committee as expressed in the fiscal year 1998 report language.

I, the Board and the staff of the CNIE, and the many supporters of this effort are ready to meet with Subcommittee members and their staff to provide further details and work with you to accomplish a goal that I know we all share—improving the scientific basis for making decisions on environmental issues.

Again, we thank this Committee for its commitment to ensuring scientific excellence with respect to environmental decisionmaking and for its time and consideration.

NATIONAL INSTITUTE FOR THE ENVIRONMENT ENDORSERS

ENVIRONMENTAL ORGANIZATIONS (50)

Alliance for Environmental Education
Alliance of Veterinarians for the Environment
American Chestnut Foundation
American Forests
American Rivers
Audubon Naturalist Society
Audubon Council of Texas
California Trout
Center for Marine Conservation
Chesapeake Bay Foundation
Climate Institute
The Coastal Society
The Conservation Agency
Conservation International
Cosanti Foundation
Defenders of Wildlife
Environmental Defense Fund
Environmental Law Institute
Environment and Energy Study Institute
Friends of the Earth
The Georgia Conservancy
Georgia Environmental Organization
Georgia Wildlife Federation
Global Environment and Technology Fdn.
The Gorilla Foundation
The Izaak Walton League of America
Louisville Resource Conservation Council
Massachusetts Audubon Society
Michigan Environmental Council
Minnesota Center for Environmental Advocacy
Minnesota Conservation Federation
National Audubon Society
National Parks and Conservation Association
National Wildflower Research Center
Oregon Trout
Pennsylvanian Environment Council
Planning and Conservation League
Population Action International
Rails-to-Trails Conservancy
Rainforest Alliance
Save The Bay (RI)
Save The Harbor /Save The Bay (MA)
Seatuck Environmental Association
Sierra Club
Silicon Valley Toxics Coalition
Trout Unlimited
The Wilderness Society
Wildlife Conservation Society
World Wildlife Fund
Zero Population Growth

STATE AND LOCAL GOVERNMENTS (17)

Governor of Alaska
American Public Works Association
Mayor of Bellingham, Washington
City of Baltimore, Maryland
City of Chicago, Illinois
City of Monterey Park, California
City of Redlands, California
County of Santa Cruz, California
Council of State Governments
Dade County, Florida
Hennepin County, Minnesota
National Association of Attorneys General
National Association of Counties
National Black Caucus of State Legislators
National Conference of State Legislatures
Southern Legislative Conference
U.S. Conference of Mayors

RELIGIOUS AND OTHER GROUPS (3)

National Council of Negro Women
National Religious Partnership for the Environment
Unitarian Universalist Seventh Principle Project

BUSINESS (35)

Albuquerque Chamber of Commerce
American Recreational Coalition
Arizona Chamber of Commerce
Arkansas State Chamber of Commerce/ Associated Industries of Arkansas
Association of Engineering Firms Practicing in the Geosciences
Association of Washington Business
Business & Industry Association of New Hampshire
Business Council of Alabama
California Chamber of Commerce
East West Corporate Corridor Association
Florida Chamber of Commerce
Greater Boston Area Chamber of Commerce
Greater Corning Area Chamber of Commerce
Greater Miami Chamber of Commerce
Greater North Dakota Association
Greater Providence Chamber of Commerce
Illinois Chamber of Commerce
Kansas Chamber of Commerce
Kentucky Chamber of Commerce
Louisiana Assn. of Business and Industry
Maryland Chamber of Commerce
Missouri Chamber of Commerce
National Association of Minority Contractors
National Multihousing Council
Nebraska Chamber of Commerce
New Jersey Chamber of Commerce
Newport County (RI) Chamber of Commerce
Ohio Chamber of Commerce
Oregon Biotechnology Association
Regulatory Environmental Group of Missouri
Salem Area Chamber of Commerce
Texas Association of Business and Chambers of Commerce
The State Chamber—Oklahoma's Association of Business & Industry
U.S. Chamber of Commerce
Virginia Chamber of Commerce

ACADEMIC & SCIENTIFIC ORGANIZATIONS (86)

Academy of Natural Sciences (Philadelphia)
Air and Waste Management Association
American Academy of Veterinary and Comparative Toxicology
American Agricultural Economics Association
American Anthropological Association
American Association for the Advancement of Science (Biological Science Section)
American Board of Veterinary Toxicology
American Fisheries Society
American Geographical Society
American Institute of Biological Sciences
American Malacological Union
American Ornithologists' Union
American Phytopathological Society
American Society of Agricultural Engineers
American Society of Agronomy
American Society for Horticultural Science
Am. Soc. of Ichthyologists and Herpetologists
American Society of Landscape Architects
American Society of Mammalogists
American Society of Naturalists
American Society for Neurochemistry
American Society of Parasitologists
American Society of Pharmacognosy
American Society of Plant Taxonomists
American Society of Safety Engineers
American Sociological Association (Environment and Technology Section)
American Solar Energy Society
American Zoo and Aquarium Association
American Veterinary Medical Association
Animal Behavior Society

Assn. of Environmental Engineering Professors
Association of Field Ornithologists
Association of Southeastern Biologists
Botanical Society of America
California Academy of Sciences
Center for Conservation Biology (Stanford U.)
Chicago Academy of Sciences
Cooper Ornithological Society
Council of Systematic Malacologists
Crop Science Society
Desert Fishes Council
Ecological Society of America
Field Museum of Natural History
Foundation for Microbiology
Georgia Academy of Science
Herpetologists' League
Institute for Marine and Coastal Sciences (Rutgers University)
International Association for Hydrogen Energy
International Association for Impact Assessment
International Oceanographic Foundation
Iowa Academy of Sciences
Louisiana Academy of Science
Marine Conservation Biology Institute
Minnesota Academy of Science
Mississippi Academy of Sciences
Mississippi State University Research Center
Monterey Bay Aquarium Research Institute
Mycological Society of America
National Assn. of Environmental Professionals
Nat. Asn. of Professional Forestry Schools & Coll.
National Association of University Fisheries and Wildlife Programs
New Jersey Marine Science Consortium
New Mexico Academy of Sciences
New York Botanical Garden
New York Zoological Society
The Ohio Academy of Science
Organization for Flora Neotropica
Pacific Institute for Studies in Development, Environment and Security
Pennsylvania Academy of Science
Rhode Island Natural History Survey
Rural Sociological Society
Society for Conservation Biology
Society for Ecological Restoration
Society for Economic Botany
Society for Industrial Microbiology
Society for Integrative and Comparative Biology
Society for the Study of Amphibians and Reptiles
Society for the Study of Evolution
Soil Science Society
Soil and Water Conservation Society
Special Libraries Association
Union of Concerned Scientists
US Federation for Culture Collections T
he Wildlife Society
Wilson Ornithological Society
Washington Academy of Science

UNIVERSITIES (255)

The University of Akron
The University of Alabama System
Alabama A&M University
University of Alaska Southeast
Alfred University
Allegheny College
The American University
Amherst College
Antioch College
University of Arizona
University of Arkansas—Pine Bluff
Arkansas State University
College of the Atlantic
Auburn University at Montgomery
Barber-Scotia College
Bard College
Barry University
Baylor University
Benedict College
Bennett College
Bennington College
Bethune-Cookman College
Boise State University
Boston University
Bowdoin College
Bowling Green State University
Brookhaven College
Bucknell University
University of California—Davis
University of California—Santa Barbara
University of California—Santa Cruz
California State University—Fresno
California State University—Los Angeles
California State University—Sacramento
California Polytechnic—San Luis Obispo
Case Western Reserve University
University of Central Florida
Central Missouri State University
University of Charleston
City University of New York
Claflin College
Clark University
Clark Atlanta University
Clemson University
Cleveland State University
Colby College
Colgate University
University of Colorado—Boulder
University of Colorado—Denver
Colorado College
Colorado State University
University of Connecticut
Connecticut College
Connecticut State University System
Delaware State University
University of Denver
Dickinson College
Dillard University
Duke University
Duquesne University

Earlham College
East Carolina University
East Tennessee State University
Eastern College
Eastern Connecticut State University
Eckerd College
Emory University
Evergreen State College
Fairleigh Dickinson University
Fisk University
University of Florida
Florida Atlantic University
Florida International University
Florida Institute of Technology
State University System of Florida
Fordham University
Franklin & Marshall College
Frostberg State University
Furman University
Georgetown University
University of Georgia
Georgia Southern University
Georgia State University
Grinnell College
Hamilton College
Hampden-Sydney College
Hampshire College
University of Hartford
Hartnell College
Hartwick College
Haverford College
University of Hawaii
Hobart and William Smith Colleges
University of Houston
Howard University
University of Idaho
University of Illinois (system)
Indiana University
Indiana University of Pennsylvania
Indiana State University
Iowa State University
Jackson State University
Johnson C. Smith University
Kalamazoo College
Kansas State University
Kent State University
Kentucky State University
Lane College
Lewis and Clark College
Lincoln University
Livingston University
Louisiana State University
University of Louisville
Loyola College in Maryland
Loyola University New Orleans
Macalester College
University of Maine
Mankato State University
Marquette University
University of Maryland (system)
University of Massachusetts (system)
University of Memphis
University of Miami
Miami University (of Ohio)
Michigan State University
Michigan Technological University
Millersville University
University of Minnesota—Duluth
University of Minnesota—Twin Cities
University of Missouri—Columbia
University of Missouri—Kansas City
University of Missouri—Rolla
University of Missouri—St. Louis
University of Montana
Montclair State University
Morris College
Mount Holyoke College
Mount Union College
Muhlenberg College
University of Nebraska—Lincoln
University of Nevada—Las Vegas
University of Nevada—Reno
University of New England
University of New Hampshire
New Jersey Institute of Technology
University of New Mexico
New Mexico Institute of Mining and Technology
New Mexico State University
State University of New York—Binghamton
State University of New York—Buffalo
State University of New York—Plattsburgh
State University of New York—Stony Brook
Nicholls State University
University of North Carolina—Chapel Hill
University of North Carolina—Charlotte
University of North Carolina—Greensboro
North Carolina A&T State University
North Carolina State University
North Dakota State University
Northeastern University
Northern Arizona University
Northern Kentucky University
University of North Texas
NOVA Southeastern University
Oakwood College
Ohio University
Ohio State University
University of Oklahoma
Oklahoma State University
University of Oregon
Oregon State University
Oregon State System of Higher Education
Pace University
Paine College
Pennsylvania State University
University of Pittsburgh
University of Portland
Portland State University
Prescott College
Purdue University
Radford University
University of Rhode Island
Rice University
University of Richmond
Ripon College
Rochester Institute of Technology
Rust College

Rutgers University
Saint Augustine College
Saint Mary's College—Notre Dame, Indiana
Salem-Teikyo University
Salish Kootenai College
University of San Diego
San Diego State University
University of San Francisco
San Francisco State University
Santa Clara University
The School for Field Studies
Smith College
University of the South
University of South Carolina—Aiken
University of South Carolina—Columbia
South Carolina State University
University of South Dakota
South Dakota School of Mines and Technology
South Dakota State University
University of South Florida
University of Southern California
University of Southern Mississippi
Southern Illinois University
Southern University—Baton Rouge
Southwest Missouri State University
Southwestern University
Spelman College
Stillman College
Swarthmore College
Syracuse University
University of Tennessee—Knoxville
Tennessee State University
Texas College
Texas A&M University System
Texas Southern University
Texas Tech University
Texas Woman's University
University of Toledo
Towson University
Tufts University
University of Tulsa
Tuskegee University
University of Utah
Valparaiso University
Vassar College
University of Vermont
Virginia Commonwealth University
Virginia Polytechnic Institute and State University
Washburn University
Washington State University
State University of West Georgia
West Virginia University
Western Kentucky University
Western Michigan University
Western Washington University
Wichita State University
Wilberforce University
Wiley College
Willamette University
College of William & Mary
Williams College
University of Wisconsin—Green Bay
University of Wisconsin—Madison
University of Wisconsin—Milwaukee
University of Wisconsin—Stevens Point
University of Wyoming
Yale University

PREPARED STATEMENT OF THE LOVELACE RESPIRATORY RESEARCH INSTITUTE

It is requested that the U.S. Environmental Protection Agency (EPA) continue to support the National Environmental Respiratory Center for the purpose of conducting research, providing information and research resources, and facilitating interdisciplinary communication concerning the respiratory health risks of combined exposures to multiple air pollutants and pollutant mixtures. Funds for continuation of the Center are requested in the fiscal year 2000 EPA appropriation.

WHAT IS THE NATIONAL ENVIRONMENTAL RESPIRATORY CENTER?

The National Environmental Respiratory Center (NERC) was established through the fiscal year 1998 EPA appropriation to improve our understanding of the relationship between complex mixtures of environmental (outdoor) air pollutants and human health. Continuation funding was provided in the fiscal year 1999 EPA appropriation. The Center is operated by the independent, non-profit Lovelace Respiratory Research Institute (LRRI) in Albuquerque, New Mexico, and its research is conducted in the government-owned, now privatized, Inhalation Toxicology Research Institute facility, which is leased by Lovelace. The Center's principal activity is the conduct of research aimed at understanding the contributions of the many individual pollution mixture constituents to the respiratory health effects of real-world, complex pollutant mixtures. The Center's work is leveraged by making its unique studies and associated research resources available to investigators in other organizations for collaborations. The Center also maintains an internet site containing information on the Centers activities, bibliographic databases, and other information pertaining to air pollution mixtures issues and the mixtures currently under study.

WHY WAS THE CENTER ESTABLISHED?

Environmental air pollution research and regulations have focused largely on single pollutants and sources, one at a time, in a "revolving door" manner. People do

not breathe only one pollutant, or pollutants from only one source, at a time. Congress, researchers, regulators, industry, and the public are increasingly aware that the "single pollutant" approach has reached the point of diminishing returns. Paradoxically, as levels of regulated pollutants fall due to existing controls, the uncertainty EPA faces in estimating and controlling the remaining health effects of environmental air pollution is growing. As exemplified by the current quandary concerning particulate matter, it is becoming increasingly difficult to assign causality to single pollutants or pollutant classes independent of the effects of co-pollutants. The nation faces a difficult dilemma in judging whether or not health impacts are attributed to the correct air contaminants, or combinations of contaminants, and the appropriateness and cost-effectiveness of further reductions in specific man-made pollutant emissions. Until NERC was established, there was no substantive, coherent research program aimed specifically at developing a foundation of information that could serve as a basis for considering alternate approaches to understanding and managing the relationship between air quality and health. NERC was created to complement other efforts by meeting key unmet research needs critical to placing the contributions of individual air contaminants in their proper perspective.

NERC is one of two current initiatives directly exploring the roles of the myriad pollutant species in the health effects of the mixtures which people actually breathe. The expansion of EPA's air monitoring program driven by concerns for fine particulate matter (PM2.5) includes establishing a limited number of "super sites" which will provide research-grade data on both particles and co-pollutants. This information will provide much more detail on the types and amounts of the various particles, vapors, and gases to which populations are exposed. The intent is that new population studies will be conducted in the vicinity of the super sites to take advantage of the more detailed air pollution data. Although this will provide important new information, it will still be difficult to assess (and impossible to control) the personal exposures of specific individuals. Also, the measurements that can be made in population studies can not provide the level of detailed information on health responses that can be obtained in laboratory studies. NERC provides key components of the complementary laboratory effort that are not provided by any other center or research program.

WHAT DOES THE CENTER DO?

The operating strategy for NERC and the specific research being conducted were recommended by the Center's External Scientific Advisory Committee (ESAC). The members of this broad-based Committee have diverse backgrounds and views, and are both veterans and experts in the air pollution research, regulatory, compliance, and advocacy arenas. LRRI has vested a large measure of the responsibility for developing the Center's agenda in this Committee.

EXTERNAL SCIENTIFIC ADVISORY COMMITTEE

Morton Lippmann, PhD, Chair, New York University
Jonathan Samet, MD, MS, Johns Hopkins University
Michael Bird, MSc, PhD, DABT, C.Chem, FRSC, Exxon Biomedical Sciences, Inc.
John Vandenberg, PhD, U.S. Environmental Protection Agency
Bill Bunn, MD, JD, MPH, Navistar
Ron White, MST, American Lung Association
Glen Cass, PhD, California Institute of Technology
Ron Wyzga, MS, ScD, Electric Power Research Institute

The center's research program

The NERC research strategy is focused on conducting a multi-year series of integrated studies planned in advance with the aim of filling specific information gaps. This strategy differs from the common research center approach of providing core resources and conducting an annual internal competition for investigator-initiated studies. The more structured strategy recommended by the Center's External Scientific Advisory Committee allows the resources provided by multiple sponsors to be focused in a goal-directed manner to resolve key portions of the very complex issues surrounding the health effects of pollution mixtures.

The initial multi-year set of studies will employ a consistent set of respiratory health assays to determine the effects of several complex, real-world, man-made air pollution mixtures. The exposure atmospheres were selected so that their similarities and differences can be used as tools to determine the roles of individual constituents, families of constituents, and combinations of constituents in driving the various health effects of the total mixture. As shown in the table below, the 11 mixtures will include diesel (old and new technology) and gasoline (on-road catalyst and

off-road non-catalyst) engine exhaust, wood smoke (hardwood and softwood), cooking fumes (meat and vegetable), tobacco smoke, paved road dust, and coal-fired power plant emissions. These atmospheres will be analyzed in much greater detail than has been typical of toxicology studies, in order to relate health responses to their hundreds of individual constituents and dozens of classes of constituents.

Laboratory health response assays comprising five general categories of respiratory effects will be evaluated for each atmosphere, including irritation/inflammation, allergic responses/asthma, respiratory defenses, lung and heart function, and cancer. Several different laboratory health models and assays will be used to encompass these effects which, in turn, encompass the key types of health responses attributed to environmental air pollution.

INITIAL MULTI-YEAR RESEARCH MATRIX

	Irritation and inflammation	Allergies and asthma	Defenses	Heart and Lung Function	Cancer
Diesel exhaust (old, new)	+	+	+	+	+
Gasoline exh. (catalyst, non-cat.)	+	+	+	+	+
Paved road dust	+	+	+	+	+
Wood smoke (hardwood, soft)	+	+	+	+	+
Tobacco smoke	+	+	+	+	+
Cooking fumes (veg,, meat)	+	+	+	+	+
Coal power plant (secondary)	+	+	+	+	+

The matrix of data on health response vs. atmosphere composition across the different pollution atmospheres will have considerable value of three general types. First, and most importantly, the data will allow taking advantage of the similarities and differences among the compositions of the atmospheres to determine the individual constituents, classes of constituents, and combinations of different constituents that bear the strongest association with the different health outcomes. This is the fundamental goal of the Center.

Second, an integrated, contemporary set of health data will be generated for each atmosphere. For some of the atmospheres, no such data exist, and for others, no data using contemporary assays exist. Third, generating the data using identical study designs will provide direct, head-to-head inter-comparisons among the man-made pollutant atmospheres, which current data to not provide.

This initial series of studies will provide a foundation of information on which studies of the causal roles of other air contaminants can be designed. There are innumerable atmospheric reaction products, pollens, molds, endotoxins, infectious agents and other natural and man-made environmental air contaminants whose potential effects, or interactions with other pollutants, need to be understood and placed in context. In addition, there are many possible adverse interactions between environmental air pollutants and other exposures in the workplace and home that may contribute to the health effects associated with outdoor air pollution. As results from the initial series of studies are obtained and evaluated, issues to the addressed by following research will be identified and prioritized.

Other center functions

An explicit goal of the Center is to leverage its resources to serve broadly as a research resource to university investigators. Collaborative participation in Center research is encouraged and facilitated. NERC resources are made available to other investigators for the conduct of complementary studies in a cost-effective manner on a non-interference basis. This way, many hypotheses can be tested in addition to those addressed directly by Center investigators. Special emphasis is placed on providing collaborative opportunities to EPA intramural scientists to complement the Agency's in-house capabilities and studies. It is expected that NERC will also provide many collaborative opportunities and information resources to the newly-established EPA academic particle research centers; indeed, NERC scientists were asked to participate in collaborative and advisory roles by three of the five successful center applicants.

The development of an internet-based resource of information relevant to Center activities and air pollution mixtures issues is an important component of the Center's strategy. This resource is accessed via the Center's web site (www.nercenter.org), and consists of information on the goals and activities of the Center, opportunities for collaboration and other research resources, and biblio-

graphic databases on the composition and health effects of the pollutant mixtures used in Center studies.

WHAT ARE THE CENTER'S ACCOMPLISHMENTS TO DATE AND CURRENT STATUS?

Accomplishments during fiscal year 1998 included: (1) establishing the external advisory committee; (2) submitting an application to EPA; (3) internal and external review of the application by EPA and approval of the Center as proposed; (4) meeting with the committee and developing the Center's strategy; selection by the committee and initiation of five pilot projects necessary to finalize design of the core research protocols; (5) developing budgets for the first and second years; (6) submitting a detailed work plan to EPA; (7) contacting and briefing a wide range of non-EPA federal, state, and non-government potential sponsors; and (8) establishing the internet site and beginning work on the information database.

With funding in the fiscal year 1999 EPA appropriation, work on five pilot studies is well underway. These projects are address issues of current concern and are thus valuable as individual studies, but they are also producing information on experimental techniques that will be useful for designing the protocols for the core Center research program. The studies are examining: (1) airway and lung irritation from wood smoke; (2) the role of fine particles in the development of asthma; (3) toxic interactions between ozone and fine particles; (4) the effects of particle-borne metals on the heart; and (5) the development of statistical approaches to estimating risks from multiple pollutants.

The Center's internet site has already been developed into a considerable resource. Approximately 22,000 citations from the scientific literature, Federal Register, and technical reports have been entered into the information database. Several other research organizations have been briefed on collaborative opportunities.

A major task to be completed by the end of CY 1999 will be planning the details of the experimental design for the core research. This is being done together with external experts. Workshops are being organized in which Lovelace scientists and external scientists and technical experts will discuss alternatives and resolve many of the details of the core research protocols, including the generation of atmospheres, analyses of the atmospheres, exposure concentrations, health assays, statistical design, etc.

WHAT SUPPORT IS BEING SOUGHT FOR THE CENTER?

The funds appropriated for fiscal year 1998 and 1999 are spent or committed for ongoing work. A preliminary multi-year budget has been developed for the work recommended by the External Scientific Committee, and the results indicate that approximately $24 million over a six-year period will be required to accomplish the Center's work plan for the initial matrix of studies and analysis of the results. Thus, the planned activity will require approximately twice the level of annual funding provided in the EPA appropriations for fiscal years 1998–1999.

A strong effort is underway to obtain non-EPA funds for the Center. Since the Center's long-term strategy was developed nine months ago, significant discussions (multiple telephone conversations, transmittal of written materials, scheduling of briefings) have been held with a continuously-expanding list of organizations. To date, 58 companies, trade associations, and state and federal agencies concerning their potential support of the Center.

Although non-EPA financial support is beginning to develop, it is too early to estimate the level of non-federal funding that is likely to be raised. Recommendations have been made internally within numerous organizations in several industry sectors, and five organizations have already made contributions.

Lovelace respectfully requests that a minimum of $2 million be designated for the NERC in the fiscal year 2000 EPA appropriation, to be used as core support for the Center's third year of operation. This funding is essential to ensure continuation of the Center and maintenance of its progress while complementary support other stakeholders is developed and EPA considers incorporation of the Center as an integral component of its air pollution research portfolio.

PREPARED STATEMENT OF THE CENTER FOR COGNITION, LEARNING, EMOTION, AND MEMORY AT NEW YORK UNIVERSITY

Thank you, Mr. Chairman. My name is Peter Lennie, and I am speaking on behalf of New York University as its Dean for Science. I appreciate the opportunity to submit testimony to the Subcommittee today to discuss a scientific research project which is not only an important priority for New York University, but which we be-

lieve will advance the national interest through enhanced scientific understanding of brain function and development.

Our project addresses the programmatic priorities of this subcommittee in supporting fundamental, university-based scientific research and enlisting that research to serve the national welfare. We thank the Subcommittee for taking the time to consider and give its support to the important research being conducted in the brain sciences—an area of great strength at New York University. We are proud to report that New York University was previously approved for funding by the Environmental Protection Agency (1992), and that its performance in using the funds to strengthen the infrastructure for neural science was reviewed highly. EPA funds were used to renovate training and research facilities, modernize mechanical infrastructure systems, and purchase multi-use equipment, thereby accelerating scientific advances and new applications and preparing the next generation of scientists. We at NYU firmly believe that a federal investment in mind and brain studies repays itself many times over.

In line with the Subcommittee's interests, New York University is undertaking to establish a Center for Cognition, Learning, Emotion and Memory (CLEM). This Center will draw on the University's strengths in the fields of neural science, biology, chemistry, psychology, computer science, and linguistics to push the frontiers of our understanding of how the brain develops, functions and malfunctions. In addition, as a major training institute, the Center will help prepare the next generation of interdisciplinary brain scientists.

A major thrust of the work to be carried out in the Center is research on the learning process, including the underlying cognitive processes that affect attention, memory, information processing, skills acquisition, and retention, as well as their implications for strategies that can rationalize and optimize training, learning and performance. Of special interest to those studying learning and memory systems is neural "plasticity," the change in the nervous system that occurs when we remember new things or learn new skills. Understanding neural plasticity is essential to understanding and improving the flexibility of human behavior. The fundamental biomedical and behavioral research in this area will advance basic science and have important practical implications in many sectors, including education, job training, and technology development.

To establish this Center, New York University is seeking $10.5 million over five years to support and expand the research programs of existing faculty, attract additional faculty and graduate and postgraduate trainees, and provide the technical resources and personnel support that will allow us to create a premier, world class scientific enterprise. Individual researchers in the science programs at NYU compete for investigational support through traditional routes, very successfully. However, these traditional funding sources do not address the specific need for establishment of a new cross-disciplinary area of scientific study, particularly one that transcends biomedicine, psychology, education, computer science, cognitive science, and linguistics. Nor do they provide the extensive funding necessary for faculty and student support and personnel and technical resources. Support from the Subcommittee on VA-HUD and Independent Agencies would enable us to meet these needs, and to build on the potential New York University has to develop a new understanding of the brain and new ways of using that knowledge for improving the national welfare.

RESEARCH ADVANCES AND APPLICATIONS

Advances in Biomedical Research.—Research conducted in our Center will by its nature address neural disorders, including disorders of emotional systems and the loss of memory through aging or disease. At NYU, pioneering research into the neurobiology of fear is generating important information about the brain systems that malfunction in, for example, anxiety, phobias, panic attacks, and post-traumatic stress disorders. The brain's fear system is involved in many human emotional disorders, and malfunctions in emotional systems commonly characterize serious psychiatric disorders. Research into the neural mechanisms of fear will help us understand the source of emotions, how they are triggered by circumstance, why these emotional conditions are so hard to control, and how they can undermine our capacity to learn. Ultimately, our research will generate clues for prevention and treatment of emotional disorders, focusing perhaps on the ways in which unconscious neural circuitry can, in effect, be altered or inhibited.

Job Training.—Research into the fundamental processes of cognition and learning, emotion and memory will help address the persisting challenge the nation faces in training veterans and other new recruits to the labor force and in retraining workers dislocated from downsized industries. Understanding how the brain func-

tions and how we learn is crucial to vocational rehabilitation, a primary concern for veterans. The more we know about how people acquire, process, and retain information, the better training programs can be designed and targeted for specific skills and for workers with diverse backgrounds. For example, CLEM research can clarify how adult learners use different learning styles, how training personnel can accommodate those styles, and how educational technology and simulated learning environments can be harnessed to improve motivation and increase retention.

Education.—Research into the learning process as it relates to attention and retention holds important implications for early childhood development. Understanding how, when and under what conditions learning proceeds can have practical applications for parents, caregivers and educators. In the midst of a national debate on education reform, thousands of educational innovations are being considered without the advantage of a fundamental understanding of the learning process. CLEM researchers, coupled with educational psychologists and their expertise in normal childhood development, can contribute substantially to national efforts to enhance early childhood education, and improve teaching and learning in elementary and secondary schools. At NYU, one locus for the development of these practical applications is the Center for Digital Multimedia (a New York State Center for Advanced Technology). The Center brings together teaching experts, laboratory scientists, and software designers to explore how interactive multimedia technologies enhance training, develop prototype teaching models, and facilitate computer-human communication through graphics, speech and vision.

Technology.—The fundamental research being conducted at NYU in learning, intelligence, and information processing in biological systems can contribute significant new understanding of computer and communication technologies for the future. Research at the interface between computer science, vision science, and learning research builds on the recognition that vision impacts all areas of cognition, and that computer vision studies the processing of images and thus, in its own way, addresses cognitive issues. At NYU, vision psychologists and computer vision researchers are working together to investigate the neural bases of object and pattern recognition, depth perception, and motion perception, and their computer analogs in data imaging, processing, and retrieval.

Environment.—Improved understanding of the structure, function, and development of the nervous system is the first link in the chain leading from scientific discovery to a better understanding of human health to effective regulatory and management actions in the realm of environmental protection. At NYU, research into neural development and function can help to explain how environmental factors alter or influence these processes.

FEASIBILITY: INSTITUTIONAL STRENGTHS

New York University is well positioned to create and operate a major multidisciplinary research and training center. There is commitment to the CLEM project at the highest level of the University administration, established frameworks for interdisciplinary collaboration, strengths in neurobiological, psychological and computational sciences, and international standing in the scientific community. The nation's largest private university, with 13 schools and over 49,000 students, NYU is a leading center of scholarship, teaching and research. It is one of 29 private institutions constituting the distinguished Association of American Universities, and is consistently among the top U.S. universities in funds received from foundations and federal sources.

As the core of a decade-long multi-million dollar science development plan, NYU created a premier neuroscience and cognitive psychology program that encompasses a pre-eminent faculty and generates substantial external funding from federal and state agencies as well as the private sector. These investigations have attracted millions of federal dollars from the NIH, the NSF and the EPA. In addition, NYU has received major funding from the most prestigious private foundations supporting the sciences. This includes the Howard Hughes Medical Institute (HHMI)—the foundation most active in support of the life sciences. (NYU is now home to no fewer than six HHMI Investigators, with corresponding funding from the Institute.) The HHMI also has awarded NYU two major grants, each exceeding $1 million, from its Undergraduate Biological Science Initiative Program, as well as a major facility improvement grant. The W. M. Keck Foundation also awarded two grants, each exceeding $1 million, for facility and program development in the neural and cognitive sciences; one grant funded the renovation of a major new laboratory in emotional memory studies. The Alfred M. Sloan Foundation similarly awarded two major grants totaling $2 million to found the Sloan Center for Theoretical Visual Neuroscience—one of five institutions chosen to implement the Foundation's national ini-

tiative in theoretical neurobiology. Neural science faculty have, as individuals, won prestigious awards, including HHMI Investigator, NSF Presidential Faculty Fellow, NIH Merit Awardee, McKnight Foundation Scholar in Neuroscience, and MacArthur "Genius" Fellow.

Neural science at NYU is particularly well known for its fundamental studies of neural systems, particularly vision (including studies of visual processing pathways, perception, and information processing) and audition (including studies of auditory regions of the nervous system). These various studies of mind and brain employ a full range of techniques; they coordinate anatomical, neurophysiological, biochemical, and behavioral experiments; and they are conducted in various model systems up through humans, and computer modeling and simulations.

With these strengths, NYU is particularly well placed to create a distinctive center that will capitalize on expertise in physiology, neuroanatomy, and behavioral studies and build on active studies that range from the molecular foundations of development and learning to the mental coding and representations of memory.

While other academic institutions are also studying the brain, NYU has special strengths in important emerging research directions. NYU is at the frontier of studies in the neuroanatomy and physiology of emotion, a new area of exploration that complements studies of how thoughts, and memories emerge from brain processes. Work recently conducted at NYU and elsewhere has established the biological basis of emotions and the patterns by which they are expressed within the neural circuits of the brain and by the actions of the body. The new studies have found that there are multiple systems in the brain, each having evolved for different functional purposes, and each producing different emotions. Work being conducted at NYU also suggests that the neural circuits supporting the expression of emotions are highly conserved through evolution. They persist, unconsciously, in our daily behavior, and shape our reactions to events well before we rationally and consciously process the event. Scientists at NYU are using behavioral testing, physiological recording of neural activity, and neuroanatomical tract tracing to ask, what are the neuroanatomical pathways for the formation of emotions and emotional memories? How do we learn and remember emotions? These studies have crucial applications for personnel training, job performance and mental health, and address such questions as: How can emotions, such as fear, facilitate or undermine learning and performance? Do emotionally stressful situations affect our ability to remember facts, retrieve information, perceive events and objects? How can we better diagnose and treat emotional disorders?

In a second area, NYU is internationally know for its vision studies. At NYU, these follow an integrated systems approach that has been shown to be highly successful in unraveling this complex system. The interest in vision, a key input to learning, is associated with focused studies of the learning process, particularly, the interaction with memory and behavior. NYU vision scientists are studying form, color and depth perception; visual identification; the varieties of visual memory; and the relationship of vision and perception to decision and action. Studies ask: How does vision develop? How does the brain encode and analyze visual scenes? What are the neural mechanisms that lead to the visual perception of objects and patterns? How do we perceive spaces, depth, and color? How does the brain move from vision and perception to planning and action?

NYU's special strengths also lie in the infrastructure it has established to promote multidisciplinary brain research that incorporates experimental, theoretical, and computational components. As an example, the Sloan Center for Theoretical Visual Neuroscience fosters joint research that harnesses the tremendous recent advances in computational speed, size and memory to effectively revolutionize the power of quantitative analysis to address fundamental problems in neurobiological systems. The Center houses faculty with joint appointments in neural science (Arts and Science) and mathematics (Courant Institute of Mathematical Sciences), supports neural science trainees with backgrounds in the physical and mathematical sciences, and fosters a range of multidisciplinary projects which include: analysis of neural and network dynamics of the visual cortex; the nonlinear dynamics of the thalamus and other neural structures; analysis of the visual perception of occluding objects; brain imaging and adult brain plasticity.

CLEM will bring the University's many strengths in these areas more fully to bear on the challenges and opportunities that multidisciplinary studies present. The Center will provide an organizational identity, core resources, and common focus for the university's efforts. For students, it will provide an educational forum to apply knowledge gained in one discipline to problems in other disciplines. For researchers, the Center's synergistic linkages between basic science departments, mathematical and computational units, and biomedical departments will encourage intellectual cross fertilization and will permit the consolidation of individual efforts in multi-

disciplinary but conceptually coordinated efforts. For colleagues in the fields of technology, education, and medicine, the Center will facilitate connections with life scientists and enhance the translation of research knowledge into commercial and educational applications and health care.

CLEM will be an interdisciplinary unit linking faculty, students, programs and resources from several schools of New York University. These are the Faculty of Arts and Science, the Courant Institute, School of Education, and School of Medicine, including its Skirball Institute of Biomolecular Medicine and the associated Kline Institute Center for Advanced Brain Imaging. To be housed at the University's Washington Square campus within the Faculty of Arts and Science, CLEM will coordinate laboratory research and training in fundamental neurobiological, psychological, and computational studies of the nervous system. The enhanced research and training that will be possible will attract public and private funding above and beyond the substantial funds, honors and recognition already awarded to the University's researchers, and will support the center's continued growth and development.

Mr. Chairman, I thank you for the opportunity to submit this testimony.

PREPARED STATEMENT OF THE INTEGRATED PETROLEUM ENVIRONMENTAL CONSORTIUM (IPEC)

It is proposed that the U.S. Environmental Protection Agency continue to support a focused, university-based program, the Integrated Petroleum Environmental Consortium (IPEC), with the goal of increasing the competitiveness of the domestic petroleum industry through a reduction in the cost of compliance with U.S. environmental regulations. Continued Federal support of $2 million is specifically requested as part of the fiscal year 2000 appropriation for the Environmental Protection Agency through the Science and Technology account or other source the Subcommittee may determine to be appropriate.

Mr. Chairman, on behalf of the Integrated Petroleum Environmental Consortium (IPEC), I would like to take this opportunity to thank you for providing $1.5 million in funding for IPEC in the fiscal year 1998 and fiscal year 1999 appropriations bills for the Environmental Protection Agency (EPA). Under your leadership both houses of Congress and the final appropriations bills included initial funding for this Consortium. Specifically this funding was provided for the development of cost-effective environmental technology and technology transfer for the domestic petroleum industry. With initial funding under the Science and Technology account of EPA, IPEC is implementing a comprehensive mechanism (Center) to advance the consortium's research expertise in environmental technology. IPEC's operating practices and linkages to the independent sector are ensuring that real problems in the domestic petroleum industry are addressed with real, workable solutions. The consortium includes the University of Tulsa, the University of Oklahoma, Oklahoma State University, and the University of Arkansas.

We are pleased to report that, as envisioned and proposed by the Consortium, State-level matching funds have been obtained to support IPEC, creating a true Federal-State partnership in this critical area. In fiscal year 1998 and fiscal year 1999, IPEC received $375,000 in matching funds from the Oklahoma State Reagents for Higher Education. A similar amount has been pledged by the Reagents as matching funds for a fiscal year 2000 appropriation.

Since December, 1997 IPEC has worked closely with the EPA to meet all internal requirements for funding of research centers. These efforts have resulted in an excellent working relationship with the Environmental Engineering Division of the EPA National Center for Environmental Research and Quality Assurance with IPEC's grant from EPA (fiscal year 1998 appropriation) finalized September 2, 1998.

IPEC proceeded with its proposal solicitation and review process while final arrangements were made with the EPA. As a result we were ready to fund projects as soon as the grant was made. I am happy to report that IPEC has thus far funded eight research projects that promise to help ease the regulatory burden on the domestic petroleum industry. These funded projects include: the use of plants to clean contaminated soils; the natural biodegradation of gasoline by microorganisms in the absence of oxygen; the beneficial use of petroleum wastes as road materials; the control of the formation of toxic hydrogen sulfide in oil wells; the development of simple sampling devices to replace expensive live organisms to assess toxicity in contaminated soils; the treatment and disposal of naturally occurring radioactive material (NORM) in oil production equipment; and the remediation of brine-impacted soils. These projects were first reviewed and approved by our industrial advisory board (dominated by independent producers) as relevant to our mission of increasing the

competitiveness of the domestic petroleum industry and finally reviewed and approved by our science advisory committee on the basis of scientific quality.

IPEC has provided $761,685 in funding for these projects. However, another $631,480 in funding for these projects have been secured by the investigators as matching funds from industry and industry organizations such as the Gas Research Institute, the American Petroleum Institute and the Petroleum Environmental Research Forum. This is over and above the matching funds provided by the Oklahoma State Reagents for Higher Education. IPEC has pledged to Congress to work for a 1:1 match of federal dollars. As you can see IPEC is living up to that promise! IPEC is well on its way to becoming a true public/private partnership.

THE CONTINUING CRISIS IN THE DOMESTIC PETROLEUM INDUSTRY

The crisis in the domestic petroleum industry that we described in testimony in the last session of Congress has only gotten worse as the price of crude oil continues to fall. The independent producers are producing from mature fields left behind by the majors. Although there is a significant resource base in these fields, this is the most difficult and the most costly oil to produce. The independent producer has only one source of revenue—the sale of oil and gas. There is no vertical depth to his business. With the price of oil this low the independent producer is extremely vulnerable to the costs of environmental compliance. This latest drop in oil prices will no doubt result in another wave of business closures, plugged and abandoned wells, and reduced new-well completions. The problem is so acute that the Governor of Oklahoma formed an emergency task force to determine what the state can do to help Oklahoma producers survive the current decline in prices. Based on recommendations from this task force the Oklahoma legislature passed new legislation in a special session to link the gross production tax to the price of oil. However, legislators and independent producers alike know that this measure only delays the inevitable if the price of oil remains depressed at current levels. A similar price crash in the 1980s triggered a prolonged statewide recession. Clearly this trend is not in the best interest of the U.S. in terms of energy self-sufficiency or national security. We are turning over control of our cost of production, in terms of energy costs, to foreign interests. If domestic exploration and production and refining are to continue to play a strategic role in meeting U.S. energy needs, the domestic petroleum producer will continue to require access to cost-effective technology for pollution prevention, waste treatment and remediation in exploration and production (E&P) and refining.

IPEC'S RESPONSE TO CRITICAL RESEARCH NEEDS

IPEC is well on its way to fulfilling its pledge to you of responsiveness to the needs of domestic petroleum industry and fiscal responsibility. IPEC is continually probing our industrial advisory board for new ways to assist the industry and continually seeking out cost-effective technical solutions to these problems through an aggressive solicitation and review process. With the current price of oil these solutions are all the more critical.

IPEC will continue to work with the domestic petroleum industry to provide solutions to those environmental problems that represent the greatest challenge to the competitiveness of the industry. Specifically in fiscal year 2000 IPEC will continue to work with our Industrial Advisory Board to address the remaining critical research needs they have identified as well as address new needs that develop. These research needs include the following:

(1) *Bioremediation and other remediation technologies*.—reducing toxicity of hydrocarbon-contaminated soils; development of rapid, on-site remediation technologies; control of salt migration in the subsurface; developing methodologies for phytoremediation.

(2) *Risk Assessment*.—development of cost-effective ecological risk assessment methods for petroleum impacted sites; development of cost-effective and relevant terrestrial (animal/plant) bioassays for use in ecological risk/impact assessment; development of field methods for ecological risk assessment; development of methods to evaluate actual and future environmental risk of petroleum impacted soils; determining the correlation between ecological risk assessment and human health risk assessment; determining the impact of intrinsic bioremediation on risk-based closures; development of risk-based guidelines for handling, disposal and storage of NORM-contaminated solids, pipe, and equipment.

(3) *Measurement Technology*.—development of cost-effective methods (direct and indirect) for measuring the amount and extent of petroleum hydrocarbon sources in unsaturated and saturated soils; development of useful and easy to implement field and analytical methods and protocols for demonstrating intrinsic bioremediation;

validating current models for predicting flash emissions of hydrocarbons in E&P operations.

(4) *Process Technologies*.—control or treatment of flash gas emissions from stock tanks; use, treatment or disposal of oil tank bottoms; development of cost-effective methods for capture, recycling/destruction of volatile organic compound emissions from hydrocarbon processing and storage tanks; development of improved water treatment methods—particularly those methods; development of methods to for treatment of hydrogen sulfide in the reservoir.

(5) *Management and Decision Tools*.—development of methods to predict plume migration of salt water from pits; development of methods to calculate the full life cycle cost of material and waste handling in the petroleum industry; development of proper pit closure methods using a clay or compacted soil cap; development of improved methods for disposal of drilling wastes; development of methods to distinguish between historical oil field pollution and recent, current and/or ongoing pollution.

In addition to working with our Industrial Advisory Board, IPEC will continue in fiscal year 2000 to build linkages with organizations that provide services to the domestic petroleum industry. IPEC is working with the leadership of these organizations to develop a synergy between their efforts and those of IPEC. These organizations form the IPEC Affiliates Group and include the National Petroleum Technology Office (NPTO) of the U.S. Department of Energy, the Interstate Oil and Gas Compact Commission (IOGCC), the Petroleum Environmental Research Forum (PERF) the Oklahoma Energy Resources Board (OERB), the Oklahoma Independent Petroleum Association (OIPA), the Gas Research Institute (GRI), the Office of the Oklahoma Secretary of Energy, the Osage Agency of the Bureau of Indian Affairs and the Oil Producers of Arkansas (OPA). Recently, Governor Frank Keating of Oklahoma named the IPEC Director to the Environmental and Safety Committee of the IOGCC.

Since 1994 IPEC has organized and conducted the International Petroleum Environmental Conference. Dr. Kerry Sublette, Director of IPEC, has served as chair of these conferences. This conference is quickly becoming the premier conference of its kind in the U.S. and represents the flagship of technology transfer for IPEC. The annual International Petroleum Environmental conference serves as IPEC's technology transfer flagship. In October, 1998 IPEC held the 5th International Petroleum Environmental Conference in Albuquerque, NM. There were over 350 in attendance from all facets of the oil and gas industry including independent and major producers, service industry representatives, and state and federal regulators. The program for the 5th conference featured several plenary lectures, over 150 technical presentations, exhibits, a poster session and a special symposium on the fate of oxygenates from gasoline in the environment. Co-sponsors of the conference included the Interstate Oil and Gas Compact Commission, the Railroad Commission of Texas, the Texas Independent Producers and Royalty Owners Association, the Gas Research Institute, the Oklahoma Independent Petroleum Association, the Oklahoma Energy Resources Board, the EPA Office of Research & Development, and the National Petroleum Technology Office of the U.S. Dept. of Energy. At the request of the IPEC Industrial Advisory Board, IPEC sponsored the participation of ten state regulators from Oklahoma and Arkansas in the conference. The IPEC Science Advisory Committee also held its first formal meeting in conjunction with the conference. The next conference is planned for November, 1999 in Houston, TX.

FUNDING OF IPEC

IPEC is seeking appropriations of $2 million for fiscal year 2000 and the succeeding fiscal years 2001 and 2002 through the Environmental Protection Agency. The consortium will be responsible for at least a 50 percent match of federal appropriations with private sector and state support over a five-year period. The Consortium will be subject to annual review to ensure the effective production of data, regulatory assessments, and technology development meeting the stated goals of the Consortium.

PREPARED STATEMENT OF THE ROCHESTER INSTITUTE OF TECHNOLOGY

Mr. Chairman, and members of the Subcommittee, on behalf of the Rochester Institute of Technology, in Rochester, New York, thank you for this opportunity to share with you some information about RIT's National Center for Remanufacturing and Resource Recovery. This Center, which is located in our Center for Integrated Manufacturing Studies, is doing important research and technology transfer in a field that is of critical interest to our national economy from the standpoint of envi-

ronmental protection, energy conservation and global competitiveness. I would like to provide the Subcommittee with some background on the technology of remanufacturing, and explain why we believe it will be of interest to you, and in particular to the Environmental Protection Agency, which is within this Subcommittee's jurisdiction.

As you know, millions of consumer and industrial products are produced and disposed of every year, comprising a large part of the over 160 million tons of municipal solid waste Americans generate per year. Many of these products end up in overburdened landfills. Recycling offers an opportunity to recover the raw material contained in these discarded goods. But, even if goods are recycled, the energy, labor, scrap material, and money put into making the component parts are lost. There exists another, better alternative for many products—Remanufacturing. Remanufacturing is the process of restoring retired or dysfunctional durable goods to a "like new" condition. By restoring end-of-life durable products for reuse, remanufacturing prevents waste generation and the pollution, energy and raw material consumption that would be required to make a new product from scratch. For example, sixty percent of the energy required to manufacture a new automotive part can be saved by remanufacturing an old one, and in the process, greenhouse gas emissions are significantly reduced.

Remanufacturing makes good sense for the nation's economy too. Purchasing a remanufactured product can cost consumers 50 to 70 percent less than a new product. Companies benefit from avoiding hefty solid waste disposal costs. As a labor-intensive industry, remanufacturing also provides opportunities for employment and training. A survey of remanufacturing companies found that there are over 73,000 independent remanufacturing companies in the U.S. These companies employ nearly 500,000 people and have annual sales of over $53 billion per year. Many remanufacturing firms hire unskilled workers or workers with disabilities, providing these individuals with job experience and skills.

Remanufacturing is a powerful example of how the goals of environmental protection and economic growth can go hand-in-hand. Remanufacturing is the process of recovering the component parts of end-of-life products, restoring them to a "like-new" condition, and returning those parts or products to service. Remanufactured products may be completely refurbished and returned to service as the same type of product, broken into components and utilized as after-market items, or dismantled into components and sold as parts in new and different applications.

Remanufacturing is pollution prevention and resource conservation in action. It is well known that preventing—rather than controlling—pollution is a cost-effective way to eliminate or minimize risks to humans and the environment. By restoring end-of-life durable products for reuse, remanufacturing prevents pollution and energy consumption from raw material extraction and manufacturing processes that would be required to make a new product from scratch.

Studies have shown that remanufactured engines require 50 percent of the energy and only 67 percent of the labor necessary to produce new engines. These savings for the manufacturer translate to savings for the consumer—rebuilt equipment is on average 40–60 percent less expensive than new equipment. Thus, consumers can have superior quality products at a low price and be "green" at the same time. More importantly, remanufacturing shows that the ability to produce a product at a substantial profit and the ability to produce environmentally sound products are not mutually exclusive.

New product manufacturing creates 87 percent of the waste produced in the U.S. Because remanufacturing recovers the value added during the initial manufacture of a product, it vastly reduces the energy consumption and waste associated with the manufacturing process. For example, the original manufacture of a product may require 6 times as much energy as the remanufacture of the same product. The recovery of natural resources is equally impressive. Remanufactured products usually consist of 80–90 percent used components which means that between eight to nine pounds of old material is recovered for every pound of new material employed in the remanufacturing process. In a specific illustration, remanufactured automobile starters annually save about 8 million gallons of crude oil, 52,000 tons of iron ore, and 6,000 tons of copper. Energy saved annually by remanufacturing worldwide equals the electricity generated by 5 nuclear power plants or 10.7 million barrels of oil.

On the consumer side, Kodak's single-use camera remanufacturing initiative salvaged parts and materials from 100 million single-use cameras as of May 1996, resulting in the diversion of 14 million pounds of waste from entering the waste stream. Of the total new cameras shipped in any given month,77 percent are now returned for remanufacturing and Kodak is able to reuse about 85 percent of the parts.

Climate change and solid waste prevention are two environmental issues with an important underlying link. When products are reused, less energy is needed to extract, transport, and process raw materials. Using end-of-life products to make new products generally requires less energy than manufacturing from virgin materials. Consuming less energy leads to less greenhouse gas emissions being released into the atmosphere. By reducing the quantity of products that are thrown away, there is a reduction in greenhouse gas emissions associated with material decomposition in landfills and in incineration.

The U.S. Environmental Protection Agency has been encouraging waste reduction as one of many ways to mitigate global climate change. Expanding the agency's activities in this area by supporting research and development in remanufacturing would add significantly to the impact of the agencies' efforts.

Pollution prevention has become the guiding principle of EPA's efforts to protect the environment. The passage of the Pollution Prevention Act established the new policy "that pollution should be prevented or reduced at the source whenever possible." Past environmental protection policies emphasized the treatment of waste products rather than improving the manufacturing processes that produced them. The cost of complying with federally mandated pollution-control and clean-up programs has grown from $26 billion in the 1970's to $115 billion in 1990's. Despite the fact that more and more of our GNP is expended on environmental remediation, our landfills are filling rapidly and solid waste management is becoming a central concern of state and local governments.

Efforts to regulate the amount of solid waste associated with manufacturing are quickly becoming a reality for businesses seeking to do business in Europe. The European Community has adopted legislation dictating that no more than 15 percent of a scrap automobile may go to a landfill by the year 2002. This ratio is to drop to 5 percent by the year 2015. They will also soon require that manufacturers and distributors of consumer electronics products take back and recycle or dispose of used electronic equipment. Canada has expressed interest in similar legislation and in 1991 MITI, Japan's international trade ministry, issued regulations promoting the use of recycled materials and the recycling of durable goods themselves. Currently recycling techniques are only capable of reducing disposable waste to about 25 percent and, will be unable to meet the new stricter international standards. American industry will have to comply with these regulations if it wishes to sell products in these markets. Remanufacturing is more energy efficient than recycling and offers American industry a potential competitive advantage in serving these markets.

Notwithstanding all of its advantages, there are some obstacles to remanufacturing. Traditionally manufacturers have only taken into account the stages of product life cycle dealing with product design, manufacture, and service. Now that the retirement phase of a product has become a major area of interest in protecting the environment and increasing economic growth, the life-cycle has been expanded to include processes such as reuse, remanufacture and material recycle. Most products have been designed with disposal rather than remanufacturing as the end of the product life-cycle. Where design specifications are not available, these products must be "reverse engineered". These products are more difficult to remanufacture than those which were designed and produced with remanufacture in mind.

On one level remanufacturing is not a new phenomenon. Remanufacture of automotive parts has been around for more than 60 years and more recently the copier and printer industry has offered the consumer the environmentally sound alternative of purchasing Remanufactured toner cartridges. Today, without accounting for the activities of original equipment manufacturers (OEMS) and the Department of Defense, there are more than 73,000 remanufacturing establishments in the U.S. with annual gross sales in excess of $53 billion. Despite the importance of this sector of the economy, it has gained little recognition. One reason for this invisibility is the diversity of its product sectors. The second reason is that nearly all of the firms are small to medium-sized independent companies. Only a few of the major OEMs have remanufacturing divisions. Eastman Kodak and Xerox are notable in the photographic and xerographic fields, Caterpillar, Detroit Diesel, and Cummins in diesel engines, and Copeland in refrigeration compressors.

With the exception of the Department of Defense and the original equipment manufacturers noted previously, the majority of small or medium size remanufacturers do not have, nor can they afford to support, an internal engineering and applied research capability. Much research, education, and support for industry will be required to make designing new products for remanufacture a standard practice in industry.

Remanufacturing is in many cases the most economically and environmentally sound method of dealing with end-of-life products. The remanufacture of goods pro-

motes the avoidance of waste and prevents needless use of energy. Remanufacture prevents the loss of non-renewable resources due to disposal and avoids the use of further non-renewable resources to replace discarded products. Remanufacturing can help to bring this society one step closer to a sustainable, closed-loop relationship between industry and the environment.

Funding Request for Fiscal Year 2000

For these reasons, RIT is proposing that the EPA provide support for the National Center for Remanufacturing and Resource Recovery. The EPA funding support, which will complement and leverage financial support from the State of New York and industry, will allow the National Center to develop and implement a host of remanufacturing research programs geared toward helping U.S. manufacturers both large and small learn how to make environmentally conscious products. The National Center will help EPA take the nation's efforts to recycle to a new and higher level—Remanufacturing.

The National Center's programs will help EPA's Science and Technology programs address one of the most pressing areas—environmental pollution at the source—by working directly with U.S. manufacturers on using remanufacturing techniques and processes to make needed environmental strides in manufacturing. EPA's Science and Technology program mission is to promote long-term basic and short-term applied research in a wide range of environmental and health concerns and to provide the scientific knowledge and technologies to prevent pollution. RIT's National Center for Remanufacturing will help EPA accomplish its short-term applied research mission and have a dramatic effect over time in reducing the pollution caused by U.S. manufacturers and their products.

The Rochester Institute of Technology is requesting EPA support of $3,000,000 in fiscal year 2000 for support of activities of the National Center for Remanufacturing & Resource Recovery. These funds would be used in the manner described in Attachment "A." Part of the funding would be used for one-time costs to purchase major equipment items in support of the research plan. It is anticipated that the ongoing program costs of the Center will be approximately $3,000,000 per year. RIT will seek $3,000,000 per year for 4 additional years for environmental remanufacturing program costs from the federal government. Attachment "B" is an outline of the goals of the National Center for Remanufacturing and Resource Recovery.

RIT believes that by funding the National Center for Remanufacturing and Resource Recovery (NCRRR), EPA will further its mission. The National Center for Remanufacturing and Resource Recovery (NCRRR) is nationally recognized as having leading expertise in a variety of technical aspects of remanufacturing. This environmental remanufacturing research program is needed to raise the visibility of this emerging area of manufacturing and provide a place for industry, academia and government agencies such as EPA to come together to research and apply current and new Remanufacturing processes to real manufacturing situations.

The center is housed in a completed 157,000 square foot manufacturing laboratory—the Center for Integrated Manufacturing Studies—which is the perfect home for a national remanufacturing effort. This one of a kind facility, with its five large flexible research bays, is expressly designed to have the capability to provide industry and academic researchers with the ability to conduct full-scale testing of remanufacturing processes using state-of-the-art equipment.

The center is part of a technological university—RIT—which has a long and distinguished history of service to large, medium and small manufacturers through applied manufacturing research. In addition to this strong capabilities in Industrial, Manufacturing, and Mechanical Engineering, Packaging Science, Economics and Business, RIT has, in recent years, brought to bear on manufacturing problems, pragmatic solutions to meeting the technological and workforce needs in industries related to microelectronics engineering, imaging technologies and software engineering. RIT's Center for Integrated Manufacturing Studies (CIMS) brings to the National Center for Remanufacturing support labs in: simulation, reverse engineering, design for manufacturing and assembly, computer aided design and manufacturing, and ergonomics. CIMS also has state-of-the-art capabilities in technology transfer and distance learning.

NCRRR has established itself as a leading R&D center for the remanufacturing industry. The university created a Remanufacturing Database System for the nation, which will serve as a base for sharing findings with industry nationally and assisting individual companies in keeping abreast of advances in remanufacturing, government programs and regulations. RIT has also set up an Internet site for remanufacturing research.

By supporting the critical R&D needs of this economically and environmentally important industry, the EPA will enhance the industry's competitive posture; qual-

ity of goods; energy, natural resource, and environmental profile; save and, perhaps, create jobs in what has been a declining U.S. manufacturing sector.

Mr. Chairman, we have developed a multi-phase research program for the work that the National Center for Remanufacturing and Resource Recovery would like to initiate with the Environmental Protection Agency. Appendix A provides a summary description of this program, and the timeline and funding that would be needed to implement this plan. Our request for fiscal year 1999–2000 is $3,000,000 to begin the first phase of this research program.

Thank you again, Mr. Chairman, for the opportunity to provide this testimony to the Subcommittee. If you or your colleagues have any questions about this project, please feel free to call and we will respond promptly to your requests.

ATTACHMENT A.—NATIONAL CENTER FOR REMANUFACTURING & RESOURCE RECOVERY

RESEARCH PLAN, TIMELINE AND BUDGET

The National Center for Remanufacturing and Resource Recovery (NCRRR) is focused on leading the remanufacturing industry into the 21st Century. The five-year goal of the center is to become a self-sustaining national resource for applied research that will provide technical solutions to real-life problems for remanufacturers.

Phase I Development and dissemination of life-cycle and design for remanufacturing tools to promote sustainable remanufacturing

Currently, there is not a good method for transferring knowledge obtained through the remanufacturing process back to the product designers so that new products are designed for remanufacturability. There is also limited availability of design tools for the evaluation of the life cycle costs of remanufacturing.

In this phase of the project, NCRRR will develop guidelines, metrics, and tools to promote design for remanufacturing and incorporation of life-cycle considerations into remanufacturing. Specifically, activities will include development and dissemination of: Product assessment methods and tools; Life cycle costing methods and tools; Economic recovery analysis techniques; Technology assessment techniques; and Disassembly and teardown analysis methods and tools.

Phase II Remanufacturing Technology Advancement

In a recent vision document crafted by the remanufacturing industry ("Remanufacturing Industry, Vision for 2020"), strong emphasis was placed on the need for targeted research and development to enable the remanufacturing industry to keep up with rapid technology changes and demands for quality products. NCRRR proposes to develop and conduct a focused R&D program to meet the technological needs of the industry.

Research areas will include: design for remanufacturing; reverse logistics; structural and material analysis; intelligent testing and diagnostics; reverse engineering; design capture; life cycle costing; failure mode analysis; and cleaning technologies. The goal of this research is to develop and disseminate tools and techniques that will lead to improved design and manufacturing processes.

Signature analysis, a technique for intelligent testing and diagnostics, was singled out in the vision document as a critical area in need of development. NCRRR has an established program in this area and will utilize funding under this grant to expand its activities to create and transfer practical industry-specific tools for predicting the useful life of electrical and electronic components.

Phase III Assessment of Pollution Prevention Opportunities in the Remanufacturing Industry

Over a year ago, NCRRR established a Clean Technology Team to develop and promote remanufacturing technologies and methods that use little or no hazardous material, generate little or no waste, and are safe for workers, the public and the environment. To date, the team has been very active in providing direct assistance, technology demonstrations, and R&D in environmentally preferable surface cleaning technologies. With funds under this grant, the team will expand its activities in the following areas: Reduced specification of hazardous materials in product and process design; Paint stripping; Processes to restore the physical attributes of components; Painting or other surface refinishing operations; Packaging; and Disposition of wastes.

In this phase NCRRR will identify pollution prevention opportunities in these areas for the remanufacturing industry. In particular, NCRRR will focus its work on identifying operations in the industry that tend to utilize persistent,

bioaccumlative, and toxic chemicals (PBT chemicals) and opportunities for substituting non-hazardous processes. These opportunities will be documented in a handbook for remanufacturers and will form the basis of subsequent work under this grant.

Phase IV Direct Assistance to Remanufacturers

In this phase, NCRRR will develop a program of direct assistance to remanufacturers aimed at implementing pollution prevention techniques and, in particular, reducing the use of PBT chemicals. Direct assistance will take several forms, including: site visits to remanufacturers to conduct pollution prevention assessments, with a focus on PBT use; development of recommendations on alternatives to PBTs; assistance with implementation of alternative technologies and methods; and assessments in NCRRR's Surface Cleaning Testing and Demonstration Facility to assist companies in finding alternatives to PBTs used in surface cleaning.

Phase V Technology Transfer

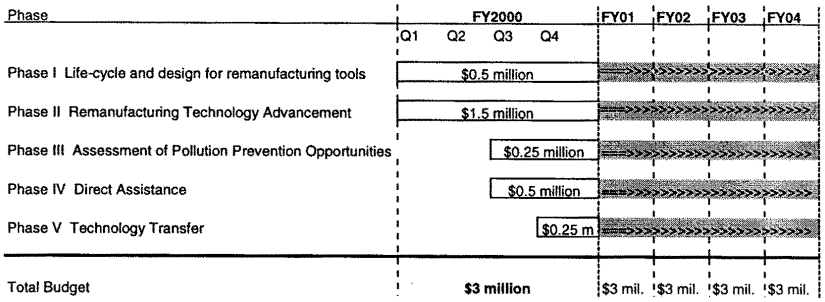
NCRRR will develop and carry out a technology transfer program aimed at disseminating information to remanufacturers on state-of-the-art clean manufacturing techniques, equipment, and chemistries that can be used as alternatives to those processes using PBT chemicals. Emphasis will be placed on those technologies that are both effective and are environmentally conscious, i.e., non-toxic, non-hazardous and resource-conserving.

Information will be disseminated in a number of ways, including: Developing and disseminating reports, case studies, fact sheets, and other printed informational materials; Providing up-to-date information on PBT alternatives on NCRRR's internet web-site; Conducting hands-on technology demonstration workshops; and Referring companies exploring new, non-PBT environmentally conscious cleaning technologies to companies already employing them.

NCRRR would conduct this work in close collaboration with key industry trade associations representing the remanufacturing industry, including the Remanufacturing Industries Council International (RICI); Automotive Parts Rebuilders Association (APRA); and the Engine Rebuilders Association (AERA).

At the conclusion of this project, NCRRR will have a database and a set of information products that it can use to continue its work on pollution prevention/PBT-use reduction. In addition, this information would be made available to other organizations, such as industry trade associations, state and federal agencies, and pollution prevention technical assistance organizations.

TIMELINE & BUDGET



PREPARED STATEMENT OF THE NORTHWEST INDIAN FISHERIES COMMISSION

Mr. Chairman, and Honorable Members of the Committee, I am Billy Frank, Jr., Chairman of the Northwest Indian Fisheries Commission (NWIFC) and on behalf of the tribes in Washington State I would like to thank you for the opportunity to offer written testimony concerning the Environmental Protection Agency's (EPA) fiscal year 2000 appropriations.

We are specifically requesting that programmatic funding levels to the Northwest tribes be included in EPA's budget under Section 104(b)(3) of the Clean Water Act. The purpose of our request is to continue implementation of the model Coordinated Tribal Water Quality Program for twenty-six participating tribes and tribal organi-

zations in Washington State for fiscal year 2000. Strong congressional support for the implementation of this tribal initiative began in 1990 and is present today.

However, we are losing ground in the implementation of these efforts. Erosion of base level funding is jeopardizing the federal government's long-term investment of this efficient and effective tribal water quality protection program. Support for this model tribal initiative is timely in as much as it implements the goals and objectives of the President's Clean Water Action Plan. It is an existing program that centers around watershed-based water quality protection by building partnerships and fostering inter-jurisdictional cooperation. All are critical components to protecting and restoring our Northwest salmon.

We respectfully request Congress to either:

(1) Appropriate $3.10 million into the EPA's funding base

Under Section 104(b)(3) of the Clean Water Act, Section 319 of the Clean Water Act, or within EPA's Assessment and Watershed Program, appropriate $3.10 million into EPA's funding base for twenty-six (26) participating tribes and tribal organizations in Washington State to fully implement the model cooperative tribal water resource program for environmental protection; or,

(2) Direct the Agency to utilize $3.10 million in existing agency funding

From existing Section 104(b)(3) of the Clean Water Act, Section 319 of the Clean Water Act, or EPA's Assessment and Watershed Program funds, provide $3.10 million for twenty-six (26) tribes and tribal organizations in Washington State to continue implementation of the model cooperative tribal water resource program for environmental protection.

Justification for this funding request is based on:

1. legal rights and obligations for the federal government to protect the treaty-reserved rights of the tribes,
2. the United State's trust responsibility to protect the health and environment of the tribes on a government-to-government basis;
3. cost effectiveness by utilizing a cooperative intergovernmental strategy to accomplish National clean water goals; and,
4. minimize conflict between multiple jurisdictions who manage water quality.

To assist the Committee members, I would like to summarize background relevant to our request.

BACKGROUND

The NWIFC request is on behalf of our nineteen (19) member treaty fishing tribes and the Hoh, Chehalis and Shoalwater Bay Tribes in western Washington, and the Yakama Indian Nation, Colville Confederated, Spokane, and Kalispel Tribes in eastern Washington. This request is to continue implementing the model Coordinated Tribal Water Quality Program that began in 1990.

Washington State has been blessed with bountiful rivers and streams. Five species of Pacific salmon and three species of anadromous trout utilize Washington State's streams during the fresh water stages of their life cycles. Historically, there were ample supplies of fish for ceremonial, subsistence, commercial and recreation purposes. Old growth conifer removal, riparian zone impacts, farming activities, and channelization of the streams has reduced the productive capacity of these streams to extremely low levels. Currently, there are Puget Sound salmon stocks listed under the Endangered Species Act.

In 1979, the United States Supreme Court re-affirmed the treaty tribes' right to harvest half of the harvestable number of anadromous fish passing through tribal usual and accustomed areas. In 1980, the Federal District Court held that the United States and the State of Washington must not permit degradation of fish habitat which would diminish the treaty harvest right, including point and non-point pollution sources. The Federal courts have recognized that protection of water quality and other attributes of fish habitat are necessary to secure the Constitutionally protected rights of the tribes to harvest fish.

The sovereign authorities of the Tribes and the legal principles enunciated in *United States* v. *Washington* along with other Federal court decisions support the basis upon which the tribes are involved with on and off-reservation environmental issues. As a result of Federal court decisions, the State of Washington has recognized the tribes as "co-managers" of the fish resource and water quality in our state. As co-managers in Washington, the tribes must have the resources to adequately participate in environmental protection programs.

The Environmental Protection Agency's (EPA) Indian policy (1984) of working with Federally recognized tribes on a government-to-government basis concerns more than 375 Indian tribes in the lower 48 states controlling over 52 million acres of land base. In our state, tribal reservations make up approximately six percent

(6 percent) of the State of Washington. Our tribes also have retained treaty rights not ceded to the United States. These usual and accustomed fishing grounds include most of the State of Washington. The combined area of Indian reservations nationally is larger than all of New England, yet EPA now devotes only a tiny fraction of its personnel and funds to environmental protection for the tribes.

This is clearly a discriminatory prioritization of Federal funds. On a national level, tribal reservations represent three percent (3 percent) of the land base of this nation. Although the EPA has worked closely with the states to implement adequate environmental programs, until recently, little had been done to accomplish the same for the tribal governments. Indian tribes are over two decades behind the states both in resources received from the EPA and in technical assistance provided by the EPA in developing tribal water program offices. A "front end" investment will promote cooperation and increased tribal involvement in environmental protection as has been the case between the EPA and state governments for the past 20 years. The Coordinated Tribal Water Quality Program is already enabling cooperative inter-jurisdictional partnerships.

We recognize, support and appreciate the successful efforts that have been made to improve EPA Indian Programs and tribal funding. Our request for Section 104(b)(3) funding is intended to stabilize existing program implementation activities. Another possibility may be within Section 319 of the Clean Water Act. However because of the legislated formula, the doubling of Section 319 monies proposed nationally for water quality protection efforts in fiscal year 2000, translates into only $600,000 (one-third of 1 percent restriction) for tribal programs. This means 535 tribal governments must compete for a very small pool of tribal nonpoint source pollution management program funds. Clearly, a means must be found to support the long-term funding of tribal programs that seek to protect tribal treaty rights such as ours, or the efforts being made by EPA will not be successful.

TRIBAL/STATE ROLES

Beginning in 1990, the State of Washington has supported tribal involvement in environmental protection both off and on-reservation. The state is committed to work with the tribes on a government-to-government basis as "co-managers" of the water resource in the implementation of this program. The Federally recognized Indian tribes in Washington have developed a process with state, local government officials, and representatives of agriculture, industry, and environmental communities to address water resource issues on a government-to-government basis. The results of these discussions have outlined a cooperative process between the tribes, state agencies and programs, and local units of governments in areas of environmental protection. This process was highlighted as a case study example to countries around the world at the 1992 United Nations Conference on Environment and Economic Development in South America.

The Coordinated Tribal Water Quality Program, an EPA/Tribal partnership, has generated successful models of state/tribal inter-jurisdictional cooperation. Examples of these models are: the Tribal Water Quality Standards Template encouraging inter-governmental uniformity and coordination of water quality management; and, the Cooperative Management of the Clean Water Act § 303(d) Program, enabling state/tribal government-to-government process throughout the CWA § 303(d) listing and implementation processes.

The tribes must be part of the solutions to prevent and control water pollution in Washington State. The tribes must participate in these activities to protect their governmental interests and treaty fishing rights. In this time of existing and pending listings of salmon stocks under the Endangered Species Act, neither we, nor the resources, can afford to lose programs integral to our inter-governmental cooperative watershed program. The Coordinated Tribal Water Quality Program is part of protecting our nation's environmental heritage.

CONCLUSION

For seven years, Congress has recognized and supported the Coordinated Tribal Water Quality Program by appropriating funding to maintain its operations. Last year, Congress recognized the program without specifying monies. Our understanding of this change in Congressional action was due to the increased General Assistance Program/Indian Set aside and the expectation that the Coordinated Tribal Water Quality Program would be maintained with a portion of those monies. This has not occurred. The General Assistance Program monies are designated for capacity building—the Coordinated Tribal Water Quality Program is an existing and successful tribal initiative requiring stabilized implementation funding. This model program demonstrates how tribes can participate in environmental programs working

with EPA to realize its long-range objective of including tribal governments as partners in decision-making and program management of tribal lands and resources.

We appreciate the difficulty Congress is facing in making decisions for this next fiscal year. In the case of the EPA, Congress and the Administration will probably direct EPA resources to address those areas of highest risk to human health and the environment. Therefore, we want to reiterate that tribal reservations and protection of their treaty resources have not been adequately addressed for the past twenty (20) years and this, also, represents the highest of risks to this nation. To do otherwise would represent environmental genocide to Native Americans.

Sufficient and permanent funding is necessary to continue the tribal cooperative program. Certainty of funding is necessary for the tribes to hire permanent and professional staff to implement this program. Without an ongoing investment by Congress much of the good that has been accomplished to date will be lost.

Please consider our request for $3.10 million for the Washington State Coordinated Tribal Water Quality Program. Once again, thank you for the opportunity to provide written testimony. Thank you also for your assistance in helping to develop a national model program of how tribal governments can address environmental protection in a cooperative watershed approach with state and local governments.

Thanks to this committee, we are making significant progress. This initiative is being supported at all levels of our governments. We hope you and the Committee will continue to look favorably on our request.

PREPARED STATEMENT OF THE NATIONAL GRAIN AND FEED ASSOCIATION

Mr. Chairman, members of the Subcommittee, the National Grain and Feed Association (NGFA) appreciates the opportunity to present its views on a very important issue to U.S. agriculture. Specifically, the U.S. Environmental Protection Agency (EPA) has proposed new safety measures for aluminum and magnesium phosphide that threaten the competitive position and economic vitality of many U.S. producers, grain handlers, exporters, millers and processors. This is a critical issue because aluminum and magnesium phosphides are the last remaining cost-effective fumigants available to U.S. agriculture. As such, these products play a vital role in U.S. agriculture's ability to provide a high quality, nutritious and affordable food and feed supply to domestic and foreign customers.

While this EPA proposal remains subject to revisions, the industry is alarmed by the total impracticality and extensiveness of the proposed regulations, which we believe have no scientific justification. We will work through the rulemaking process with EPA. However, we have been having dialogue with EPA since the fall of 1998—well before the Agency announced its formal proposals on aluminum and magnesium phosphide—and, thus far, EPA has not budged from its original unjustified position. It is for this reason that our industry has grave concerns about EPA's intentions and direction in the regulation of these highly important fumigants, and seeks with this testimony to raise concerns with members of Congress.

The NGFA consists of 1,000 grain, feed and processing companies that operate 5,000 facilities that store, handle, merchandise, mill, process and export more than two-thirds of all U.S. grains and oilseeds. About 70 percent of NGFA member firms are small businesses—country elevators and feed mills. Also affiliated with the NGFA are 36 state and regional grain and feed associations.

BACKGROUND

Aluminum and magnesium phosphides are used for indoor fumigation of raw agricultural commodities, animal feeds, and processed food commodities to control insects, and outdoor fumigation of burrows to control rodent and moles. Aluminum and magnesium phosphides react with atmospheric moisture to produce phosphine gas.

Once an infestation begins, fumigation is the only viable and cost-effective treatment of large amounts of stored agricultural products. Fumigation is particularly important in many Southern areas and during periods of warm weather because warmer temperatures favor increased insect activity. These fumigants are also used to meet domestic milling and regulatory requirements for insect control. Furthermore, aluminum and magnesium phosphides are often required to meet contract specifications of foreign customers.

Thus, loss of aluminum and magnesium phosphide could jeopardize the production and maintenance of high quality agricultural products in some regions and during storage in warmer times of the year. Furthermore, loss of aluminum and magnesium phosphide could undermine a large percentage of U.S. exports of agricultural products, including wheat, corn and many processed products.

Importantly, methyl bromide, the only other remaining agricultural fumigant now in commercial use, is scheduled for cancellation in a few years under provisions of the Clean Air Act. Other types of insecticides, although useful in a total pest control program, are not effective substitutes for fumigants. In addition, many insecticides are being reviewed under provisions of the Food Quality Protection Act. If use of these chemicals is restricted or canceled, the importance of aluminum and magnesium phosphides will intensify.

OVERVIEW OF EPA'S RMMS

On December 23, 1999, the EPA proposed a series of new safety measures called Risk Mitigation Measures (RMMs)—which must be used when fumigating products with aluminum and magnesium phosphide—as part of the re-registration of these fumigants. Specifically, the 1988 amendments to the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) required EPA to accelerate re-registration of all products with active ingredients registered prior to November 1, 1984. Aluminum phosphide was first registered in the United States in 1958. Magnesium phosphide was first registered in the United States in 1976.

During the re-registration process, EPA concluded that aluminum and magnesium phosphide do not present any food safety or ecological concerns. On the other hand, EPA found that there might be health concerns from acute exposure to aluminum and magnesium phosphide.

The NGFA has carefully evaluated EPA's proposed RMMs to determine what, if any, changes are warranted in current label safety requirements. To assist in this evaluation, a survey of NGFA members was conducted to obtain information on their utilization of aluminum and magnesium phosphide and the potential impact of EPA's proposed RMMs. Based upon this analysis, we believe that the overall impact of EPA's proposed RMMs would be to effectively preclude the future use of the last remaining fumigants available to protect the quality of U.S. agricultural commodities, processed products and finished products during storage and transit. Specifically, the NGFA believes that EPA's RMMs are unworkable, too restrictive and will not provide any meaningful safety or health benefits. We are particularly concerned with the following proposed RMMs:

Lower the Maximum Exposure Limit to 0.03 ppm

The EPA proposes to lower the maximum exposure limit to 0.03 ppm. This level is significantly more protective than the permissible exposure limit set by the Occupational Safety and Health Administration (OSHA) and the current limits approved by EPA for aluminum and magnesium phosphide.

We believe EPA's proposed 0.03 ppm exposure limit is overly restrictive and will not provide any meaningful health or safety benefits. EPA's proposed 0.03-ppm limit could significantly increase costs and the burden placed on applicators when fumigating with aluminum and magnesium phosphide. For example, lowering the exposure standard to 0.03 ppm will dramatically increase the chances that the exposure limit will be violated during routine fumigation operations and significantly increase the time needed to properly aerate a fumigated commodity.

In addition, questions remain over the ability of current technology to accurately measure or consistently verify that phosphine gas concentrations are at or below the proposed 0.03-ppm exposure limit. Without access to reliable and cost-effective measuring technology, fumigation with aluminum and magnesium phosphide would become more difficult and aeration could be unnecessarily prolonged.

Prohibit fumigation within 500 feet of a residential area. Require notification of residents and businesses within 750 feet of a fumigated structure

The EPA is proposing to prohibit fumigation with aluminum and magnesium phosphide within 500 feet of a residential area. The Agency is also proposing to require notification of residents and businesses with 750 feet of a fumigated structure so that they "can make decisions regarding temporarily leaving their property during fumigation."

We do not believe either proposal is based upon sound science. EPA has not shown that fumigation with aluminum and magnesium phosphide following current label directions will expose the public to harmful levels of phosphine gas. Furthermore, the 500-foot ban could eliminate fumigation in nearly 70 percent of current storage structures and fumigation of rail cars, barges, and ocean-going vessels. In addition, the 750-foot notification proposal could unnecessarily generate undue public alarm with the safe application of aluminum and magnesium phosphide.

EPA points to a series of phosphine poisoning incidents to justify their public health concerns when fumigating with aluminum and magnesium phosphide. However, an analysis of these incidents reveals that most alleged poisoning incidents re-

sulted from failure to follow current label directions or illegal use of these chemicals. Even the Agency admits that evidence of an alleged death from exposure to phosphine is weak and unlikely to support a definite or even probable cause-and-effect relationship.

The NGFA supports RMMs that adequately protect the safety and health of applicators, nearby workers and the public. In this regard, the safety record of aluminum and magnesium phosphide has been excellent with current label directions providing an appropriate level of safety. We also believe that RMMs must be based upon clear and convincing evidence of risk. RMMs should avoid raising undue public alarm over unsubstantiated or negligible risks and limit the use of anecdotal information in which the cause-and-effect relationship is not well established. Misuse should be addressed through label warnings.

Provide 24-hour pre-notification of local emergency responders

The EPA proposes that applicators notify local emergency responders at least 24 hours in advance of fumigation. Under current label directions, those applying aluminum and magnesium phosphide already annually provide comprehensive safety and health information on these fumigants to local officials. We believe that current requirements are adequate because aluminum and magnesium phosphide's excellent safety record when following label directions make it highly unlikely that local emergency responders will be required to respond to a poisoning incident. The 24-hour pre-notification would also be infeasible when loading rail cars.

Require additional monitoring and leak testing of fumigated structures

The EPA would require monitoring throughout fumigated structures, vessels and vehicles prior to unloading or disturbing fumigated products and leak testing of fumigated areas. We believe EPA's monitoring proposal is virtually impossible to achieve in most grain storage structures and vessels. We also believe EPA's leak testing procedures are unrealistic and not needed. Both situations are adequately addressed in current label directions.

CONCLUSION

The NGFA supports re-registration of aluminum and magnesium phosphide with general re-affirmation of current label directions. We believe that EPA's concerns would be better served by focusing on training and education of applicators and effective enforcement of current label directions.

We also believe that RMMs for aluminum and magnesium phosphide must be based upon sound science and reliable information; be clearly demonstrated as necessary to protect human health; be economically and operationally reasonable, and permit the continued routine use of these cost-effective and safe fumigants.

Thank you for allowing us to present our views on this important issue to U.S. agriculture. We will be contacting you in a few weeks to determine how we may work together to ensure that EPAs' final RMMs for aluminum and magnesium phosphide are reasonable, necessary and appropriate to the actual risks posed by these fumigants when following current label directions.

PREPARED STATEMENT OF THE STATE AND TERRITORIAL AIR POLLUTION PROGRAM ADMINISTRATORS AND THE ASSOCIATION OF LOCAL AIR POLLUTION CONTROL OFFICIALS

The State and Territorial Air Pollution Program Administrators (STAPPA) and the Association of Local Air Pollution Control Officials (ALAPCO) appreciate this opportunity to provide testimony regarding the fiscal year 2000 proposed budget for the U.S. Environmental Protection Agency, particularly regarding grants to state and local air pollution control agencies under Sections 103 and 105 of the Clean Air Act. The President's request for fiscal year 2000 includes an increase of $3.2 million for state and local air grants, under both Sections 103 and 105, for a total of approximately $198.7 million. While STAPPA and ALAPCO are pleased that the President's budget acknowledges the need for additional funds, we believe this proposed budget leaves state and local air agencies with serious funding gaps that will make it difficult for us to continue to fulfill our responsibilities under the Clean Air Act. Accordingly, STAPPA and ALAPCO request an increase of $30 million above the President's request for fiscal year 2000, which we will discuss in greater detail below.

STAPPA and ALAPCO are the national associations of state and local air pollution control agencies in the 54 states and territories and over 150 major metropolitan areas across the nation. Under the Clean Air Act, state and local air quality

officials have the primary responsibility for ensuring healthful air quality for our citizens. These agencies must carry out numerous activities to implement federal, state and local clean air requirements. These include programs to address particulate matter, ground-level ozone, toxic air pollution, acid rain and other types of air pollutants, many of which cause significant adverse health effects, including cancer, severe respiratory ailments and premature death. Air agencies must address new initiatives that focus on emerging problems, as well as carry out the core elements of our programs, which serve as the backbone of our nation's clean air effort.

STATE AND LOCAL AIR GRANTS SHOULD BE INCREASED

The President's budget request for fiscal year 2000 calls for an increase of $3.2 million in grants for state and local air pollution control agencies, bringing the total amount requested to $198.7 million. While we are grateful for the proposed additional funds and, perhaps even more so, for the recognition implicit in the increase that state and local air grants ought to be augmented, we believe the proposal is not nearly adequate to address our nation's environmental needs.

State and local air pollution control agencies face a serious shortfall in federal grants. This deficit is due to the fact that federal funding under Section 105 of the Clean Air Act has declined by over $36 million since fiscal year 1995, while our responsibilities and the cost of state and local programs under the Clean Air Act have increased dramatically. These responsibilities include both new initiatives to address emerging issues, as well as ongoing activities to preserve the gains and improvements in air quality that we have already made.

As we reported to you last year, in the spring of 1997, the U.S. Environmental Protection Agency (EPA) and members of STAPPA and ALAPCO undertook a four-month, intensive study to identify and estimate the costs related to activities that should be funded with state and local air grants under Section 105 of the Clean Air Act. The calculations of additional need addressed both the deficiencies in existing programs and the support needed for new initiatives. The EPA/STAPPA/ALAPCO analysis determined that to operate a good, but not perfect, program, a total increase of $98 million in federal grants to state and local air agencies under Section 105 of the Clean Air Act would be necessary (this amount did not address grants for the fine particulate matter monitoring effort under Section 103).

Among the many activities the study identified as being in need of additional funds were compliance assistance programs, especially for small businesses; development, replacement and/or upgrading of monitors (apart from fine particulate matter monitoring); collection of emission and pollutant data, especially related to emissions of toxic air pollutants; minor source inspections and permits; training; implementation of ozone strategies; implementation of strategies to address toxic air emissions in urban areas; and multi-state approaches to regional air quality problems. Last year we provided you and your staff with more detailed data about this study. We would be happy to provide you with this information again, if you wish.

In spite of the fact that EPA participated in this study and recognized the need for additional funding, to date the agency has not requested the grant increases that this study indicates are necessary.

State and local air agencies would very much appreciate receiving the entire $98 million increase in fiscal year 2000. However, we recognize that this is unlikely, especially in view of the very difficult task facing Congress in distributing finite resources to many worthy programs. We believe, therefore, that it is reasonable for the increase to be phased in over a three-year period. Since the President's proposed budget calls for a $3 million increase, we request that you appropriate an additional $30 million above the Administration's request, increasing the total amount for state and local air grants to $228.7 million in fiscal year 2000. The balance of the increase—$66 million—could then be added in fiscal year 2001 and fiscal year 2002.

CLEAN AIR PARTNERSHIP FUND

The President's budget request includes $200 million for the Clean Air Partnership Fund, which will provide grants to form partnerships among the private sector, the federal government and state or local agencies for a variety of activities that will improve air quality. The fund is intended to promote multi-pollutant strategies, demonstration projects, innovative initiatives, technological advances and locally managed and self-supporting activities, among other things, that will integrate control strategies to reduce multiple pollutants most efficiently. The Clean Air Partnership is designed to leverage state, local and private funds, which will enhance its ability to accomplish its goal of improving air quality.

STAPPA and ALAPCO are pleased that the Administration's request includes these additional funds for the Clean Air Partnership. The proposal will provide state

and local agencies with excellent opportunities to develop multi-pollutant control strategies aimed at reducing air pollution in a cost-effective manner. We believe that the harmonization of various clean air goals, such as the reduction of greenhouse gases through criteria pollutant control programs, for example, is critical and we applaud EPA for promoting such activities. We plan to work closely with EPA as it develops this program more fully.

In light of our support for the Clean Air Partnership, we urge Congress to include in its appropriation to EPA the $200 million that the President requested for the program. These funds should be in addition to those federal grants (discussed earlier) that assist state and local air pollution control agencies in fulfilling their responsibilities. While the partnership is a laudable new program, there are still many other critical activities that we can carry out only through federal grants provided under Section 105 and other authorities of the Clean Air Act. The partnership program is not intended to be a substitute for those ongoing grant programs, nor does it address the enormous budget shortfall we discussed earlier in this testimony.

EPA'S BUDGET

In order for state and local agencies to successfully obtain and maintain healthful air quality for our citizens, we need adequate federal funding. In addition to that, however, it is also critical that EPA's own budget be sufficient to allow the agency to meet all of its responsibilities. Without the tools, programs and rules the agency is charged with developing, state and local agencies will be unable to implement important federal air quality requirements. Therefore, we request that you provide EPA with sufficient funding to meet its obligations, even increasing funding above the President's budget request, where necessary.

For example, EPA for several years has been inappropriately earmarking state and local air grants for activities that the agency should be carrying out with its own budget. One such activity is training. Funding training activities is clearly a federal responsibility, yet EPA has been using state and local grant funds for these purposes for many years. Another example is the Emission Inventory Improvement Program, which will develop essential tools for collecting and reporting emissions data. EPA has used Section 105 grants, rather than its own budget, to fund this program. While these programs are critical, EPA should be supporting them with its own budget, rather than shifting the financial burden to state and local agencies. If EPA's own budget were increased in these areas, the agency would not feel compelled to commandeer state and local funds for these programs.

Another example of the inadequacy of the President's request is the reduction of $1 million within EPA's own budget from air toxics rule development projects. These funds are being diverted to support characterization of the air toxics problem. While we agree it is critical to have a better understanding of toxic air pollution, this activity should not come at the expense of toxics rule development. We maintain that both these activities warrant adequate funding. In fact, underfunding rule development will actually cause funds to be wasted. If EPA does not meet the deadline for development of Maximum Achievable Control Technology standards, which is very possible, particularly if the agency does not have sufficient funding, state and local agencies will be required to develop the rules themselves on a case-by-case basis (pursuant to Section 112[j] of the Clean Air Act). Such a scenario would be inefficient and overly burdensome and costly for state and local agencies. Therefore, providing EPA with adequate funds will save resources in the long run.

In other similar examples, EPA's budget calls for a reduction of $10 million for characterizing the composition of $PM_{2.5}$ particles using chemical speciation studies, a reduction of $1.3 million from emissions characterization for mobile sources modeling, and $8.9 million from visibility-related programs, including regional approaches to haze. We are concerned that these large reductions will not allow the agency to develop all the necessary programs and tools that state and local agencies require to fulfill their responsibilities and hope that EPA's budget can be made adequate to allow the agency to do its best work.

CONCLUSION

Although we are pleased that the President's request calls for an additional $3 million for state and local air grants, we believe the increase should be much higher. Specifically, we request an increase of $30 million above the President's request for fiscal year 2000, raising the total for state and local air agency grants to $228.7 million.

We support the Clean Air Partnership Fund and urge Congress to include funding for this program in the fiscal year 2000 appropriation. We do not believe this program is a substitute for state and local operational air grants under the Clean Air

Act, however, and the adoption of the partnership should not adversely affect appropriations for our current activities.

Finally, if state and local air agencies are to succeed in protecting air quality, we believe EPA must be adequately funded so it can fulfill its responsibilities.

Thank you very much for this opportunity to provide you with our testimony. Please contact us if you have questions or require any additional information.

PREPARED STATEMENT OF THE AMERICAN WATER WORKS ASSOCIATION

INTRODUCTION

AWWA appreciates the opportunity to present its view on the Environmental Protection Agency (EPA) budget for fiscal year 2000. AWWA and its members are dedicated to providing safe, reliable drinking water to the American people.

Founded in 1881, AWWA is the world's largest and oldest scientific and educational association representing drinking water supply professionals. The association's 56,000 plus members are comprised of administrators, utility operators, professional engineers, contractors, manufacturers, scientists, professors and health professionals. The association's membership includes over 3,800 utilities which provides over 80 percent of the nation's drinking water.

AWWA utility members are regulated under the Safe Drinking Water Act (SDWA) and other statutes. AWWA believes few environmental activities are more important to the health of this country than assuring the protection of water supply sources, and the treatment, distribution and consumption of a safe and healthful adequate supply of drinking water. We strongly support adequate levels of funding for EPA's drinking water, ground water protection and clean water pollution prevention programs.

REQUEST OVERVIEW

Adequate funding for drinking water research and for capitalization of the Drinking Water State Revolving Fund (DWSRF) are the two major areas of concern to AWWA in the EPA fiscal year 2000 budget request. AWWA believes that the fiscal year 2000 EPA budget request for capitalizing the drinking water state revolving fund and for drinking water research may not be adequate to meet the needs of the drinking water program. It should be noted that these programs, particularly drinking water health effects research, involve areas where relatively small funding increases offer significantly great public health, environmental and economic benefits to the nation's population. In the fiscal year 2000 EPA budget, AWWA recommends that the following funding be specifically appropriated for the indicated purpose:

- —For the drinking water state revolving fund: $1,000,000,000 (as authorized in the SDWA).
- —For drinking water research: $41,400,000 (as requested in the President's fiscal year 2000 Budget). Specifically designate funding for drinking water research and health effects research in the appropriation.
- —For the AWWA Research Foundation (AWWARF) drinking water research: $4,000,000 including $1,000,000 for arsenic in drinking water research.
- —For research on treatment technologies relating to perchlorate, to be conducted through the East Valley Water District, California: $2,000,000.
- —For public water system supervision (PWSS) grants to states: $100,000,000 (as authorized in the SDWA).
- —For the EPA drinking water program as indicated below:
  - —Drinking Water Regulatory Development: $43.9 million (as requested in The President's fiscal year 2000 Budget).
  - —Drinking Water Implementation Initiatives: $31.8 million (as requested in The President's fiscal year 2000 Budget).
  - —Drinking Water Consumer Awareness: $1.5 million (as requested in The President's fiscal year 2000 Budget).
- —For the EPA Clean Water Action Plan: Appropriate the additional $25.8 million in support of this plan as requested in The President's fiscal year 2000 Budget.

DRINKING WATER STATE REVOLVING FUND (DWSRF)

AWWA believes that the fiscal year 2000 EPA budget request for capitalizing the newly authorized DWSRF may not be adequate to meet the nation's drinking water needs. The SDWA Amendments of 1996 authorized for the DWSRF $599,000,000 for fiscal year 1994 and $1,000,000,000 for fiscal years 1995 through 2003. The SDWA further authorizes that authorized funds not appropriated in a fiscal year may be appropriated in subsequent fiscal years until fiscal year 2004. Through fiscal year

1999, Congress has appropriated approximately $2.4 billion—a shortfall of $3.2 billion from funds authorized for the DWSRF.

According to the EPA Drinking Water Infrastructure Needs Survey released on January 31, 1997, $12.1 billion is needed in the immediate future to protect drinking water supplies. Of this amount, $10.2 billion, or 84 percent, is needed to protect water from microbial contaminants which can produce immediate illness or death. Over the next 20 years EPA reports that $138.4 billion will be needed to upgrade the infrastructure of the nation's water utilities and we believe that the figure in the next needs survey will be much greater.

AWWA appreciates that the Administration's DWSRF budget request is $50 million above the fiscal year 1999 appropriation and that both Congress and EPA have been incrementally increasing the appropriation each year; however, given the enormous need and that funding for the DWSRF is already behind a continued strong commitment to appropriate the authorized funding level is necessary. We urge Congress to appropriate at least the $1 billion authorized for the DWSRF in fiscal year 2000.

Although it represents only a fraction of the need, the amount recommended by AWWA for the DWSRF will be a start and provide a source of much needed loans for financial disadvantaged communities which cannot obtain financing through other means. The federal funds will leverage state resources by ultimately becoming a revolving fund that would no longer require federal funding. The DWSRF would partially fund the unfunded mandates of the SDWA.

Recommended Action in the Fiscal Year 2000 Budget.—Appropriate at least $1,000,000,000 for capitalization grants for the drinking water state revolving fund as authorized in the SDWA.

DRINKING WATER RESEARCH FUNDING

AWWA does not believe that the fiscal year 2000 EPA budget request for drinking water research is clear and it may not be adequate to meet the needs of the drinking water program. The EPA budget request is displayed by goals rather than program elements so it is difficult to determine how the program elements will be funded. The budget display shows an apparent overall decrease in research spending by the EPA Office of Research and Development. In testimony before the Senate Environment and Public Works Committee in March 1999, EPA testified that there was no funding gap for drinking water research for fiscal year 2000. Yet the research for regulations which are scheduled to be promulgated within the next few years does not appear to be completed and little or no research has been initiated on the contaminants for the next scheduled group of contaminants on the contaminate candidate list (CCL) which could mean that research will not be completed in time to affect the decisions on those regulations. We are prepared to work closely with EPA and other stakeholders to resolve any future research resourcing gaps beginning with the fiscal year 2001 budget process but this year's budget cycle process has past.

Over the past several years, public water suppliers have worked together with EPA and the Congress to secure increased research funding for the nation's drinking water program. We believe that through this cooperative effort needed increases in research dollars have been obtained for drinking water over the past few years after several years of steady decline. However, we are now uncertain how EPA is allocating the appropriation for drinking water related research. We are uncertain as to what portion of the agency's appropriations will be allocated for conducting health effects research on drinking water contaminants such as cryptosporidium, disinfection byproducts and arsenic. AWWA supports spending at least $10 million for health effects research on these and other contaminants on an annual basis. Because the fiscal year 2000 EPA budget request and future research plans are unclear, we believe that EPA should provide a research plan (with full stakeholder involvement) on how the agency intends to do the necessary research in a timely manner to affect the key regulatory decisions involved in promulgating drinking water regulations for not only for the existing listed contaminants but also for new contaminant candidates. It is time for research strategic planning and execution within the drinking water program to become a public process subject to public scrutiny.

The use of good science as the foundation of the new drinking water standard-setting process under the SDWA amendments of 1996 will require extensive drinking water research—particularly health effects research. Funding for drinking water research is becoming more of a critical issue. The 1996 SDWA Amendments require EPA to develop comprehensive research plans for Microbial/Disinfection By-Products (M/DBP) and arsenic as well as other contaminants. An estimated total of over $100 million is needed for the combined arsenic and M/DBP regulatory research plans

alone and this figure does not include other needed drinking water research on radon, a whole array of other radionuclides, groundwater contamination, children's health issues, endocrine disruptors, and other new contaminants that will require additional occurrence, treatment, and health effects research based on EPA's Contaminant Identification Method.

In August 2001—just 27 months from now—EPA will select at least five contaminants from the Contaminant Candidate List (CCL) and determine whether to regulate them. This process will be repeated every five years. To determine whether to regulate a contaminant and establish a maximum contaminate level (MCL) or another regulatory approach, EPA will need good health effects research. Recognizing the serious burden this regulatory mandate presents, the drinking water community has offered its time, resources and expertise to work with EPA to develop a research plan for the contaminants on the CCL. We have volunteered to cooperatively sponsor a workshop to produce a coordinated report and research strategy. If EPA agrees to our offer, and all indications are that they will, we anticipate returning to this Subcommittee with EPA to jointly recommend appropriate drinking water research funding levels for the next fiscal year.

Given that drinking water research has long been underfunded and the enormous need for immediate research to meet the deadlines of the SDWA amendments of 1996, AWWA urges Congress to appropriate at least $41,400,000 for drinking water research and specifically "earmark" it in the appropriation. Continued underfunding drinking water research will result in either delayed regulations or regulations promulgated without the necessary research.

Recommended Action in the Fiscal Year 2000 Budget.—Appropriate at least $41,400,000 for drinking water research (as requested in the President's fiscal year 2000 Budget). Specifically designate funding for drinking water research and health effects research in the appropriation.

AWWA RESEARCH FOUNDATION

In a separate statement, the AWWA Research Foundation (AWWARF), (an organization independent of AWWA), requested that $6 million in drinking water research funds be designated specifically for AWWARF for drinking water research which includes $1 million for arsenic research and $2,000,000 for perchlorate treatment research. AWWARF and public water suppliers will match the unallocated $3,000,000 portion of the grant dollar-for-dollar. AWWA strongly believes that this kind of local/federal research partnership is a wise and cost effective use of public funds and the only way to secure science based drinking water regulations in these difficult budgetary times. The AWWARF funds are being used to support priority drinking water research needs including disinfection by-products and cryptosporidium as well as arsenic.

The regulation of arsenic, which occurs naturally at low levels in some drinking water supplies, presents a unique regulatory situation. While the effects of arsenic at levels in excess of those typically found naturally in the nation's water supplies are well studied, there is a lack of data and serious scientific debate on the effects of the naturally occurring low levels of arsenic in drinking water.

Recommended Action in the Fiscal Year 2000 Budget.—Appropriate $4,000,000 specifically designated for the American Water Works Association Research Foundation, including $1,000,000 for arsenic research.

PERCHLORATE TREATMENT RESEARCH

In separate statements, AWWARF and others requested $2,000,000 for research technologies to remove perchlorate (a rocket fuel component) from drinking water supplies. The research is to be conducted through the East Valley Water District in San Bernadino, California. AWWARF is managing the previous research funds provided by the subcommittee for the East Valley Water District. AWWA believes that perchlorate contamination of drinking water may be of concern in other parts of the country and that this research will allow early corrective action. There is no known treatment to remove perchlorate from drinking water so this research is crucial for public water systems, especially those communities which have lost their entire drinking water supply because of the presence of perchlorate contamination in the water.

Recommended Action in the Fiscal Year 2000 Budget.—Appropriate $2,000,000 for research on treatment technologies relating to perchlorate within the Crafton-Redlands Plume, to be conducted through the East Valley Water District, California.

PUBLIC WATER SYSTEM SUPERVISION GRANTS

To comply with the SDWA, Congress intended that EPA develop drinking water regulations and that the states implement and administer the program to ensure compliance with and enforcement of its provisions. Implementation, administration, compliance and enforcement activities are collectively known as "primacy" requirements and federal grants to the states are known as Public Water System Supervision (PWSS) grants. The massive demands on states arising from the SDWA have become increasingly apparent because of the dramatic increase in the number of regulated contaminants over the past few years.

As each regulation is added, state resource shortfalls become more acute. Additional regulations are scheduled to be promulgated over the next few years and the SDWA Amendments of 1996 added new responsibilities for the states such as source water assessments, a consumer confidence report program and alternative monitoring programs. The SDWA authorizes a federal share of up to 75 percent, but federal funding has approximated only 35 percent. The difference between state and federal shares of the program has become so great that, according to the Association of State Drinking Water Administrators (ASDWA), states are concerned that without the infusion of additional resources, they may be unable to successfully meet these requirements and will be forced to prioritize future workload efforts. ASDWA has stated that even with he infusion of funds from the Drinking Water State Revolving fund set-asides, the current PWSS funding level is inadequate to accomplish Congressional goals for comprehensive national public drinking water system oversight. Should this occur, public health protection will suffer a major setback.

EPA's budget request for fiscal year 2000 would not raise PWSS funding for states from its present level of $90,000,000. We strongly urge Congress to appropriate the $100,000,000 authorized for PWSS grants to states as the minimum necessary.

Recommended Action in the Fiscal Year 2000 Budget.—Appropriate $100,000,000 for Public Water System Supervision (PWSS) grants to states.

EPA DRINKING WATER PROGRAM

EPA's drinking water program took on greatly increased responsibilities in the 1996 SDWA amendments. These responsibilities included developing a new regulatory process requiring additional science and risk analysis for regulations, create a contaminant occurrence data base and methodology to select contaminants for regulation, promulgate microbial and disinfectant/disinfection by-products regulations, identify new treatment technologies for small systems, administer the newly created drinking water state revolving fund, and develop regulations and guidelines for consumer confidence reports, operator certification programs, source water assessment and monitoring relief.

In satisfying these requirements, EPA has involved the public in the regulatory process to an extent not equalled by another federal agency and stands as a model for federal rule making. EPA has involved private citizens, scientists, drinking water professionals, medical professionals, public health officials, economists, and environmental and consumer advocacy representatives, as well as other experts in providing recommendations and how to carry out these new regulatory responsibilities. EPA and the Office of Drinking Water and Ground Water are to be commended for taking this new approach which should result in better regulations that protect public health.

The President's fiscal year 2000 Budget requested the following funding for the EPA drinking water program: $43.9 million for Drinking Water Regulatory Development; $31.8 million for Drinking Water Implementation Initiatives; and $1.5 million for Drinking Water Consumer Awareness. Because of its exemplary approach to reforming the regulatory process, the EPA drinking water program budget request should not be cut to meet overall federal budget constraints. AWWA believes that funding the EPA drinking water program is vital to continue this new regulatory approach and urges Congress to appropriate the funds requested in The President's fiscal year 2000 for the drinking water program to continue to implement the new provisions of the SDWA.

Recommended Action in the Fiscal Year 2000 Budget.—Appropriate funding for the EPA drinking water program as requested in The President's fiscal year 2000 Budget including:

—Drinking Water Regulatory Development: $43,900,000.
—Drinking Water Implementation Initiatives: $31,800,000.
—Drinking Water Consumer Awareness: $1,500,000.

CLEAN WATER ACTION PLAN

The protection of drinking water source supplies is one of the key elements in providing safe drinking water to the American people. It is safer and cheaper to prevent the contamination of drinking water supplies than to undertake expensive efforts to treat it after it has become contaminated. The Clean Water Action plan focuses on source water protection for safe drinking water, preventing polluted runoff, promoting a state-led watershed approach to restore and sustain watershed health and assisting states with reducing nonpoint source pollution by expanding state grant assistance. The agency is requesting an additional $25.8 million to build on the foundation of last year's appropriation and the existing clean water program. AWWA urges the Congress to fund to the maximum extent possible, EPA initiatives to address source water protection for safe drinking water. However, AWWA does not support the reduction in other clean water programs such as the Clean Water Act State Revolving Fund to fund this initiative and hopes that funding for this action plan in other agencies will be supported by members of this subcommittee when considering other appropriations in full committee deliberations.

Recommended Action in the Fiscal Year 2000 Budget.—Appropriate the additional $25.8 million in support of the EPA Clean Water Action Plan as requested in The President's fiscal year 2000 Budget without decreasing support to other clean water or drinking water programs.

This concludes the AWWA statement on the fiscal year 2000 EPA budget. We would be pleased to answer any questions or provide additional material for the subcommittee.

PREPARED STATEMENT OF TEXAS A&M UNIVERSITY

Mr. Chairman and members of the Committee, I am Ed Hiler, Vice Chancellor for Agriculture and Life Sciences in the Texas A&M University System. I appreciate the opportunity to appear before you today, to describe a few exciting research projects we have underway, and to ask for your support for continued federal funding. New technology is the life blood of American agriculture. With the 1996 Farm Bill and resulting phase down in federal farm programs, it is imperative that research continues providing a technological underpinning for agriculture. Today, I will describe several examples of how we can provide this underpinning.

ENVIRONMENTAL SERVICES OF RICE LANDS IN ARKANSAS, LOUISIANA, AND TEXAS

Privately-held rice lands provide a variety of ecological services, but they can also have adverse environmental impacts. Public benefits include wildlife habitat, water filtration through wetlands, and flood protection. Adverse impacts can include degradation of soil organic matter, salinization, sedimentation, agricultural chemical losses, and groundwater depletion. Elimination of Federal agricultural commodity price support programs is reducing acreage in some parts of the Rice Belt and increasing it in others—with the unintended result of decreasing ecological services in some regions and increasing adverse environmental impacts in others. Scientists from the Texas A&M University System, the University of Arkansas, Louisiana State University, and USDA-ARS will examine environmental benefits and costs of alternative rice production technologies and how we might strengthen communities and increase the environmental and economic benefits of rice culture. We are requesting funding of $1,000,000 for this project for fiscal year 2000.

CONSORTIUM FOR AGRICULTURAL SOILS MITIGATION OF GREENHOUSE GASES (CASMGS)

American farmers can benefit from international agreements to reduce greenhouse gas emissions, but only if reductions produced by agriculture can be counted toward national goals. For American agriculture to benefit a scientifically defensible method is needed to calculate reductions in greenhouse gas emissions that result from improved conservation practices. A consortium (including Colorado State University, Iowa State University, Pacific Northwest National Laboratory, Montana State University, The Ohio State University, and the University of Nebraska) seeks funds to assess the economic and environmental consequences of agricultural and environmental programs and technologies designed to reduce greenhouse gas emissions. Assessments in fiscal year 2000 will include the impacts of possible government programs and conservation technologies on carbon dioxide and nitrous oxide emissions and/or absorption in agricultural soils. We are requesting $10,000,000 for support of this program in fiscal year 2000.

PROTECTING OUR LAND AND WATER RESOURCES IN THE 21ST CENTURY

Droughts, floods, environmental concerns and ever-tighter agricultural profit margins make it imperative that we manage our land and water resources in the best possible way. High quality information about both environmental and economic impacts is needed to inform decision makers. Environmental issues that need to be considered include the risks of water and air quality degradation, soil erosion, and emission of greenhouse gases. For over a decade, researchers in The Texas A&M University System Agriculture Program, in cooperation with scientists from USDA, EPA, and other federal and state agencies and private industry, have developed several computer-based decision aids to help assess the environmental and economic impacts of land management decisions throughout the nation. The objectives of this initiative are to: (1) combine these decision tools into an integrated, easily used, computer-based package; (2) implement a program to train and transfer the package to agency personnel and other land managers; and (3) improve the package based on feedback from the private sector and governmental agencies. We are requesting $2,000,000 for support of this program in fiscal year 2000.

CENTERS FOR EXCELLENCE IN ENVIRONMENTAL OPERATIONS

Dramatic growth in the Border Zone, between Texas and California, has stressed the existing water supply, irrigation, and waste water infrastructure to the limit. The most critical resource for continued growth in trade and manufacturing within the zone is plentiful, good quality water. The objective of this four-state (Texas, New Mexico, Arizona, and California) initiative is to provide effective training programs to increase water plant efficiency, protect public health from biological hazards, reduce water pollution, improve irrigation efficiency, eliminate waste and demonstrate new technology for water and waste water treatment. We are requesting $5,000,000 for the Texas Engineering Extension Service to support of this project in fiscal year 2000.

TEXAS INSTITUTE FOR APPLIED ENVIRONMENTAL RESEARCH (TIAER) AT TARLETON STATE UNIVERSITY

The TIAER is assisting the agriculture and environmental communities and agencies nationwide to resolve environmental concerns associated with agriculture. It is currently working with EPA, USDA, state agencies, and other universities to develop conceptual approaches, including the planned intervention! micro-watershed approach" to deal with the impacts of agriculture on water quality. It is also developing modeling tools to analyze the economic and environmental impacts of policy alternatives for several watersheds in Texas and Iowa. We are requesting $750,000 for Tarleton State University to continue support for this program in fiscal year 2000.

PREPARED STATEMENT OF THE COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

We would like to thank you for the opportunity to submit testimony to the Subcommittee in support of federal funding in fiscal year 2000 for an exciting research program focused on strengthening scientific understanding of the efficiency and sustainability of Soil Aquifer Treatment (SAT) for indirect potable reuse of highly treated recycled water. This research, which is taking place in California and Arizona, has national implications for enhancing sustainable development of communities by augmenting and protecting valuable groundwater supplies with recycled water. Over $5 million in cash and in-kind services has already been committed to the investigation by various research sponsors and participants. In addition, Congress has appropriated $1.9 million over the last two fiscal years to support the project. We are seeking an additional $1 million in fiscal year 2000 to continue this important research.

The Soil Aquifer Treatment Project is designed to provide the data necessary to support the rational design and operation of SAT systems, to predict water quality improvements provided by SAT, and to answer important public health questions. The County Sanitation Districts of Los Angeles County, which serves over five million people in 78 cities in Los Angeles County, California, and Arizona State University are the project managers for the research in cooperation with the University of Arizona, the University of Colorado, Stanford University and the U.S. Geological Survey. We are joined in support of this funding by the Cities of Phoenix, Glendale, Mesa, Scottsdale, Tempe, and Tucson, Arizona; the Water Reclamation District of Southern California; the Los Angeles Department of Water and Power; the City of

Riverside, California; the Bureau of Reclamation; and the American Water Works Association Research Foundation.

As the arid West continues to develop and as sources for additional water supplies become more and more scarce, an increasingly important source of water for agricultural and urban use is recycled water. This water has the potential to alleviate water shortages and to provide important augmentation to existing sources. Soil Aquifer Treatment, which is currently in use in California and Arizona, is one technology that has the potential to economically supplement traditional treatment and storage systems for existing and future potable water supplies. This study will be of value not only in the West but in a number of other areas around the country where groundwater recharge is used to supplement potable water supplies, to control sea water intrusion in coastal groundwater aquifers, to control land subsidence caused by declining groundwater levels, to raise groundwater levels to reduce the cost of groundwater pumping, and to provide a means of treating wastewater prior to discharge. Most notably, the states of Florida, Massachusetts, Nebraska, Michigan, New Hampshire, New Jersey, New York, South Dakota, Texas, and Wisconsin, who already operate groundwater recharge facilities, will benefit from this research. This research will also benefit aquifer storage and recovery systems located in eleven other states.

Further, our investigations of SAT will help address the public health issues that all water suppliers in the nation face, such as source water protection and disinfection practices. The questions that will be answered by our study will be instrumental to the identification, characterization, and treatment of compounds in our nation's water supply so that we may better protect the health of our citizens.

THE NEED FOR THE STUDY

While groundwater recharge using recycled water has been used in the United States for several decades and has been the subject of a number of studies, the scientific and technical community's ability to fully address a number of complex public health questions has been limited by the nature of existing testing and study methodologies. The funds approved by Congress in fiscal year 1998 and fiscal year 1999 have enabled a higher standard of research on SAT by expanding the project's monitoring and analytical capabilities and will thus help enhance scientific understanding of the various biological, physical, and chemical processes in SAT that modify and improve the characteristics of recycled water. Funds have been used in part to follow up on research recommendations from the National Research Council's (NRC) Water Science and Technology Board study on the viability of augmenting potable supplies with recycled water. This work addresses critical areas of research identified by NRC as necessary to address the myriad of unknowns concerning SAT and the indirect use of recycled water for potable water supply including the fate and significance of disinfection byproducts, organics, and microbial pathogens.

Currently the SAT Project is in its second year of study, and valuable information has been developed to better understand the impact of SAT on water quality in terms of chemical and microbial pollutants, identifying monitoring criteria for viruses and other pathogens, and increasing public knowledge and awareness of SAT. Fiscal year 2000 funds will be used to address key drinking water quality issues related to the importance of the municipal wastewater source in determining water quality, the use of tiered chemistry testing and toxicity tests, including endocrine disruptor assays, to further characterize organic pollutants in water before and after SAT, and expanded microbiological assessments for viruses and emerging pathogens.

The results of our investigation will help us to better understand the complex nature of recycled water and SAT so that we may take advantage of the benefits offered by indirect potable reuse based on groundwater recharge such as: Additional water quality improvements; seasonal or longer-term storage without evaporative losses; protection of water resources against recontamination (with coliforms and parasites) by birds, mammals, and even humans; and prevention of algae growth and associated water-quality problems such as algae-derived taste and odor.

SAT DEFINED

Soil Aquifer Treatment can best be described as a groundwater recharge method using recycled water. SAT relies on percolation of the recycled water through soil and groundwater transport to further improve water quality prior to reuse.

—Soil percolation encompasses several processes that occur as water seeps downward through the soil under the influence of gravity to enter the groundwater

system. The soil acts as a filter to improve the characteristics of the recycled water through physical, chemical, and microbiological processes.

—Groundwater transport: After reaching the underlying aquifer, groundwater moves slowly to extraction wells. During transport, further water quality benefits are realized through a number of physical, chemical, and biological processes.

PURPOSE AND GOAL OF THE STUDY

The SAT Project is the first research program to focus broadly on SAT as a system. Its goals are to provide the data necessary to support the engineered design and operation of SAT systems, and to address factors that are of interest to health regulators for the development of regulations governing groundwater recharge projects.

Specific objectives of the project are to:

—characterize processes that contribute to organic chemical, nitrogen and pathogen removal and transformation during transport through the soil percolation zone and underlying groundwater aquifer;

—investigate and model relationships among above-ground treatment, wetlands polishing, and SAT;

—identify monitoring criteria that will provide proper assurances regarding the elimination of viruses and other pathogens;

—produce a framework or model within which SAT systems can be designed and operated to meet regulatory criteria.

—compare the effectiveness of SAT to other technologies; and

—increase public knowledge and awareness of SAT.

The effectiveness of SAT will be investigated and systematically analyzed to determine the efficacy of the protective barriers inherent in SAT systems: the interface at the soil-water boundary of the infiltration surface; soil percolation; and groundwater transport. The water quality benefits derived from the treatment in each barrier will be evaluated based on the reductions achieved in levels of organic carbon, nitrogen, and pathogens.

Field investigations and data gathering are being performed at six full- or pilot-scale recharge sites in California and Arizona. These sites offer a range of different effluent qualities and physical conditions such as depth to groundwater, soil and sediment type, etc. Laboratory work is also being conducted to analyze the data and develop the applicable models. These facilities are located in Phoenix, Mesa, and Tucson, Arizona; and Riverside, Los Angeles, and Los Angeles County. Some of the more unique research elements include use of genetic techniques to isolate and identify viruses; analytical methodologies capable of identifying over 90 percent of the materials comprising the organic makeup of groundwater and recycled water; unique tracers to track the movement of recycled water as it infiltrates the groundwater; and a public education/outreach component to disseminate the results of the study.

On behalf of the many public agencies, cities, and universities that are participating in this exciting and promising research project, we would like to thank the Subcommittee once again for the opportunity to submit this statement and for your previous support for this project. Soil Aquifer Treatment has great potential to alleviate the coming critical water shortages in the arid western United States and provide valuable information on a national level for source water protection and supply. We thank you again for your commitment to this project over the last two fiscal years and ask you for your renewed support to continue the research on this important project.

PREPARED STATEMENT OF THE NORTH AMERICAN LAKE MANAGEMENT SOCIETY.

On Behalf of the North American Lake Management Society I respectfully ask the Senate VA-HUD Appropriations Sub-Committee to provide $20 million in funding for the Clean Lakes Program, Section 314 of the Clean Water Act. This program was a uniquely effective, cost efficient federal program that provided seed money to state lake programs and to local communities for lake protection and improvement projects on public lakes.

Our nation's lakes need serious attention. The National Water Quality Inventory 1996 Report to Congress indicates that 16 percent of assessed rivers and streams and 35 percent of assessed lake acres are not safe for fish consumption; 20 percent of assessed rivers and streams and 25 percent of lake acres are not safe for recreational activities (e.g. swimming); and 16 percent of assessed rivers and streams and 8 percent of lake acres are not meeting drinking water uses.

Last year, funds for the Nonpoint Pollution Program (Section 319) were doubled, and a Senate Colloquy was added to the budget language establishing congressional intent that Clean Lakes Program elements be adequately funded through 319. THIS HAS NOT WORKED.

The 314 program, as now combined with the 319 program, has been dwarfed by, and its priorities lost in, the much larger 319 program. The EPA has not taken action to assure that states have financial assistance targeted to support their lake management programs. Lake projects have faired poorly in the competition for Section 319 funding because 319 Program guidelines have tended to weed out 314 program priorities that they were not designed to cover. Also, funding decisions at the state level are made by the 319 program coordinators, who for the most part have chosen not to share their program money with another state agency. The two programs worked well in partnership, but the marriage has been a failure.

Here is what we have lost:

—Water Quality Assessment Grants, which states used to assess the condition of their lakes and reservoirs. These grants also supported volunteer monitoring programs that foster long term community interest and involvement in the health and well being of both lakes and lake watersheds.

—Diagnostic and Feasibility Studies were designed to identify the causes of problems found by the assessment grants, and look for innovative, cost effective ways to repair the damage done to lakes , their ecosystems, and their watersheds.

—Demonstration and Restoration Projects.—These greatly furthered the science of lake rehabilitation. Often, the kinds of research done in lakes, such as the use of aquatic weevils to control nuisance exotic plant growth, do not fit well under Nonpoint (Section 319) Program guidance. The Nonpoint program worked in partnership with the Clean Lakes Program at this stage of a project to address problems coming from the watershed.

—Post Restoration Monitoring.—To evaluate the effectiveness of the program, and guide the improvement of future projects.

As the only organization dedicated to building citizen/professional partnerships for applied lake management, NALMS is uniquely positioned to have our ear to the ground on this matter. Last year we provided you with a survey of state lake program managers and professionals that indicated a severe cutback in funding for Section 314 Clean Lakes Program elements under the umbrella of the 319 program. 37 of 49 state lake program managers responded that their state lake programs were severely cut, and they strongly recommended a return to separate Clean Lakes Program funding. A complete copy of these comments is available on our web site, www.nalms.org, under the Government Affairs Committee homepage. A quick update survey conducted this January indicates the situation is no better in most states, and has even deteriorated since last year.

Support is now building to pump new life into the Clean Lakes Program:

—The Sport Fishing and Boating Partnership Council has recommended that the EPA fund the Section 314 Clean Lakes Program. Agencies and organization that contributed to this recommendation are: B.A.S.S, Inc., National Marine Manufacturers Association, Outdoor Technologies Group, U.S. Fish and Wildlife Service, State Fish and Wildlife Agencies, International Association of Fish and Wildlife Agencies, American Sportfishing Association, BOAT/U.S., American Fisheries Society, American Rivers Trout Unlimited, Penzoil Products Company, Grady-White Boats.

—The Congressional Great Lakes Task Force has recognized this problem and has sent a letter to the OMB and the EPA asking that they request separate funding for the Section 314 Clean Lakes Program.

—The Council of State Governments' newsletter, ECOS, recently ran a front page article titled: "States to EPA: Bring Back Clean Lakes!" The last paragraph reads: "Will EPA respond to these concerns by reinstating a special-focus approach for lakes? The precedent is certainly there—a review of discrete programs managed by the agency runs the gamut from brownfields to print shops. The decision to lump lakes with other water resources apparently needs another look."

—The National Recreation Lakes Study Commission, in their March 1999 Draft Recommendations includes the following language: "The Environmental Protection Agency's (EPA) current watershed-based approach to protecting and enhancing our Nation's waters places inadequate emphasis on lakes. EPA has not provided funding for Section 314 (the Clean Lakes Program) of the Clean Water Act in the past five years. EPA's recently issued "Guidance on Use of Clean Water Act and Safe Drinking Water Act Authorities to Address Management Needs for Lakes and Reservoirs" encourages EPA Regional authorities and the

States to "recognize the importance of lakes and reservoirs as key elements of the aquatic ecosystem. However, this guidance does not provide resources for the full range of activities that were formerly authorized under the Clean Lakes Program".

Lakes and reservoirs are the jewels of a watershed. They are the focus of public perceptions of water quality. They are also the settling basins for pollutants from the rest of the watershed. Because people love lakes, communities are willing to look upstream and to the watershed for ways to protect or clean up their lakes. But beyond the watershed, the Clean Lakes Program focused on the whole lake ecosystem. Degraded lake habitats, wetland loss, nuisance exotic species, and fishery imbalances are problems the Clean Lakes Program helped communities address. These problems are not traditionally covered under 319 project guidelines.

We believe that lakes are certainly as deserving of special program focus as are our wetland, estuaries, and coastal zones. Clean Lakes Program projects have been very cost effective and have been particularly successful in leveraging federal dollars with state and local funds. The program has been a model of partnership building between federal, state, and local levels; and between water quality, fish and wildlife managers.

NALMS believes that we need a separate Clean Lakes Program to refocus attention on the special needs of our lakes and reservoirs. We need to provide separate, adequate and consistent funding and guidance, which will allow the Clean Lakes Program to grow to better meet the needs of the states and their lake communities.

On behalf of the North American Lake Management Society, we respectfully ask that Congress make a commitment to bringing the Clean Lakes Program back to life with a $20 million dollar appropriation for the coming fiscal year.

PREPARED STATEMENT OF THE WESTERN COALITION OF ARID STATES

The Western Coalition of Arid States (WESTCAS) is pleased to submit comments for the record, regarding programs contained in the U.S. Environmental Protection Agency's (EPA) fiscal year 2000 budget for your Subcommittee's hearing record.

WESTCAS is an organization of cities, towns, water and wastewater districts and associate agencies from the states of Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon and Texas who are dedicated to environmentally conscientious planning of water resources and development of water quality standards for the unique ecosystems of the arid West. Of particular interest to WESTCAS and its member agencies are the federal programs that can further our goals through partnerships and scientifically sound regulation and guidance concerning our most precious resource—water.

STATE REVOLVING FUNDS

WESTCAS urges you to provide the $1 billion per year authorized under the Safe Drinking Water Act for the Drinking Water State Revolving Fund for fiscal year 2000. Many surface and ground waters do not meet water quality standards. Communities face greater challenges in trying to provide their citizens safe potable water meeting all of the regulatory requirements. As more research is completed in the treatment of microbes and disinfectant and disinfection byproducts, communities will be faced with even greater costs to meet requirements. We also would urge you not to fund the Operator Certification Program for the Drinking Water State Revolving Fund which reduces funds available for loans to communities by $30 million. We join with the Association of State Drinking Water Administrators in expressing concern that EPA has not asked for new funding for state primacy programs and that the Drinking Water State Revolving Fund "may become the primary funding mechanism of 'convenience' with the serious risk of eroding the corpus of an already limited fund."

WESTCAS urges a higher level of funding than proposed by the administration for the Clean Water State Revolving Fund. The administration proposes to reduce funding by $550 million and to authorize states to set aside 20 percent of the fiscal year 2000 allocation for grants for nonpoint source projects. We support funding for nonpoint source and estuary projects. Nonpoint source projects are critical to watersheds attaining the designated beneficial uses of water bodies, however more funding is needed in the total program in order for the objectives we all are striving for—restoration of our watersheds—to be accomplished.

RESEARCH FUNDING

Scientifically sound research is essential for effective drinking water and clean water quality programs. WESTCAS urges full support of funding for the various research projects undertaken in a timely manner to implement regulations required pursuant to the Safe Drinking Water Act and the Clean Water Act. We support the increased funding requested for Human Health Risk Assessment and recommend increased funding for Detection of Emerging Risk Issues and Drinking Water Research. A full understanding of microbial contaminants and disinfectant/disinfection byproducts is extremely important for the American people.

WESTCAS requests that EPA devote sufficient resources to implement in a timely way the agreed to provisions under the settlement documents in the WESTCAS Whole Effluent Toxicity (WET) litigation. We want to insure that the WET testing required in NPDES programs and WET testing to evaluate sediment quality is not used inappropriately to predict impairment of water quality when it isn't valid. EPA had targeted $.5 million for the ongoing program in fiscal year 1999 and it cannot be tracked in the fiscal year 2000 budget request.

AMERICAN WATER WORKS ASSOCIATION RESEARCH FOUNDATION (AWWARF) AND WATER ENVIRONMENT RESEARCH FOUNDATION (WERF)

WESTCAS urges partnering with both AWWARF and WERF for drinking water research and clean water research funds. These programs offer an opportunity to leverage EPA's research program and improve the time of completion of critical projects dealing with arsenic, radon, perchlorate, and many others.

DRINKING WATER—PUBLIC WATER SYSTEMS SUPERVISION GRANTS

WESTCAS urges a review of funding for the Public Water Systems Supervision Grants. Funding for this program has not increased, and with the new requirements placed upon the states for consumer confidence reports, operator certification and other regulations, it would seem that the existing level of funding is not adequate for the states.

We thank you for this opportunity to offer our comments on the fiscal year 2000 appropriations for the EPA. If we can answer any questions or provide additional information, please contact Peter Carlson, WESTCAS' Legislative Representative in Washington, D.C. at (202) 429–4344.

PREPARED STATEMENT OF THE METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO

I am Terrence J. O'Brien, President of the Metropolitan Water Reclamation District of Greater Chicago, and on behalf of the Water Reclamation District, I want to thank the Subcommittee for this opportunity to present our priority for fiscal year 2000, and express our appreciation for your support of our requests over the years. The Metropolitan Water Reclamation District (District) is the sponsor for the federally approved combined sewer overflow (CSO) project, the Tunnel and Reservoir Plan (TARP), in Chicago, Illinois. Specifically, we are asking that $10 million be included to continue construction of this project in the Subcommittee's VA, HUD and Independent Agencies Appropriations Bill for fiscal year 2000. The following outlines the project and the need for the requested funding.

INTRODUCTION

The District was established in 1889 and has the responsibility for sewage treatment, and is also the lead agency in providing sponsorship for flood control and stormwater management in Cook County, Illinois. In fact, the District was established in response to an epidemic, which killed 90,000 people in 1885. By 1900, the District had reversed the flows of the Chicago and Calumet Rivers to carry combined sewage away from Lake Michigan, the area's main water supply. The District has been involved with major engineering feats since its inception.

In an effort to meet the water quality goals of the Clean Water Act, to prevent backflows into Lake Michigan, and to provide an outlet for floodwaters, the District designed the innovative TARP. The TARP tunnels, which were judged by the Environmental Protection Agency (EPA) on two occasions as the most cost-effective plan available to meet the enforceable provisions of the Clean Water Act, are a combined sewer overflow elimination system. The TARP reservoirs, also under construction, will provide flood control relief to hundreds of thousands of residents and businesses in the Chicagoland area.

TUNNEL AND RESERVOIR PLAN

The TARP is an intricate system of drop shafts, tunnels and pumping stations which will capture combined sewer overflows from a service area of 375 square miles. Chicago will remove three times the amount of CSO pollution as Boston's projected removal—for approximately the same cost. The remaining Calumet tunnel system will provide 3.1 million pounds of biological oxygen demand (BOD) removal versus Boston's one million pounds of BOD removal per year. In fact, Chicago's CSO pollution problems are worse than the combination of Boston, New York, and San Francisco's pollution problems. The Chicago Metropolitan Area's annual BOD loading is 43 million pounds per year. This contrasts with the combination of Boston, New York and San Francisco's combined annual BOD loading of 35 million pounds.

A good portion of the remainder of the TARP system is to be built in the southeast side of Chicago and the southern suburbs (Calumet system), a low-income, highly neglected and highly polluted area. This community suffers from tremendous land, air and water pollution—literally a dumping ground for multimedia pollution ranging from chemical waste to serious water pollution.

Due to the enormous risk to the community, the District as the local sponsor cannot afford to leave the citizens vulnerable. Therefore, it is imperative that this work must continue. Because the construction industry is already doing work in the area, the climate is favorable for proceeding with this work at this time, producing significant cost savings. What we are seeking, then, is funding to advance federal work.

We have a proven and cost-effective program. In fact, we have estimated that TARP's cost is about a quarter of the cost of separating the area's existing combined sewer systems into separate sewage and stormwater systems. Upon reanalysis, the EPA has consistently found the TARP program to be the most cost-effective solution that will reduce the impacts by the greatest degree to meet the enforceable requirements of the Act, with the least amount of dollars. The project, while relating most specifically to the 52 tributary municipalities in northeastern Illinois, is also beneficial to our downstream communities such as Joliet and Peoria. These benefits occur because of the capture of wastewater in the tunnels during the storm periods and by treatment of the discharge before being released in to the waterways.

Since its inception, TARP has not only abated flooding and pollution in the Chicagoland area, but has helped to preserve the integrity of Lake Michigan. In the years prior to TARP, a major storm in the area would cause local sewers and interceptors to surcharge resulting in CSO spills into the Chicagoland waterways. Since these waterways have a limited capacity, major storms have caused them to reach dangerously high levels resulting in massive sewer back-ups into basements and causing multi-million dollar damage to property. To relieve the high levels in the waterways during major storms, the gates at Wilmette, O'Brien, and the Chicago River would be opened and the excess CSOs would be allowed to backflow into Lake Michigan. Since the implementation of TARP, some backflows to Lake Michigan have been eliminated. After completion of both phases of TARP, all backflows into Lake Michigan will be eliminated.

Since implementation of TARP, 358 billion gallons of CSOs have been captured by TARP that otherwise would have reached waterways. After the completion of both phases of TARP, 99 percent of the CSO pollution will be eliminated. The elimination of CSOs will result in less water needed for flushing of Chicago's waterway system, making it available as drinking water to communities in Cook, DuPage, Lake, and Will counties, which have been on a waiting list. Specifically, since 1977, these counties received an increase of 162 mgd, partially as a result of the reduction in District's discretionary diversion in 1980. Additional allotments of Lake Michigan water, beyond 1991, will be made to these communities, as more water becomes available from sources like direct diversion.

With new allocations of lake water, communities that previously did not get to share lake water are in the process of building, or have already built, water mains to accommodate their new source of drinking water. The new source of drinking water will be a substitute for the poorer quality well water previously used by these communities. Partly due to TARP, it is estimated by IDOT that between 1981 and 2020, 283 mgd (439 cfs) of Lake Michigan water would be added to domestic consumption. This translates to approximately 2 million people that previously did not receive lake water would be able to enjoy it. This new source of water supply will not only benefit its immediate receivers but will also result in an economic stimulus to the entire Chicagoland area, by providing a reliable source of good quality water supply.

TARP was designed to give the Chicago metropolitan area the optimal environmental protection that could possibly be provided. More importantly, no other project was found to be as cost-effective. In addition, the beneficial use of the project

is being enhanced by the addition of the flood control reservoirs now being designed and constructed by the Corps of Engineers, which will be connected to the tunnels for additional capture and storage of combined sewage during flood events. We believe TARP stands as a tribute to our nation's Clean Water goals and one that is being accomplished within the most economical constraints.

REQUESTED ACTION

The $10 million we are seeking in fiscal year 2000 funding in the Subcommittee's bill will help keep the local sponsor whole for the advance construction it plans to accomplish on the Torrence Avenue Leg for the Calumet System of the congressionally-authorized TARP project. While the TARP project was originally authorized at 75 percent federal funding, the District as local sponsor has been contributing at least 50 percent of the total project cost. We greatly appreciate the Subcommittee's endorsement of our request over the years to advance the construction of this work. This fiscal year 2000 work will go a long way to address serious water quality, stormwater and safety problems. It will have a tremendously beneficial impact on a community, which suffers from water pollution and significant flooding problems. The EPA has approved the facilities plan for the overall TARP project and design has been completed. The EPA has identified this particular segment of work as the next critical section of the plan to be constructed based on significant water quality benefits.

Once on-line, the Torrence Avenue Leg of the Calumet System will capture 2.0 billion gallons of CSOs per year and will protect 15.6 square miles of the City of Chicago from raw sewage backup and flooding.

We urgently request that this funding be included in the Subcommittee's bill for the construction of the Calumet System of the TARP project. We thank you in advance for your consideration of our request.

PREPARED STATEMENT OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

FISCAL YEAR 2000 APPROPRIATIONS FOR THE U.S. ENVIRONMENTAL PROTECTION AGENCY

The Metropolitan Water District of Southern California (MWD) is pleased to submit comments for the record, regarding programs contained in the U.S. Environmental Protection Agency's (EPA) fiscal year 2000 budget for your Subcommittee's hearing on April 29, 1999.

MWD is responsible for meeting the supplemental water requirements of 16 million people living in the Southern California coastal plain and the economy which supports them. Our sources of water supply are the Colorado River and surface waters from Northern California. Of particular interest to MWD and our 27 member agencies are those federal programs that provide assistance and facilitate partnerships for addressing critical water resources issues.

MWD is pleased that the President's budget requests increased funding for the Drinking Water State Revolving Fund (DWSRF) over the prior fiscal year. The proposed funding of $825 million, however, falls short of the $1 billion authorized by Congress, and we urge that you support funding at the authorized level. We also ask that, in addition to the $41.5 million request for safe drinking water research in the President's budget, you provide $6 million to be designated for research through the American Water Works Research Foundation (AWWARF) and East Valley Water District in San Bernardino, California for activities described below. Lastly, we ask that you fully support the President's proposed fiscal year 2000 budget for other EPA programs benefiting drinking water quality, including those which are part of the Clean Water Action Plan.

While significant progress has been made in improving the quality of our nation's water, many surface and ground waters do not meet water quality standards. Further, as our understanding of the relationship between the contaminants found in our water supply and their effect on human health increases and detection methods are improved, new risks have been uncovered. Adequate protection of drinking water quality requires research to identify contaminant sources and effective control methods, financial assistance for implementation of end-of-the-pipe treatment and source water protection measures, and compliance monitoring to ensure existing laws and regulations are upheld.

STATE REVOLVING FUNDS

In California, water suppliers have identified drinking water infrastructure projects totaling in excess of $7 billion that could benefit from low-cost DWSRF fi-

nancing. Nationwide, community water systems estimate they must invest over $138 billion over the next 20 years to ensure delivery of safe drinking water. Of this amount, approximately $12 billion is needed to meet current Safe Drinking Water Act (SDWA) requirements. Low-cost financing for projects which ensure safe drinking water supplies is critical for protecting the health of the more than 240 million Americans served by public water systems, and MWD strongly urges that you provide $1 billion, the amount authorized by Congress for fiscal year 2000. This amount, while greater than the amount requested in the President's budget, is still only a small fraction of the funding needed by drinking water suppliers to meet existing SDWA requirements.

Significant investments are also needed to repair and replace aging municipal wastewater infrastructure and combined sewer systems. Low-cost financing is necessary to support substantial municipal water quality infrastructure needs over the next 20 years. Capital investments are also required to protect against non-point pollution sources, and for the first time, EPA has proposed allowing states to use up to 20 percent of their Clean Water Act State Revolving Fund (CWSRF) capitalization grants to fund such projects. The President has requested $800 million for fiscal year 2000 for the CWSRF to support these activities which are also vital for ensuring protection of drinking water sources. MWD asks that you support the President's budget request.

NON-POINT SOURCE GRANTS

Another critical source of funding for source water protection projects is grants under the Clean Water Act's Section 319 Non-point Source Program (NPS). NPS grants are particularly important for smaller projects and projects where debt financing is unsuitable. Further, the NPS grant program is necessary to support the many watershed management activities fostered by the states. The President has requested $200 million for NPS grants for fiscal year 2000, and MWD requests your support at the level in the President's budget.

Other EPA grant programs which help maintain or improve water quality and need your support are the CWA Section 106 Control Agency Resource Supplemental Grants ($115.5 million), Wetlands Program Development Grants ($15.0 million), and the Water Quality Cooperative Agreements (WQCA; $19.0 million). Among other activities, section 106 grants provide funding for monitoring, water quality planning, and development of Total Maximum Daily Loads for impaired water bodies. The wetlands grants program will enable EPA to meet its goal of a net gain of 100,000 acres of wetlands by the year 2005. Wetlands provide an important cleansing mechanism which can protect drinking water sources. WQCA provides funding to address water quality problems created by storm water, combined sewer overflows, and confined animal operations, all of which potentially threaten drinking water sources. Your support for the President's fiscal year 2000 budget request for the above programs will enable EPA to carry out its mission.

DRINKING WATER RESEARCH

Scientifically sound research provides the underpinnings for effective drinking water quality programs. EPA's fiscal year 2000 budget, under its strategic goal of clean and safe water, includes $41.5 million for safe drinking water research. This research will focus on developing dose-response data for certain contaminants such as disinfection by-products (DBPs) and pathogens, filling data gaps for contaminants on the Candidate Contaminant List (CCL), and identifying cost-effective methods for removing pathogens while minimizing DBP formation. Although not specifically noted in EPA's Summary of the 2000 Budget, we understand that funding will also be directed toward research on methyl tertiary-butyl ether (MTBE), an oxygenate added to some reformulated fuels to meet Clean Air Act requirements, and perchlorate.

Dose-response data is critical for the proper characterization of potential acute risks of drinking water contaminants, yet reliable data is frequently absent. The CCL is the basis of potential new drinking water regulations, and accurate data is essential in order to determine whether new regulations are warranted. In California, MTBE has been found in some groundwater wells and drinking water reservoirs, resulting in objectionable taste and odor and potential health risks. Similarly, perchlorate has been detected in groundwater sources of drinking water, and nearly two dozen wells have been taken out of service state-wide as a result of concentrations which exceeded state action levels.

Despite a very ambitious research agenda, we note that the President is requesting approximately $6 million less for drinking water research for fiscal year 2000 than appropriated for the prior fiscal year. We urge that you restore the $6 million

through designation of $3 million for AWWARF for further research on drinking water contaminants such as DBPs and pathogens, $1 million for AWWARF for research on arsenic, and $2 million for the East Valley Water District in San Bernardino, California to continue research conducted through AWWARF on perchlorate. AWWARF and public water suppliers will provide 100 percent matching funds, and thus offer an opportunity to leverage EPA's research budget. We strongly urge that you support an appropriation of $47.5 million for safe drinking water research, designating $6 million of this amount as described above.

MWD also requests your support for EPA's budget request of $56.2 million for its Human Health Risk Assessment program. Under this program, EPA will develop approaches for more biologically defensible health assessments instead of relying on default assumptions which may be at variance with known mechanistic data. The program will also carry out research on sensitive sub-populations, particularly children and infants and will develop improved methods for measuring total exposure from multi-media sources and multi-pathways. This research will help bring better science to the risk assessment process used in the development of drinking water standards.

EPA's 2000 budget includes $49.8 million for research on Emerging Risk Issues, including endocrine disruptors. Endocrine disruptors can cause adverse reproductive outcomes affecting both human and ecologic health. The Endocrine Disruptor Screening and Testing Advisory Committee (EDSTAC), a stakeholder group formed by EPA to develop screening and testing recommendations, has identified DBPs as one of the chemical classes which should be subject to early testing. DBPs are formed as part of the disinfection process for drinking water. Disinfection is necessary to protect against microbial disease and has been responsible for the virtual elimination of widespread outbreaks of waterborne disease in the U.S. MWD asks that you support the President's funding request for research on Human Health Risk Assessment and Emerging Risk Issues.

DRINKING WATER—PUBLIC WATER SYSTEMS SUPERVISION PROGRAM GRANTS

EPA's 2000 budget allocates $93.8 million for Public Water Systems Supervision Program grants. This funding is necessary for states with primary enforcement responsibilities to carry out their duties, including implementation of the 1996 SDWA regulations. Additional resources will be necessary to implement the changes resulting from the 1996 SDWA amendments, and we ask that you support this funding level.

BETTER AMERICA BONDS

The President's budget proposes to encourage the preservation of open space, protect water quality, and clean up Brownfields through a new, innovative Federal tax credit program. Under the Better America Bond Program, states and local governments would have the authority to issue bonds which provide Federal tax credits in lieu of interest payments by the issuing entity. This program would enable communities to acquire title to or purchase easements on environmentally sensitive and other land for purposes such as protecting water quality from polluted runoff. The President has requested bonding authority for the states of $1.9 billion for fiscal year 2000, and we ask that you support this request.

We look forward to working with you and your Subcommittee. Please contact Brad Hiltscher, MWD's Legislative Representative in Washington, D.C. at (202) 296–3551, if we can answer any questions or provide additional information.

PREPARED STATEMENT OF THE MICKEY LELAND NATIONAL URBAN AIR TOXICS RESEARCH CENTER

The Mickey Leland National Urban Air Toxics Research Center (the Leland Center or NUATRC), was established by Congress under Title III, Section 301(p) of the 1990 Clean Air Act Amendments as a non-profit, public/private research organization to sponsor research on the potential human health effects of the 188 listed air toxics. NUATRC initiates research that is critical to conducting meaningful risk assessments to help assure that air toxics regulations will be cost-effective and balanced. NUATRC has become a nationally-recognized leader in air toxics personal exposure research. This research, and the ability of the Leland Center to make significant contributions to the peer-reviewed science on air toxics, is becoming more vital with EPA's initiation of the Integrated Urban Air Toxics Strategy and Residual Risk programs.

NUATRC has been operational for about six years and receives EPA assistance awards based upon Congressional appropriations. We use corresponding private sector funding to leverage these federal monies, with industrial firms being the major contributors. NUATRC has a small staff and utilizes an administrative services agreement with the University of Texas-Houston Health Science Center in the Houston Medical Center complex. This arrangement allows the Leland Center to take advantage of the world renowned scientific community at the University of Texas and the Texas Medical Center, as directed by Congress.

This testimony provides an update on the Leland Center's current research and future directions. The NUATRC continues to focus its research in several key areas, which we believe will help close significant data gaps on the potential human health effects of air toxics. These areas are the following:

—Human exposure to air toxics. Specifically, the relationship among outdoor, indoor and personal exposures to air toxics; the sources of those exposures; and the development of technology to better assess human exposure to air toxics.

—Characterization of non-cancer health effects from air toxics exposures, primarily respiratory and immune system effects.

Future research directions will include:

—Assessment of potential links between personal exposures to air toxics and human health effects.

—Examination of possible rapid response to emerging air toxics incidents.

—Small grants for new and minority investigators for air toxics research.

Strategic Research Directions

NUATRC has continued to make significant progress in fulfilling its Congressional mandate. It has achieved national recognition within the scientific community, EPA and the corporate sector for its personal exposure research. The Leland Center has profited significantly from the work of its Board of Directors, appointed by Congress and the President, and its Scientific Advisory Panel. This Panel, composed of 13 nationally-recognized scientists from the public, private, and academic sectors, develops the Center's peer-reviewed research program. This research is carried out at academic institutions and major research centers across the nation, under a scientifically rigorous award protocol.

In pursuing its research directions, NUATRC interacts with other research organizations and public and private institutions to leverage both money and scientific expertise. We have interacted with the National Center for Health Statistics, the Health Effects Institute, the Center for Air Toxics Metal Research, EPA, MIT, and many corporations to assess critical research needs, to avoid duplication of effort, and to build upon previous research.

Personal Exposure Research

The National Research Council's (NRC) March 1998 report *Research Priorities for Airborne Particulate Matter—Volume I* states that research on personal exposure and the relationships among outdoor, indoor, and personal exposure is one of the nation's most critical research priority areas. The NRC Report underscores the NUATRC Board of Directors' decision several years ago to pursue this line of research. NUATRC took an early lead in fostering this type of research and is now a nationally-recognized leader in research on personal exposure to air toxics.

As an initial effort, the Leland Center fostered the development of new, reliable, and cost-effective passive personal monitor that measures Volatile Organic Compounds (VOCs). NUATRC has two such major personal exposure research programs currently underway that are utilizing these personal monitors. These studies are being conduced by the Environmental & Occupational Health Sciences Institute (EOHSI) and Columbia University. Pilot studies for both projects were successfully completed in 1998 and the full studies are in progress in three major urban areas (Houston, Los Angeles, and New York City.) This research will characterize the personal exposures to VOCs, aldehydes, and metals on airborne particulate matter to which the individuals living in these areas are exposed. In addition, the work will examine how these exposures are influenced by outdoor and indoor sources, as well as the relative importance of mobile, point, and area emissions. These data will then be used in risk assessments to establish the most cost-effective means of reducing public health risks. Such research will help reduce a critical data gap in our understanding of the potential human health effects of air toxics and the relationships among personal exposures, emission sources and outdoor levels of air toxics.

Participation in NHANES

In addition to the EOHSI and Columbia studies, the Center began its collaboration with the Fourth National Health and Nutrition Examination Survey (NHANES), conducted by the National Center for Health Statistics for the Centers

for Disease Control. In this collaborative study, personal exposures to selected air toxics will be measured using passive personal exposure monitors in 1,000 NHANES participants.

Particulate Matter Methodology Development for Personal Exposure to Air Toxics

In an analogous approach to that used in the development of the exposure monitors used to measure VOCs, NUATRC is encouraging the development of the next generation of monitors to measure personal exposure to fine particulate matter (PM2.5). The NRC reported that the development of new personal exposure samplers for measuring particulate matter constituents is "critical" as constituent analyses are the building blocks for other areas of research, particularly epidemiological research. NUATRC has recently released a Request for Proposal for the development of a new generation of particulate personal monitors. The research would come on line in early 2000. The development of a new PM2.5 monitor will facilitate large-scale studies on the potential effects of PM2.5 and its constituents, again providing critical information for air toxics risk assessments.

Air Toxics Health Effects

Measurement and analysis of personal exposures to air toxics is the critical first step in determining what health risks urban populations face from air toxics. The next step is to assess the potential link between those exposures and human health effects particularly those acute effects on the human respiratory and immune systems. While a great deal of research has been focused on determining the potential cancer causing effects of air toxics, relatively little effort has been devoted to determining the potential non-cancer effects, (e.g. human respiratory and immune systems). The importance of non-cancer health effects research has been underscored both by the NRC in its March 1998 report and by EPA in its draft Integrated Urban Air Toxics Strategy.

While current data suggest a possible adverse effect on the lungs and heart from exposure to PM, the reasons for such effects are not apparent. The current hypothesis is that toxic metals present on the PM contribute to adverse effects. The Center expects to fund two proposals for multi-year research projects on the potential health effects of particulate air toxics on human pulmonary and cardiovascular systems. The first study will test the hypothesis that the metals present on PM (and not the particles themselves) cause adverse respiratory and cardiovascular systems. Results from the study will provide insights into the relative toxicity to the respiratory and cardiovascular systems of different sizes of particulate matter, as well as the relative toxicity of the specific particulate metal species. The second study will explore the relationship between exposure to PM2.5 metals and human cardiopulmonary responses in both normal and chronic bronchitic populations. This study will help determine whether particulate metals cause adverse effects to the respiratory and cardiovascular systems of people without a pre-existing disease or that the metals exacerbate pre-existing conditions, like chronic bronchitis.

Small Grants for New and Minority Investigators

The Center is also supporting new and minority investigators in environmental health research. This New Investigator Award program is designed to facilitate community involvement in air toxics issues by encouraging younger researchers to explore critical air toxics environmental health issues in their immediate communities.

NUATRC Exploratory Research Program

NUATRC plans to support pilot study research on novel and important aspects of personal exposures to air toxics and the potential health effects of those toxics in urban populations. Such studies would include:

—Identification and evaluation of health effects in susceptible populations, such as children.
—Development of new techniques for assessing personal exposures.
—Development of personal exposure models for use in air toxics risk assessment.
—Determination of the mechanisms of action of air toxics in human cells.

Research grants under this program would be open to all investigators and interdisciplinary collaboration would be encouraged.

Rapid Response to Air Toxics Situations

NUATRC is developing a program to enable it to respond rapidly to air toxics incidents, such as the smoke/haze situation that occurred in the spring of 1998 in Houston, Texas. Such incidents could present a unique opportunity to obtain scientific information about high air toxics personal exposure levels and/or related public health concerns. Information from such incidents could be incorporated into other

national studies for linking high exposure levels of air toxics to potential health effects.

Personal Exposure Symposium

As previously stated, there is a critical need to characterize actual human exposures to air toxics and to assess the health consequences of those exposures. The purpose of a symposium on personal exposure research is to bring together key researchers in the field to highlight the current technology being used to assess personal exposures, major research initiatives and the development of a consensus regarding future research directions on personal exposure. Major academic researchers, EPA, state agencies, and the regulated corporate community will be invited to participate. We anticipate holding this symposium in Houston, Texas in the spring of 2000.

NUATRC Administrative Costs

NUATRC anticipates a moderate increase in its administrative budget in 2000. Due to the continuing expansion of the air toxics research programs discussed in this testimony, a 20 percent increase in administrative costs will allow a key addition to the scientific staff, specifically a full-time research director. This position is critical, as it includes managing the overall research programs, development of new programs, and interfacing with other research organizations and EPA to avoid duplication of effort and to build upon previous research.

Even with this increase, the NUATRC's ratio of research expenditures to administrative costs remains considerably lower than comparable research institutions, at less than 25 percent. We are proud of this efficient use of government research monies, and continue to seek ways to further reduce this ratio.

APPROPRIATIONS REQUEST

To carry out the existing and anticipated research programs, NUATRC respectively requests the Senate to appropriate $2.6 million to the EPA research budget for the Leland Center program. The following table carries those programs described above, with the approximate annual anticipated costs.

Personal Exposure Research (EOSHI, Columbia)	$630,000
Participation in NHANES	100,000
PM Methodology Development	260,000
Air Toxics Health Effects	400,000
—PM metals and respiratory/cardiovascular effects	
—PM metals and cardiovascular effects in brochitic population	
NUATRC Exploratory Research Grants	300,000
New Investigator Awards Program	200,000
Rapid Response Program	60,000
Personal Exposure Symposium	50,000
NUATRC Administrative Cost—University of Texas	600,000
Total	2,600,000

NUATRC Management

NUATRC is governed by a nine-member Board of Directors composed of leading academic administrators and regulatory and private sector executives. The Board also oversees the activities of the Scientific Advisory Panel. This Panel, composed of thirteen scientists and physicians from private companies (DuPont, ICF Kaiser and Dow Chemical, EPA), academic institutions (Harvard, Brigham Young, and the Universities of Minnesota, Pittsburgh, and Washington), and the National Jewish Medical and Research Center, develops the NUATRC research program. This diverse group brings both different expertise as well as different perspectives to the development of NUATRC's research program. All NUATRCs research programs are rigorously peer-reviewed.

Funding

To date, NUATRC has relied on Congressional appropriations and support from the private sector. Corporate contributors have been consistent through the years and include Exxon, Phillips, Texaco, Rohm and Haas Company, Sun Company, and FMC Corporation. We are continually seeking new private sector partners to participate in NUATRC's research initiatives. In addition, we are soliciting support from both local and national philanthropic foundations. We have begun an intensive development effort to increase our private sector support.

Conclusion

NUATRC is most appreciative of the support that we have received from the U.S. Congress. We believe that NUATRC is advancing in the manner anticipated by Congress. From a fledging organization created by Congress in 1990, NUATRC has now become nationally-recognized for its research on personal exposures to air toxics. NUATRC will seek to advance research to help address the most critical scientific questions related to the potential human health effects of air toxics.

We are gratified by the participation of EPA scientists in our Scientific Advisory Panel discussions, and the continued positive interactions with EPA's Offices of Research and Development and Air and Radiation concerning NUATRC's research. We want to assure that NUATRC's research is complementary to EPA's other research initiatives, i.e., that there is no meaningful overlap in these programs. We believe that close scientific interactions and cooperation between these relationships with government and the corporate sector will help foster a consensus concerning the national debate over air toxics. Thank you for your attention to this request.

PREPARED STATEMENT OF THE AMERICAN PUBLIC POWER ASSOCIATION

The American Public Power Association (APPA) is the service organization representing the interests of the more than 2,000 municipal and other state and locally owned utilities throughout the United States. Collectively, public power utilities deliver electric energy to one of every seven U.S. electric consumers (about 40 million people) serving some of the nation's largest cities. The majority of APPA's member systems are located in small and medium-sized communities in every state except Hawaii. We appreciate the opportunity to submit this statement concerning fiscal year 2000 appropriations for programs under this Subcommittee's jurisdiction.

CLIMATE CHANGE ACTION PLAN VOLUNTARY PARTNERSHIP PROGRAMS

APPA generally supports the fiscal year 2000 Budget request of $4 billion to fund the Climate Change Technology Initiative. The Initiative consists of a package of tax incentives and investments in research and development to stimulate increased energy efficiency and encourage greater use of renewable energy sources. APPA is an aggressive advocate of federal support for energy research and development. While these programs do not directly provide benefits or incentives to public power systems, APPA supports them nevertheless because they will result in substantial improvements to the environment.

Under the Initiative, the U.S. EPA will be directed to continue funding of the Energy Star, Green Lights and Landfill Methane Outreach programs. Public power systems have been active partners in these programs and other initiatives designed to improving efficiencies and lowering the cost of providing energy services to customers. We are particularly interested in the creation of a new $200 million "clean air partnership fund." Under this, state and localities will be encouraged to leverage additional funds to finance efforts and projects to reduce greenhouse gas and other air pollutants.

Green Lights Program

The Green Lights program encourages use of energy efficient lighting to reduce energy costs, increase productivity, promote customer retention and protect the environment. Program partners agree to survey lighting in their facilities and to upgrade it, if cost-effective. Environmental benefits result from more efficient energy use and from reductions in emissions of carbon dioxide, sulfur dioxide and nitrogen dioxide, thus improving air quality. EPA provides program participants public recognition and technical support. Both large and small APPA member systems participate in this program including City Utilities of Springfield, MO; Concord Municipal Light Plant, MA; City of Georgetown, TX; Grant County Public Utility District, WA; Gray's Harbor County PUD, WA; Greenville Utilities Commission, NC; Indiana Municipal Power Authority, IN; Los Angeles Department of Water & Power, CA; Mason County PUD, WA; New York Power Authority, NY; Norwood Municipal Light Department, MA; Omaha Public Power District, NE; Orlando Utilities Commission, FL; Port Angeles City Light Department, WA; Puerto Rico Electric Power Authority, PR; Sacramento Municipal Utility District, CA; City of St. Charles Electric Utility, IL; Salt River Project, AZ; Virgin Islands Water & Power Authority, VI; Springfield Utility Board, OR, and Taunton Municipal Lighting Plant, MA.

Energy Star Programs

A number of EPA's Energy Star programs build on the successes of Green Lights. These important EPA programs are examples of successful public/nonpublic partner-

ships that promote the use of profitable, energy-efficient technologies as a way to increase profits and competitiveness while at the same time minimizing pollution. They include Energy Star Buildings, the Energy Star Transformer Program, Energy Star office equipment and the Residential Energy Star Program. APPA member systems participate in and support EPA's Energy Star efforts.

Landfill Methane Outreach Program

The Landfill Methane Outreach Program provides environmental benefits by encouraging utilities to make use of landfill gas as an energy source. Several APPA member systems participate in this program, including Illinois Municipal Electric Agency, IL; Jacksonville Electric Authority, FL; Emerald People's Utility District, OR; Los Angeles Department of Water and Power, CA, and Orlando Utilities Commission, FL. Utilities voluntarily agree to take advantage of the best opportunities to use landfill gas in generating power. EPA recognizes and publicizes the utility's efforts and provides technical assistance. One of the success stories cited by EPA occurred with APPA member system Emerald People's Utility District in Eugene, OR. This public power utility worked collaboratively with the State of Oregon, Lane County officials and a private investment company to develop a 3.4 MW plant at the Short Mountain Landfill. EPUD's general manager says landfill energy recovery is like "turning straw into gold," providing additional revenue to EPUD as well as a fee to the county.

COUNCIL ON ENVIRONMENTAL QUALITY (CEQ)

APPA supports the Administration's fiscal year 2000 budget request of $3,020,000 for the Council on Environmental Quality (CEQ). As units of local government APPA member utilities have a unique perspective on environmental regulation. Public power utilities and others from industry have experienced a general lack of consistency in federal environmental regulation. While additional layers of government should be avoided, a central overseer can perform a valuable function in preventing duplicative, unnecessary and inconsistent regulations. The council is responsible for ensuring that federal agencies perform their tasks in an efficient and coordinated manner. For these reasons, APPA supports the existence and continued operation of CEQ.

SUPERFUND

APPA member systems also support the Administration's request of $1.5 billion for Superfund cleanups. The Superfund Trust Fund as well as Superfund research programs are critical as we strive to improve air quality and our environment. The increased emphasis on expedited settlements and administrative relief, the Brownfields Initiative and more effective use of alternative dispute resolution by EPA are worthy goals.

Again, APPA member systems appreciate your consideration of our views on priority appropriations issues for fiscal year 2000.

PREPARED STATEMENT OF JOSEPH M. DESIMONE, PH.D.

Chairman Christopher "Kit" Bond; Ranking Member Senator Barbara Mikulski; and other distinguished members of the Subcommittee, I appreciate having the opportunity to share my comments about fiscal year 2000 funding priorities for the U.S. Environmental Protection Agency (EPA).

My name is Joseph M. DeSimone, Ph.D., and I wear many hats. I am first and foremost an educator and researcher, as a professor of chemistry at the University of North Carolina at Chapel Hill and of chemical engineering at North Carolina State University. I am co-director of the Kenan Center for the Utilization of Liquid Carbon Dioxide in Manufacturing, a not-for-profit research organization sponsored by 16 corporations from around the world.

With two of my former students, Timothy Romack, Ph.D. and James McClain, we developed carbon dioxide applications for cleaning in garment care, metal degreasing and textile processing. We founded Micell Technologies, Inc., in 1995 to commercialize these environmentally friendly cleaning systems. Located in Raleigh, North Carolina, we currently employ 32 people.

I want to convey for the record how important Environmental Protection Agency and National Science Foundation (NSF) support has been to me and my partners in developing the carbon dioxide technology platform to foster sustainable economic development. Seed funding and technical guidance from the EPA's Green Chemistry program were instrumental to our early research findings, which led us to the creation of specialty detergent systems that would dissolve in carbon dioxide. Micell

Technologies' Micare system—an alternative to traditional dry cleaning—eliminates the need for conventional dry cleaning solvents such as perchlorethylene (perc) which has been identified and regulated as a groundwater contaminant and a probable human carcinogen. Since our discovery and throughout our progress leading to commercialization, we have remained in close touch with EPA officials in the Green Chemistry and Design for the Environment (DfE) programs.

On February 5, 1999, in Wilmington, North Carolina, we launched the first U.S. dry cleaning operation utilizing carbon dioxide, and the success to date of this breakthrough will lead the way for Micell to open many more environmentally friendly dry cleaning locations around the country this year.

I am proud of this environmental success, but I want you and other legislators to share in that success because Micell's discovery was made possible in large part because of the federal seed funding I received from the EPA and NSF in the early lean years of my research. It is important for you to be aware of past successes and setbacks as this Subcommittee prepares its "mark" for fiscal year 2000 programming.

I encourage the Subcommittee to provide an additional $2 million, over and above the Administration's budget request, to the EPA for the DfE Garment and Textile Care Program. Since 1992, the DfE has worked with the nation's 30,000 commercial dry cleaners—one of the largest users of chemicals that come into contact with the public. It all started at an international roundtable on dry cleaning in which industry leaders and the EPA agreed that health and environmental issues surrounding the dry cleaning industry could be addressed most effectively through a voluntary, proactive approach. The Design for the Environment program has been a catalyst for positive, environmentally responsible change in the dry cleaning industry as EPA professionals have brought together a variety of stakeholders: Garment and textile designers; dry and wet cleaners; manufacturers; fiber producers; retailers; consumers; employees; government purchasing agents; industry trade groups; environmental and health interest groups; and even researchers.

This leadership from the EPA has resulted in a life cycle approach that includes the identification of upstream industrial decisions and trends that impact garment care process choices.

DfE accomplishes its mission by publishing the Cleaner Technologies Substitutes Assessment for Professional Fabricare Processes (CTSA) which is a technical report presenting relative cost, risk and performance information on existing and new cleaning technologies and substitute solvents. Comprehensive data from Micell's liquid carbon dioxide dry cleaning machine will be featured in the next updated CTSA publication.

EPA—through the DfE program—also supports university research on various existing and new cleaning technologies, conducts training courses for garment care professionals on new technologies, develops case studies on new and existing cleaning processes, holds and attends conferences on an as needed basis, and publishes many fact-filled resource documents for its diverse audiences.

Now that a viable liquid carbon dioxide cleaning system is commercially available, it is imperative that the DfE program work as vigorously with stakeholders as the agency has done to educate them about new wet cleaning technologies.

As a result of enhanced awareness of available technological options, dry and wet cleaners can improve their operations and their bottom line while contributing to a safer workplace and a cleaner environment. The public—all taxpayers—deserve to understand the choices available to them in fabrics, cleaning processes and environmental protection.

The NSF has been instrumental as well by supporting basic scientific inquiries into the CO2 technology platform. The NSF Young Investigator program and the Presidential Faculty Fellowship program through the Division of Materials Research supported my research at NSF. This funding allowed my early, not fully developed ideas to be explored at the start of my academic career in 1990 at the University of North Carolina at Chapel Hill. The results from this support led to numerous developments for improved polymer manufacturing and processing technologies to avoid the use of billions of pounds of organic solvents and even larger amounts of water that are currently used.

I appreciate your consideration of my viewpoint, and I hope this Subcommittee will agree to appropriate more funding for both the EPA and the NSF as it relates to green chemistry and education initiatives. Thank you.

PREPARED STATEMENT OF THE CITY OF MIAMI BEACH, FLORIDA

Mr. Chairman and Members of the subcommittee, my name is Neisen Kasdin, and I am the Mayor of the City of Miami Beach, Florida. I appreciate your allowing me the opportunity to submit testimony on a number of important initiatives for which the City of Miami Beach seeks federal assistance.

NORTH SHORE OPEN SPACE PARK /NORTH BEACH RECREATIONAL CORRIDOR PROJECT

The City of Miami Beach, Florida, seeks your support for funding to create the North Beach Recreational Corridor Project, an environmentally sensitive recreational greenway which will interconnect a series of park facilities distributed throughout the City's residential North Beach District and to tie into a regional network of recreational trails/alternative transportation routes.

The North Beach Recreational Corridor will provide a continuous route throughout the entire North Beach District interconnecting and improving public access to public parks, the beaches and other recreational, cultural and educational facilities.

The main recreational destination along the corridor will be the City's North Shore Open Space Park. The 35 acre facility is the largest park in Miami Beach and is a highly treasured natural resource. Under the City's plan, great emphasis will be placed on the preservation and enhancement of the park's natural ecosystems which include the beach shoreline, a sand dune system and a native coastal hardwood hammock. New native vegetation plantings are proposed between the back dune and coastal hammock areas, linking the two habitats and creating a stronger dune community. Clear cutting of exotic nuisance plant species will strengthen native plantings and help create a visual link from land to sea. An expanded interpretive center is proposed to improve public access to the highly successful Sea Turtle Hatchery program and other nature education programs and activities. This unique combination of natural resources and public facilities will offer the community an "environmental classroom" that will be highly conducive to the exploration and understanding of the barrier island ecosystem indigenous to Miami Beach.

In addition to the North Shore Open Space Park, the Corridor will also connect with the Altos Del Mar Park, Band Shell Park, Ocean Terrace Park, and the 64th Street Park facilities which offer a wide array of recreational and cultural amenities. The Corridor will also connect with eight beach access areas to enhance public access to the beaches and to encourage park-beach cross utilization. Seven regional parking facilities will also be connected to the recreation trail to help improve recreational facility access for our residents and visitors.

The estimated cost of the project is $7.1 million. The City has secured $3.1 million from a Park Improvement Bond Program and an additional $840,000 in ISTEA Enhancement Funds. An appropriation of $3.2 million would provide the additional funds needed to allow this valuable regional recreational enhancement project to become a reality.

WATER SEWER REVITALIZATION

Description of the existing water system

The City of Miami Beach owns, operates and maintains the potable water system serving customers within the corporate limits. The potable water facilities include a water distribution system extending throughout the city, five existing water booster pump stations, and four welded steel ground storage tanks. A sixth water booster pump station is planned for location on the MacArthur Causeway at Terminal Island. Two elevated water storage tanks are located in the south area of the City; however, both have been removed from service and at this time there are no plans for future use of these tanks. The city's potable water is supplied exclusively by the Miami-Dade Water and Sewer Department (WASD), the department of the County that oversees operation of the County's water and sewer system.

Because the City of Miami Beach is a coastal barrier island surrounded by salt water, it was not practical or economical to develop its own water supply system. The least costly and highest quality water comes from the Biscayne Aquifer water supply wells located on the mainland and owned and operated by the County. The city maintains four large diameter metered supply interconnections with the County's distribution system.

The water distribution system has approximately 180 miles of water mains ranging from 2 inches to 36 inches in diameter. The water distribution system currently serves approximately 11,123 retail customers. The water distribution system serves 1,008 fire hydrants and 712 fire lines, and has 23,000 valves of various sizes. The system has 11,601 service connections.

Description of the existing wastewater system

The City owns, operates and maintains the wastewater collection and transmission system serving customers within the corporate limits. All land usage must connect to the sanitary sewer system as a matter of City policy, and there are no septic tanks in operation within the City. The system consists of 152 miles of lines, including both gravity sewers and pressurized force mains, and 23 wastewater pump stations. The wastewater system currently serves approximately 9,641 retail customers.

All wastewater generated within the City is sent to the WASD Central District wastewater treatment plant on Virginia Key for treatment and disposal. The 54-inch force main which conveys the wastewater to the plant is a subaqueous force main running from South Pointe under Government Cut to Virginia Key. This force main is owned and maintained by WASD. The County's wastewater collection, transmission and treatment system is divided into three districts referred to as the North, Central and South Districts, each served by its own wastewater treatment plant. In addition to Miami Beach, the Central District plant treats wastewater from the City of Miami as well as other communities and unincorporated areas within the Central District. The wastewater transmission system has the capability to transfer limited quantities of wastewater flows between districts.

Five-year capital improvement program

The City has developed a Five-Year Capital Improvement Program containing those projects needed in order to replace and upgrade components of the Water and Sewer Utility and to provide for the demands to be placed upon the Water and Sewer Utility by projected growth. In connection with the water system portion of the Five-Year Capital Improvement Program, all four of the Water and Sewer Utility's existing storage tanks will be replaced, all of the existing water booster pump stations will be renovated and upgraded and most of the water mains throughout the System will be either cleaned and lined or replaced and/or extended. The wastewater components of the Five-Year Capital Improvement Program emphasize will provide improvements to the wastewater pump stations, and to the gravity collection system to reduce the amount of infiltration and inflow into the wastewater system.

The cost of the projects included within the Five-Year Capital Improvement Program is estimated at $105,208,000. The City expects to fund these improvements on a cash flow basis primarily from the proceeds of Series 1995 bonds and parity Bonds which are anticipated to be issued this year. This method of funding will provide most of the needed capital, but Federal assistance is still necessary to complete these much needed improvements. Therefore, the City of Miami Beach requests a 90 percent–10 percent local/Federal split in order to ensure that the City meets its goal. Therefore, we are requesting $10.1 million to help up meet our goal of updating our system for the next millennium.

INDIAN CREEK WATERWAY REVITALIZATION AND GREENWAY PROJECT

The City of Miami Beach exists as a cluster of barrier islands, with the Atlantic Ocean on one side and the Biscayne Bay Marine Estuary on the other. The historic and scenic Indian Creek Waterway system snakes its way through this eight mile long chain of islands. Just after the turn of the century, these natural waterways were "improved" by dredging and the construction of seawalls to stabilize the shorelines and to allow the farmers who first settled the area, transport their produce out to Biscayne Bay and the Port of Miami. Indian Creek served as the main transportation corridor for the early settlers, and as the island community grew, it remained the spine that interconnected the public, commercial and residential areas throughout Miami Beach. Today, the shoreline development along Indian Creek runs the full gambit from large scale resort hotels to single family homes, but it is predominately comprised of low and moderate income, multi-family residential facilities.

Over the years however, these once pristine waterways have fallen into decline. The waterway improvements so altered the shoreline ecosystem that the mangroves and other native plants have died-out or been overgrown by nuisance exotic species. The steel and concrete seawalls have crumbled and collapsed.

The loss of native plant communities and the failure of the seawalls has resulted in substantial erosion of the shorelines and the undercutting of roadways and public and private structures. The erosion has also transported thousands of tons of sand and topsoil into the waterways. Silt and sediment from the eroding shorelines have smothered benthic marine life and clouded the water. In addition, the eroded shore-

lines allow rain water run-off to wash trash, debris, agricultural chemicals and other pollutants into the waterways.

The loss of water quality and ecosystem destruction has killed-off or driven away the manatees, dolphins, baitfish and gamefish populations which used to be in abundance throughout Indian Creek. The loss of the native wetland plant communities from along the shorelines has also substantially reduced the available habitat for many key bird, reptile and animal species, including many migratory birds which utilize our area as winter nesting grounds.

Through the Indian Creek Waterway Revitalization and Greenway Project, the City of Miami Beach proposes to create a Public-Private Partnership between the City, the Indian Creek Area Residents and Hoteliers, the State of Florida and the National Park Service to revitalize the Indian Creek Waterway and to restore its historic role as the backbone of Miami Beach.

The crumbling seawalls will be replaced with an innovative "living seawall" system. This will entail the demolition of the old seawalls and the construction of a new walls comprised of carefully intermeshed boulders of different sizes. The slope and elevation of the new boulder walls will be designed to closely mimic the natural tidal creek shorelines which pre-existed the seawalls. Geotextile liners will be installed along the eroded shoreline areas behind the new boulder walls to prevent future erosion and then the shoreline will be refilled with rich topsoil. The entire shoreline will then be replanted with native coastal plant species.

Once the shorelines have been stabilized, the upland areas will be developed to create a continuous public access corridor or Greenway. The Greenway would provide public pedestrian/bicyclist access along the entire length of the waterway with connections to residential area, resort areas, civic centers, the beaches and four other regional recreational trails/bike paths. Rest areas, vista areas and waterway access areas (fishing & canoe launching) will be interspersed throughout the greenway. Interpretive signage will also be incorporated into the project to educate residents and visitors about the historic landmarks and natural features along the greenway trail.

Finally, a comprehensive program will be implemented to maintain the shoreline improvements and to foster the continuing restoration, enhancement and protection of the Indian Creek Waterway System.

The City of Miami Beach requests an appropriation of $3.75 million to implement this important initiative.

COASTAL EROSION INITIATIVE

(Innovative beach erosion prevention and sand recycling system demonstration Project)

Dade County, Florida has approximately 15 miles of sandy beaches. The Miami Beach Segment makes up 10.5 miles or 70 percent of that beach front area. The Miami Beach Segment is bounded to the north by Baker's Haulover inlet and to the south by Government Cut Inlet. The construction of these inlets, just after the turn of the century, left the Miami Beach Segment isolated between two complete barriers to along-shore sand migration. As a result, the Miami Beach Segment continuously loses sand through natural processes but can only regain sand through artificial means.

In the years that followed the construction of the inlets, the Miami Beach shoreline steadily receded. By the mid-1970's the shoreline had receded more than 500 feet and most of the sandy beaches had been lost. Property owners were forced to build seawalls, bulkheads and other hardened structures to prevent the coastal infrastructure from being undercut by the encroaching tides.

The City remains committed to identifying alternate sources of sand and expediting the evaluation of the environmental, physical and economic viability of the potential sources, to ensure that sufficient quantities of beach-quality sand are available to fulfill our future needs. However we have realized that continuing to pump sand on to our beaches without addressing the underlying causes of the erosion, will leave us in an endless cycle of needing more, increasingly expensive sand.

If the erosion cycle can be successfully slowed, it would reduce the demand for additional sand and save millions of dollars in renourishment costs; not to mention the elimination of the environmental, public and legal challenges to renourishment projects. To achieve this goal, the City embarked upon a program to develop new technologies which will slow down and help prevent beach erosion processes. A Sediment Budget Analysis Report, prepared for Dade County, revealed the presence of several "hot spot" areas along our shoreline which accounted for the majority of the sand that has been lost. Analysis of the data also revealed the presence of an area

of substantial sand accretion (accumulation) in a near shore area near the southern end of Miami Beach.

The causative factors behind these hot spots have been linked to changes in the shape (compass orientation) of the coastline and benthic topographical anomalies in the near shore area. The worst of these hot spots exist within two half-mile long areas along our shoreline. These two hot spots have been shown to be responsible for the loss of almost 200,000 cubic yards of sand each year. The hot spots also accelerate the erosion of the adjacent beaches for as much as a mile to the north, as the sand from the adjacent beaches slough down to fill the voids within the hot spots. With beach renourishment costs of about $14/cubic yard of sand, these hot spots are responsible for the loss of more than 2.5 million dollars annually.

After detailed examination of the available data and careful consideration of the possible alternatives, our coastal engineers have designed a series of detached headlands or breakwater-type structures which will significantly reduce the rate of erosion within these hot spot areas and help to stabilize large sections of our beach. The size and configuration of these headland structures have been carefully "tuned" to the specific conditions at each of the hot spot areas. Our coastal engineers estimate that the elimination of each hot spot will widen and stabilize approximately one mile of beach. It is believed that these benefits can be gained without significant negative impacts to the down drift beach areas or offshore reefs. Sea turtle nesting in the area will also be enhanced by the widening and stabilization of more than two miles of beach.

The City of Miami Beach and Dade County have jointly initiated an emergency effort to develop and construct breakwater reef structure in the location of the two worst hot spots. Preliminary estimates indicate the breakwater structures will cost approximately $450,000 each. The required funding has already been appropriated for the project and construction is scheduled to begin in mid-1999.

The City's master plan is to develop a series of erosion control breakwaters, positioned in key areas along the shoreline, to widen the beaches and slow the erosion process. Concurrent with the efforts to slow the beach erosion process, we plan to initiate a feasibility study/demonstration project to pursue an innovative and promising potential solution to our sand shortage problem. The Sediment Budget Analysis Report revealed the presence of a highly accretional near-shore area at the southern end of Miami Beach. The area is accreting sand at a rate of more than 200,000 cubic yards per year. Sand is accreting in the area because of the navigational Jetty that juts 1500 yards out to sea, along the north side of the Government Cut Inlet, at the southern tip of Miami Beach. The jetty structure acts as a barrier, blocking the natural, southerly migration of the near shore sand lens, which causes the migrating sand to pile-up on the north side of the structure. As more and more sand piles-up, the sand lens builds and creeps offshore toward the end of the jetty. Because the seaward end of the jetty extends out to the first line of coral reefs which parallel our shoreline, the jetty and the reef line together form a 19trap' which prevents most of the sand from being able to move further south. This near-shore lens is continuing to build and will eventually 19over-top' the reef and smother living corals. If authorized, the City will seek to have the overfill accumulating at the southern end of the segment "back passed" or pumped back up to the eroded beaches at the northern end of our beach segment.

Local government has already made a substantial investment in the development of this process. An appropriation of $6.5 million will allow the City to complete a thorough engineering analysis of the entire system, obtain the necessary Federal and State permits, and contract for the renourishment of a mile long section of beach utilizing back-passed sand. This project will serve as a demonstration of the effectiveness of the Sand Recycling System and the importance of regional sediment management.

PREPARED STATEMENT OF THE MISSOURI RURAL WATER ASSOCIATION & NATIONAL RURAL WATER ASSOCIATION

EPA RURAL WATER TECHNICAL ASSISTANCE AND GROUND WATER PROTECTION

Thank you Chairman Bond and Members of the Committee. My name is Dennis Flanery. I represent the State of Missouri on the National Rural Water Association Board of Directors. I am very honored to represent all of Rural Water in front of you today.

My message today is that we believe the funding for rural water technical assistance and small community groundwater protection is the most effective use of EPA funds you appropriate from the drinking water program. Each year this sub-

committee approves hundreds of millions of dollars for the EPA to increase the regulatory burden on small towns. In turn, EPA increases the number and stringency of the regulations, passing billions in compliance costs onto our small towns.

Much of this effort is misdirected because improving drinking water in small communities is more of a RESOURCE problem than a REGULATORY problem. Every community wants to provide safe water and meet all drinking water standards. After all, local water systems are operated by people whose families drink the water every day, who are locally elected by their community, and who know, first-hand, how much their community can afford.

Numerous studies have concluded that a majority of non- compliance with EPA regulations is not due to actual water contamination, but is caused by the complexity of the regulations. Also, studies by the National Rural Water Association and EPA have shown that small towns will quickly remedy any water problems when provided understandable education and additional resources. More regulations won't help poor communities which can't afford the current regulatory regime, much less a new set of regulatory hurdles. What works in small towns is providing commonsense assistance in a form they can understand and afford. It takes someone sitting down with them evening after evening, and working with them through the ENTIRE process. Giving them a copy of the federal register and a phone number to call is not helping. Attached is a list of the over one thousand on-site visits carried out in the State of Missouri last year.

Each time we help a community we educate them on their resources so that they can solve their problem on their own next time. THIS IS KEY . . . ENCOURAGING LOCAL responsibility and building local know-how. If the community does not accept and support measures to protect their water, no amount of regulation will protect it. The TA program promotes this kind of local initiative.

The need for technical assistance is increasing with the dramatic increase in new federal regulations including: consumer confidence reports, radon, ground water rules, operator certification, source water protection, disinfection byproducts, etc. Our rural water technical assistance staff will get thousands of the calls for help from each of these regulations.

When local communities take responsibility for protecting their environment they do it more effectively and economically than governmental regulations. This has been documented in our groundwater/wellhead protection program's rapid expansion to small communities all over the state in the last four years, a list of affected communities is attached to my testimony. My reason for pointing this out is that we are facing the same challenge in source water/non-point source pollution in rural areas.

As the Congress provides additional EPA funding (under the Safe Drinking Water Act and the Clean Water Action Plan) for source water protection, clearly we need a grassroots source water protection effort that will do for source water what the grassroots groundwater protection program did for groundwater. To this end, we urge you to expand the ground water initiative to include source water. Last year this House Committee provided $7.5 million for an innovative grassroots source water protection program. We urge you to again provide this funding and to specifically designate the National Rural Water Association to carry out this program in each state. This will ensure a bottom up, locally supported element as contrasted with EPA's proposed top down regulatory approach.

Mr. Chairman, I will close with our request that the Committee include $8.6 million in the EPA's budget for all state rural water technical assistance and our groundwater protection initiatives and to again provide $7.5 million for an innovative grassroots source water program. Thank you for your past support and the opportunity to appear before you today.

PREPARED STATEMENT OF THE PASSAIC VALLEY SEWERAGE COMMISSIONERS

Chairman Bond and Members of the Committee, my name is Robert Davenport and I am the Executive Director of the Passaic Valley Sewerage Commissioners in Newark, New Jersey. I would first like to thank you for the opportunity to testify today.

PVSC owns and operates one of the largest wastewater treatment plants in the nation. We treat wastewater from 1.3 million people in 47 towns and cities and from over 300 large industries in Northern New Jersey.

When I addressed this distinguished committee last year our Passaic River/Newark Bay Restoration Program was just getting started. This year I'd like to thank you for your past support and update you on the progress and the achievements of the program we've made in the last year.

New Jersey is distinguished as being the birthplace of industry and manufacturing in the United States. The industrial centers of Newark, Jersey City and Paterson developed and thrived in the 1800's; generating the goods and capital that contributed to the building of our state and nation.

Unfortunately, the engineering standards at the time of this great development called for the combining of both storm water and sanitary sewers into one system. Therefore, when it rains, storm water enters the combined sewer systems and the capacity of the sewer lines is exceeded which causes a mixture of untreated wastes and rainwater runoff to discharge into the local waters. This, as you know, is called a Combined Sewer Overflow, or CSO. Engineers were simply unaware of the environmental detriment caused by combining both systems into one. Science followed the principle that dilution of wastewater by stormwater runoff in a combined sewer system would have minimal impact upon the environment. We have since learned that this is not the case. The Passaic River and Newark Bay are now faced with swimming prohibitions due to elevated coliform bacteria concentrations and fishing and shellfishing bans due to the contaminated river sediments. Dredged material disposal options are limited due to toxic contaminants such as heavy metals and organic compounds in the river sediments. Floatable debris impacts the aesthetic qualities of these water bodies.

While in the process of discovering the impact of CSOs on the environment, the economic base of Passaic Valley's combined sewer communities has experienced dramatic erosion. The cities of Newark, Jersey City, Paterson, Harrison, East Newark, Bayonne and Kearny are among the poorest communities in New Jersey, and each has a combined sewer system which continually threatens the water quality of the Passaic River and Newark Bay during wet weather events.

The traditional solution for reducing CSOs is to separate the storm water from the sanitary sewers. The estimated cost of this traditional solution will be well over $5 billion. This has never been and will never be a feasible solution.

For the last 30 years New Jersey has been struggling to find a solution that is both economically viable and environmentally acceptable to the problem of CSOs. PVSC found just such a solution. The Passaic River/Newark Bay Restoration program has a three pronged approach to alleviate the ongoing pollution to these NJ resources.

The first element of the program is the implementation of plant wide improvements to increase the treatment plant's wet weather capacity from 368 million gallons per day to 700 million gallons per day. Combined sewer discharges will be reduced by 332 million gallons per day to attain 106 percent of EPA's Long Term Control Requirement for wet weather flow pollutant removal. The program will result in the removal of 4,000 lbs/year of Organic Compounds, 90,000 lbs/year of toxic heavy metals, and 12,000,000 lbs/year of Conventional Pollutants which is now discharged to the Passaic River and Newark Bay during wet weather.

The second element is a trackdown of toxic discharges to the sewer system. This work is being implemented in conjunction with the NJ Department of Environmental Protection. The goal is to locate and identify unknown sources of ongoing discharges of toxic chemicals of concern.

The third element is the Shoreline Cleanup portion of the program. We provide coordination and support to municipalities, counties, citizens, service groups, and local businesses to remove trash along the riverbanks in their communities. Gloves, trash bags, trash disposal and other supplies are given to volunteer groups to help them with their clean up efforts.

During the month of August 1998, PVSC's summer employees removed trash on a daily basis in urban parks along the River. Due to the success of last year's summer program, we anticipate covering more of the river's banks during the months of June, July and August.

I'd now like to share the results of last year's efforts with you. Last summer we assisted in 42 cleanups and helped remove more than 226 tons of trash from the Passaic River. So far, this year in two Earth Week cleanup projects we assisted over 500 volunteers whom we presented with a clean-up crew tee shirt as a thank you for their efforts.

We are looking forward to the June launching of a 50-foot skimmer vessel which will remove floating debris from the waterways in our district. Funds for the vessel's purchase were provided by the Port Authority of New York and New Jersey, and the cost of operation will be borne by PVSC.

PVSC is working with the State of New Jersey, the State of New York, and the USEPA on a bi-state program to reduce discharges of toxic materials throughout the New York/New Jersey Harbor Estuary. Led by PVSC, ten NJ wastewater agencies were awarded over $300,000 to sample for toxic materials in combined sewer, stormwater and treatment plant effluents. An additional $600,000 will be spent by

NJ to test the samples for toxic material. We have applied to the State of NJ for an additional $2 million to enable us to track down the sources of the toxic compounds.

The real key to improving the water quality of the Passaic River and Newark Bay is to reduce Combined Sewer Overflows. PVSC's solution will cost $82 million compared to the traditional solutions cost of over $5 billion.

The State of NJ awarded PVSC $15 million for the engineering design for the plant improvements needed to implement the program. An application was submitted to the USEPA for three projects to be funded by a grant authorized by your committee in the fiscal year 1999 Appropriations Bill. Local funds will be used to provide the match for the special appropriations grant. In an effort to accelerate the program, PVSC has applied for a $25 million state revolving loan to finance the construction of a major component of the plan. We look forward to a late summer ground breaking for these projects.

In spite of all the progress we've made, the program is just beginning PVSC has exhausted its ability to fund additional work without continued Federal assistance. We are respectfully requesting $10 million in Federal funds for this year to begin construction of the next elements in the plant improvements program. The completion of the next element will get us half way to our goal of doubling our wet weather flow.

Once again, I would like to thank you and the committee for your continued support for the Passaic River/Newark Bay Restoration Program. We strongly believe that this program will restore the Passaic River and Newark Bay as a recreational and economic resource for the region.

PREPARED STATEMENT OF THE EL PASO WATER UTILITIES PUBLIC SERVICE BOARD

Thank you Chairman Bond and Members of the Committee for the opportunity to provide testimony in support of $13.5 million for the design and engineering phase of the New Mexico/Texas Water Commission's Regional Sustainable Water Project. My name is Ed Archuleta, and I am the General Manager of the El Paso Water Utilities Public Service Board and the Program Manager of the El Paso-Las Cruces Regional Sustainable Project.

The City of El Paso, Texas, and the City of Juarez, Mexico, rely on the water from the Hueco Bolson aquifer for the majority of their drinking water supply. This aquifer will be fully depleted within the next twenty-five years if an alternative year-round surface water supply is not found. It is the objective of the sustainable water project to create an alternative long-term surface water supply for the entire region.

This cooperative project will reverse the depletion of the major groundwater aquifers in our area and will provide a long-term, high-quality sustainable water supply for our rapidly growing bi-state/bi-national region.

To allow for the proper coordination and timely completion of the project, we urge the Committee to provide this specific funding as part of the Border Environment Infrastructure Fund (BEIF). The BEIF was utilized to fund the initial environmental and water resource studies for the project ($3 million in fiscal year 1998) which are now being completed. By specifically designating these funds for the sustainable water project it has enabled the project to move forward with a minimum of bureaucratic interference. This approach to funding has the support of the EPA officials, Border Environment Cooperation Commission, and NADBank staff responsible for the implementation of the BEIF programs.

Project benefits include:

—Improving and protecting the quality of the region's ground and surface water;
—Preserving the Hueco and Mesilla groundwater bolsons;
—Implementing a year-round delivery system of surface water, which will enhance agricultural and municipal water supplies and the riverine ecosystem;
—Increasing surface water supply through efficient delivery and water treatment; and
—Continuing to meet treaty and compact requirements for delivery of Rio Grande Project water.

The El Paso-Las Cruces Regional Sustainable Water Project will benefit more people on the Texas/Mexico border than any other project that might be funded under the North American Free Trade Agreement (NAFTA). The affected region includes El Paso, TX, Las Cruces, NM and Ciudad Juarez, Chihuahua, Mexico. The current regional population is over 2 million, and is expected to more than double by 2025. Chronic unemployment is over 10 percent, yet the region's future economy, environment and quality of life is dependent on a reliable supply of water.

As mentioned above, concurrent with the region's population boom is the depletion of its local aquifers. Those underground water sources provide Las Cruces and Ciudad Juarez with 100 percent of their water, and El Paso with 57 percent. The Hueco Bolson, designated a Priority Groundwater Management Area by the Texas Natural Resources Conservation Commission, is expected to be depleted by 2025. The Sustainable Water Project will assure the long term preservation of this groundwater source.

This sustainable water supply project is the top environmental priority for this heavily populated El Paso region of the border. The $13.5 million will design water plants in New Mexico and a plant in El Paso. The project includes an aqueduct system, storage tanks, pump stations, and aquifer storage and recovery system for the Hueco Bolson (to store water during periods of high runoff for use during periods of drought). The detailed phasing plan for these facilities will be completed by the end of the year.

Without federal assistance the project cannot move forward. State and local monies are difficult to obtain because the scope is regional and multi-jurisdictional and if any participant decides to use its funding as leverage then cooperation becomes more difficult. However, the availability of BEIF funds allows the process to proceed under the guidance of the New Mexico/Texas Water Commission. Attached is a list of participants in this process. We believe this is exactly what the Congress intended when NAFTA passed and the BEIF program was funded.

We thank you again very much for your past support for this project. We urge you to specifically designate the $13.5 million from the BEIF program so that the next phase of the program can proceed immediately.

PREPARED STATEMENT OF THE BROWNSVILLE PUBLIC UTILITIES BOARD

Good afternoon Chairman Bond and Members of the Committee. Thank you for the opportunity to testify before you today. My name is Robert Lackner and I am Chairman of the Public Utilities Board in Brownsville, Texas.

Our purpose for testifying is to first thank you for your assistance last year in providing $2.5 million to allow for the initial studies and regional coordination needed to initiate the Brownsville Weir and Reservoir project and, second, to request an additional $3.5 million from the Border Environmental Infrastructure Fund to provide the federal share of the design and engineering for the next stage of implementation for the Brownsville Weir and Reservoir Project. The lack of a stable long term water supply in Brownsville and other lower Rio Grande communities is the top environmental need in the entire south Texas region.

The Brownsville Weir and Reservoir Project is the most feasible way to meet this need. It provides a means for capturing Rio Grande water that has passed all other river water users and which now flows directly into the Gulf of Mexico. The Weir is the most efficient way to conserve water for the use of the local communities.

The Weir would release adequate water to satisfy all local environmental and downstream uses. The Project uses the existing river channel for storage and will be accessible to numerous communities within the United States and Mexico. The alternative is for Brownsville to construct currently authorized off-channel reservoirs which are remote to existing water supply facilities, accessible to only a limited number of municipal users, susceptible to excessive evaporation losses and potential contamination by saline groundwater and provide no benefit to Mexico.

The Project promotes water conservation at the highest level because under current water management conditions, a significant portion of the water flowing into the Lower Rio Grande goes unutilized and flows into the Gulf of Mexico. Absent the Project, the International Boundary Water Commission must release water from Falcon Reservoir up to seven days in advance of the anticipated downstream diversions and needs. If the released water is not diverted due to unexpected reduced demands, mechanical pump failures, or climactic changes, any uncaptured or unused water flows into the Gulf of Mexico. The Weir solves this problem, and, as stated above, it avoids the environmental and cost problems of building an off-site reservoir. The Project is the ultimate water conservation strategy for our region and can conserve more water than any other alternative available. Every acre foot of water conserved by the Project will result in an unreleased acre foot of water remaining in storage behind Falcon Dam for the benefit of all downstream users, municipalities, industries and agriculture.

The Project has the strong support of the State of Texas. In fact, the Texas Water Development Board has incorporated the Project as its top priority in the current Texas Water Plan. There is also written support from City of Matamoros, Mexico and from the Mexican State of Tamaulipas. In addition, the Project has the broad

support of local governments, citizens, and, increasingly, local environmental organizations. For the record, we have attached a list of the many individuals and groups that have expressed support for the Brownsville Weir and Reservoir Project.

We cannot build the Project without federal environmental funding assistance. The Brownsville Public Utility has spent $3 million on hydrology and preliminary environmental studies for this project. As a multi-jurisdictional bi-national effort, we need one source of funding for this initial design and engineering phase. This is exactly the type of project that the Border Environmental Infrastructure Fund (BEIF) was designed to help, but we have found that in order to move this project along in a timely manner, there must be Congressional direction given on the expenditure of the funding in the appropriations bill. We believe that EPA, NADBANK and the Border Environment Cooperation Commission staff agree that a Congressionally mandated provision is the most effective approach. Thus, we are asking you to earmark $3.5 million out of the BEIF $100 million in funding requested by the Administration.

Thank you again for your kind support. This Committee has already done more to assure a long term water supply for the over 500,000 persons in the South Rio Grande area than any other organization or resource. We urge you again to assist us in completing the engineering and design for the Weir.

PREPARED STATEMENT OF THE CALIFORNIA INDUSTRY AND GOVERNMENT COALITION ON PM–10/PM–2.5

Mr. Chairman and Members of the Subcommittee: On behalf of the California Industry and Government Coalition on PM–10/PM–2.5, we are pleased to submit this statement for the record in support of our fiscal year 2000 funding request of $1.25 million in the EPA budget for the California San Joaquin Valley Regional PM–10/PM–2.5 Air Quality Study.

The San Joaquin Valley of California and surrounding regions exceed both state and federal clean air standards for small particulate matter, designated PM–10/PM–2.5. The 1990 federal Clean Air Act Amendments require these areas to attain federal PM–10/PM–2.5 standards by December 31, 2001. Attainment of these standards requires effective and equitable distribution of pollution controls that cannot be determined without a major study of this issue.

According to EPA and the California Air Resources Board, existing research data show that air quality caused by the PM–10/PM–2.5 problem has the potential to threaten the health of more than 3 million people living in the region, reduce visibility, and impact negatively on the quality of life. Unless the causes, effects and problems associated with PM–10/PM–2.5 are better addressed and understood, many industries will suffer due to production and transportation problems, diminishing natural resources, and increasing costs of fighting a problem that begs for a soundly researched solution.

PM–10/PM–2.5 problems stem from a variety of industry and other sources, and they are a significant problem in the areas that are characteristic of much of California. Typical PM–10/PM–2.5 sources are dust stirred up by vehicles on unpaved roads, and dirt loosened and carried by wind during cultivation of agricultural land. Soil erosion through wind and other agents also leads to aggravation of PM–10/PM–2.5 air pollution problems.

The importance of this study on PM–10/PM–2.5 is underscored by the need for more information on how the federal Clean Air Act Amendments standards can be met effectively by the business community, as well as by agencies of federal, state and local government whose activities contribute to the problem, and who are subject to the requirements of Title V of the Clean Air Act. There is a void in our current understanding of the amount and impact each source of PM–10/PM–2.5 actually contributes to the overall problem. Without a better understanding and more information—which this study would provide—industry and government will be unable to develop an effective attainment plain and control measures.

Our Coalition is working diligently to be a part of the effort to solve this major problem, but to do so, we need federal assistance to support research and efforts to deal effectively with what is essentially an unfunded federal mandate.

Numerous industries, in concert with the State of California and local governmental entities, are attempting to do our part, and we come to the appropriations process to request assistance in obtaining a fair federal share of financial support for this important research effort. In 1990, our Coalition joined forces to undertake a study essential to the development of an effective attainment plan and effective control measures for the San Joaquin Valley of California. This unique cooperative partnership involving federal, state and local government, as well as private indus-

try, has raised more than $24 million to date to fund research and planning for a comprehensive PM–10/PM–2.5 air quality study. Our cooperative effort on this issue continues, and our hope is that private industry and federal, state and local governments will be able to raise the final $4.6 million needed to complete the funding for this important study.

To date, this study project has benefited from federal funding provided through EPA's, DOT'S, DOD's, USDA's, and Interior's budgets—a total of $13.3 million in federal funding, including $7.6 million in EPA appropriations. State and industry funding has matched this amount virtually dollar for dollar.

With the planning phase of the California Regional PM–10/PM–2.5 Air Quality Study complete, a number of significant accomplishments have been achieved. These interim products have not only provided guidance for completion of the remainder of the Study and crucial information for near-term regulatory planning, they have also produced preliminary findings which are significant to the Environmental Protection Agency's (EPA) interests.

The Study is significant to EPA interests for a number of reasons. The San Joaquin Valley experiences some of the most severe PM episodes in the nation. The Valley is currently classified as one of five serious PM–10 non-attainment areas, and is likely to exceed both the new annual and 24-hour national ambient air quality standards (NAAQS) for PM–2.5. Exceedances of the PM–10 and PM–2.5 standards span many seasons and are influenced by a broad cross-section of sources. The information being collected by the PM study is essential for development of sound and cost-effective control plans. A number of the Study work products however will also have applicability to other areas of the nation. Products such as evaluation of monitoring methods and improved air quality and meteorological modeling techniques will assist the will assist the EPA in addressing PM non-attainment problems in areas outside of California as well.

To this end, the PM study is expending significant resources to provide an improved understanding of the nature and causes of PM exceedances within the San Joaquin Valley and surrounding regions. One of the major recent efforts was a preliminary field monitoring program that was conducted during the fall and winter of 1995/96. Extensive air quality, meteorological, and fog measurements were collected. This database is being analyzed to address a number of questions including: (1) the sources contributing to elevated PM–10 and PM–2.5 concentrations, (2) the zone of influence of specific sources, (3) the spatial representativeness of a monitoring site, (4) the adequacy of current monitoring methods, and (5) wind flow patterns and transport routes between the Valley and surrounding areas. The database produced as a part of this study is unparalleled in the nation, and results from the study are already providing a substantive base of understanding about PM–2.5. Preliminary results indicate that PM–2.5 constitutes 70 percent to 80 percent of the PM–10 mass during the wintertime. Secondary ammonium nitrate is often the largest fraction of PM–2.5 mass, and concentrations of ammonium nitrate tend to be very uniform throughout the study region. Site to site variability in PM–2.5 mass is primarily due to local variations in carbon, superimposed on the regional background of ammonium nitrate.

The results of these analyses are being used to design large scale field monitoring programs to be conducted in 1999 and 2000. These field programs will address both the annual and 24-hour PM–10 and PM–2.5 standard. Surface and aloft monitoring of air quality, meteorology, fog, and visibility will be conducted at a cost of over $12 million. Final plans for these field studies are being developed, which will be carried out by numerous contractors over a broad area encompassing Central California, the Sierra Nevada Mountains, and the Mojave Desert. Substantial resources will also be devoted to developing improved emissions estimates. A database of the field study results will be completed in 2001, with air quality modeling and data analysis findings available in 2002. This timeline is ideally positioned to provide information for federal planning requirements as a part of the new PM–10/PM–2.5 NAAQS.

The Environmental Protection Agency's prior funding and strong support for the Study have enabled projects to occur. Continued support by EPA is essential to implement the major field programs and subsequent modeling and data analysis and ensure that effective control can be developed to meet the PM–10 and PM–2.5 NAAQS.

For fiscal year 2000 our Coalition is seeking $1.25 million in federal funding through the U.S. Environmental Protection Agency to support continuation of this vital study in California. We respectfully request that the Appropriations Subcommittee on VA, HUD and Independent Agencies provided this additional amount in the EPA appropriation for fiscal year 2000 and that report language be included directing the full amount for California. This will represent the final year of funding requested from EPA.

The San Joaquin Valley PM–10/PM–2.5 study will not only provide this vital information for a region identified as having particularly acute PM–10/PM–2.5 problems, it will also serve as a model for other regions of the country that are experiencing similar problems. The results of this study will provide improved methods and tools for air quality monitoring, emission estimations, and effective control strategies nationwide. Consequently, the beneficial results of this study will contribute to national policy concerns as well.

The Coalition appreciates the Subcommittee's consideration of this request for a fiscal year 2000 appropriation of $1.25 million for EPA to support the San Joaquin Valley Region PM–10/PM–2.5 Air Quality Study. EPA's past contributions have helped ensure the success of the study. The coalition thanks you for your support of this important program.

PREPARED STATEMENT OF THE UNIVERSITY OF MIAMI

Mr. Chairman and Members of the Subcommittee, I appreciate the opportunity to submit testimony on behalf of the University of Miami. The University is seeking your support for several important initiatives within your purview, through the Army Corps of Engineers, the Environmental Protection Agency, and the National Aeronautics and Space Administration. It is our firm belief, Mr. Chairman, that these projects can provide substantial benefit to the nation.

Headquartered at the University of Miami, the Rosenstiel School is recognized as one of the premier academic oceanographic research facilities in the world. Located on a 16-acre tract on Virginia Key in Miami's Biscayne Bay, the Rosenstiel School provides the only sub-tropical marine research facility in the continental United States. It located adjacent to and coordinates daily with the national NOAA lab and research facility. Also, the Rosenstiel School because of its unique location—the Gulf Stream is immediately offshore; just to the south lies a vast of expanse of the only living coral reef off the shores of the continental United States; and just to the east the Florida-Bahamas Carbonate Platform—is a unique resource for the nation, as well as for Florida and the southeast region.

There are close to 100 recognized scientists, researchers, and educators at the Rosenstiel School who collaborate closely with other Florida institutions and whose distinct expertise is vital in addressing critical national, regional, and Florida natural, environmental, and climatic challenges.

The Rosenstiel School has long been recognized as a major national research institute focusing on the living coral reef as a unique and critical national and international resource, critical to the vitality and health of the marine life and coastal marine environment of Florida and the southeast. Florida's coral reefs are the only living coral reefs off the continental United States. The environmental, climatic and man-made challenges to and stress on these precious resources are extensive. To preserve and protect our reefs requires the organization and coordination of the broadest range of talent and resources.

Coral reefs are the only ecosystems on Earth constructed entirely by the secretions of a complex assembly of marine animals and plants. They are economically important resources to humans as sources of food, medicinals, building materials, and coastal protection. They are especially invaluable, in our increasingly crowded world, for the spiritual relief they provide the millions of people that journey to visit them each year. Unfortunately, changes in water quality due to coastal development, environmental changes potentially related to global climate change, and overexploitation of coral reef fisheries resources, are contributing to world-wide coral reef deterioration at an alarming pace, especially in the Caribbean region. U.S. coral reefs in Florida are down-stream of the entire Caribbean coral reef system, and are thus dependent on Caribbean reefs for larval recruits and maintenance of fisheries stocks. Florida reefs could also be affected by pollutants released into marine waters by nations in the region, and from our own rivers via discharge into the Gulf of Mexico.

Symptoms of deterioration are manifested by losses in coral diversity and percent cover, increases in the biomass of fleshy seaweeds, and the absence of larger predatory fishes and invertebrates. In some cases it is simple to determine the immediate cause(s) of these ecosystem changes [and their solution]. But with increasing frequency, these changes are being found at locations distant from human populations of any size, and we do not know enough to discriminate between the effects of far-reaching anthropogenic activities and natural processes. Scientists are hampered in helping government make critical and socially difficult management decisions by our rudimentary understanding of coral reef ecosystem processes. U.S. coral reef research has historically been piece-meal and under-funded, with few attempts at

interdisciplinary, process-oriented research. Synthesis of existing information to produce new approaches for process-oriented research is greatly needed, but the means to bring appropriate groups of scientists together does not exist in the U.S.A. In this regard the United States of America lags behind other nations, such as Australia, that are stewards of major coral reef resources. As the most developed country in the region, the U.S. must a role of leadership in coral reef conservation and research in the Caribbean.

The National Center for Atlantic and Caribbean Coral Reef Research seeks to coordinate U.S. coral reef policy and research, and assemble major national and international initiatives pertaining to coral reefs. The Center fosters organization and collaboration within the U.S. scientific community, leads the development of a new level of understanding of the processes and environmental conditions necessary for the establishment, survival and sustainable use of coral reef ecosystems public.

We seek to continue the support provided last year through the Environmental Protection Agency for the National Center for Atlantic and Caribbean Coral Reef Research. We have launched a targeted and broadly constructed southeastern regional focus that can parallel and complement the well-funded and structured approach the Congress has established in the state of Hawaii. The long-term implementation strategy involves all of the core Florida institutions and agencies already working, along with the Rosenstiel School, on one or more components of the overall reef challenge. For fiscal year 2000, we request $2 million from the Subcommittee through the Environmental Protection Agency to continue the implementation and expand the reach of this vital coral reef research program.

Also through the Environmental Protection Agency, the University of Miami's Rosenstiel School of Marine and Atmospheric Sciences and its School of Medicine seek to establish a Joint Center for Pediatric Asthma and Respiratory Disease. The objective is to establish a center for the Southern United States to conduct, promote, and support research into the effects of ambient particulate matter (PM) and other airborne constituents on human health to formulate future environmental regulations with a strong scientific foundation.

The Center will focus on airborne-particle/health issues in the southeastern United States—a region that is subjected to a wide range of airborne pollutant impacts. The levels of ozone and oxidants are seasonably very high over large regions and the rate of noncompliance with the ozone standards is increasing, resulting in a number of large-scale, atmospheric, chemistry/pollution studies. Populations in coastal regions are impacted by other types of particles whose health-related properties have not been well characterized or understood, including the impact of wind-blown sea-salt; marine toxins, bacteria, and various marine micro-organisms. The Center will also provide expertise on matters relating to air quality and human health in the Southeastern U.S.

There are seven specific objectives of the proposed research that will test the hypothesis that exposure to ambient (indoor and outdoor) PM significantly affects the cardiopulmonary response of susceptible populations of children and seniors. The Center activities involve the participation of many different groups associated with six different institutions, the activities of which are organized into research themes.

Through the Rosenstiel School, the School of Medicine and a partnership with other institutions, the Joint Center for Pediatric Asthma and Respiratory Disease will provide a broad-base of expertise in atmospheric chemistry (indoor and outdoor), exposure assessment, cardiopulmonary medicine, epidemiology and public health. We are seeking $2 million through the Environmental Protection Agency for this important scientific and medical initiative.

Next, Mr. Chairman, my colleagues are seeking to use Synthetic Aperture Radar (SAR), a powerful remote sensing system operating at microwave frequencies where the atmospheric transmission is high. SAR is able to operate in all weather, day or night and, because SAR artificially synthesizes an aperture or antenna which is hundred of meters long in space, it will provide multi-parameter high-resolution observations in the microwave spectrum.

Space-based satellite SAR systems are able to monitor the movement of targets on land and ocean in near real-time, map topography with unprecedented accuracy, access storm and flood damage to urban and rural infrastructure. SARs provide data that can be used to forecast major volcanic eruptions and understand the earthquake process, and a host of other civilian, and scientific applications.

Unfortunately, the current infrastructure in South Florida precludes most of these applications. Florida lacks its own ground receiving station, so even though satellites frequently pass over targets of interest, the data must be downlinked to a station in either Canada or Oklahoma. This downlink request must be made months in advance, as large numbers of users are requesting time on a limited facility. It

takes so long to obtain and process raw SAR data into a usable image that the "window of opportunity" is usually lost by the time the data are ready.

The University of Miami uses SAR data for a variety of terrestrial and oceanographic applications, and has a large amount of experience in the analysis and use of SAR data, and expertise in the operation of satellite downlink facilities. The proposed ground station would greatly enhance SAR-based research and operational monitoring in the Caribbean Basin and Gulf of Mexico. Through this partnership a broad range of terrestrial and oceanographic research, civil monitoring, and other applications research would provide vital information for the region.

We propose that Subcommittee provide $3 million through NASA so that the agency and the University of Miami can cooperate in the construction and operation of a SAR ground facility, the Advanced Tropical Remote Sensing Center of the National Center for Tropical Remote Sensing Applications and Resources. This unique facility would be located at the former Richmond VLBI site, a secure facility with good satellite visibility.

Finally, Mr. Chairman, we ask that you consider a joint request from the University of Miami and the City of Miami Beach, Florida to support an effort to counter coastal erosion along the southeast Florida coast. The effects of coastal erosion in South Florida are acute. Replenishing our beaches—an economic necessity—consumes millions of dollars annually. The Rosenstiel School is seeking to determine cost-effective methods for halting the coastal erosion process. Our scientists are joining the ongoing effort of the City of Miami Beach to establish an innovative demonstration project which would enhance continuous beach erosion prevention efforts and establish an effective sand recycling system. For fiscal year 2000, the Rosenstiel School seeks $2 million through the U.S. Army Corps of Engineers for this important effort.

Mr. Chairman, we understand how difficult year this will be for you and the Subcommittee. However, we respectfully request that you give serious consideration to these vital initiatives. All of them have great implications and will provide exceptional benefits to the well-being of the nation.

Thank you for allowing me to appear here today.

PREPARED STATEMENT OF THE AMERICAN SOCIETY FOR MICROBIOLOGY

The American Society for Microbiology (ASM), the largest single life science organization in the world, comprising more than 43,000 members, welcomes the opportunity to testify before the Senate Appropriations Subcommittee on VA, HUD and Independent Agencies and provide comments and recommendations for the fiscal year 2000 appropriations for the scientific research programs within the United States Environmental Protection Agency (EPA) and the National Science Foundation (NSF).

The ASM is comprised of scientists who work in academic, governmental and industrial institutions worldwide. Microbiologists are involved in research on problems related to human health, the environment and agriculture. The mission of ASM is to enhance the science of microbiology to gain a better understanding of basic life processes, and to promote the application of this knowledge for improved health, and for economic and environmental well being.

The NSF provides the main source of funding for scientists in the United working in many areas of biological research. Programs supported by the NSF are critical to microbiologists, especially as they relate to the exploration of biodiversity and the roles of microorganisms in global biogeochemical cycling reactions that maintain the environmental quality of the earth. The EPA also funds important basic research activities in focused areas related to the agency's mission of protecting the environment. This testimony will outline the ASM's funding recommendations for both the EPA and NSF research and development programs for fiscal year 2000.

ENVIRONMENTAL PROTECTION AGENCY

The EPA's scientific research and development programs are of interest to many of ASM's members who work in the fields of applied and environmental microbiology. Research on environmental microbiology is essential for maintaining air, water, and soil quality; for assuring the safety of potable water supplies; and for providing safe means for waste disposal. Support of applied research in the field of environmental microbiology can lead to enhanced environmental quality and help protect human health. The ASM believes that sound public policy for environmental protection depends on adequately funded programs of intramural and extramural research based on a system of peer review to assure that support is awarded to research programs having both quality and relevance. The EPA, which has partnered

with the NSF in recent years for peer review of some extramural research programs, has begun its own peer review system based upon the NSF model. Critical peer review of both the intramural and extramural research programs of the EPA are necessary for ensuring the quality and scientific validity of studies that are funded.

Science to achieve results program

The EPA's Science to Achieve Results (STAR) program is an important mission-driven, extramural research initiative. This program is targeted to receive $110 million for fiscal year 2000, a $14 million increase over last year's budget of about $96 million. This program funds important environmental research proposals from scientists outside the federal government and is a valuable resource for the EPA in finding solutions to many of the complex environmental problems we face today. Grants made under the STAR program last from two to three years and provide about $150,000 of scientific support per grant year. The STAR program funds projects in specific focal areas including drinking water, ecology of harmful algal blooms, water and watersheds, ecological indicators, and pollution prevention, which have significant microbiological components. The ASM urges the Congress to fully fund the STAR program at the requested level of $110 million. ASM is concerned, however, that the exploratory grants program, as opposed to targeted RFAs, has dropped to only 10 percent of the STAR budget. This portion is too small to meet the many needs within EPA's mission that are not targeted in a limited number of RFAs.

Clean and safe water

The ASM supports the Administration's request of $3.4 billion for Clean and Safe Water. The ASM applauds the EPA's support of such program initiatives as drinking water safety standards, cost-effective water treatment technologies focusing on microbes, improved water safety guidelines and pollution indicators, and a federal database of beach advisories and closings across the United States. ASM also supports the EPA Research Plan for Microbial Pathogens and Disinfection By-Products in Drinking Water focusing on Cryptosporidium and Giardia and urges Congress to ensure that adequate funding is secured from within the $41.5 million, targeted for Safe Drinking Water Research, to allow this plan to be carried out. In addition, the ASM believes that the next step in this research plan should be to focus on additional pathogens such as microsporidia and Helicobacter pylori. ASM strongly believes that there should be improved coordination among several federal and state agencies in dealing with microbial pollutants in the nation's drinking and recreational water.

Graduate environmental fellowship program

The ASM urges Congress to fully fund the EPA's Graduate Fellowship Program at the requested level of $10 million for fiscal year 2000. The EPA's Graduate Environmental Fellowship Program is one of the many initiatives the federal government must fully support to ensure that the nation is prepared to answer the complex scientific questions of the future. Both the public and private sectors will benefit from a steady stream of well-trained environmental specialists. The fellowship program has had a major impact in attracting exceptionally talented young people to pursue careers in environmentally related fields. With environmental challenges facing the nation including cleaning up toxic waste, ensuring cleaner air and water, and providing safe drinking water, there is a clear need for highly skilled, well-trained environmental experts to find solutions to these pressing issues. However, it is essential that once EPA receives funding for this important program, the agency support fellowships in areas related to microbial risks in the environment including water quality and bioremediation technologies to clean up toxic waste.

NATIONAL SCIENCE FOUNDATION

The ASM, a member of the Coalition for National Science Funding (CNSF), supports the coalition's recommendation to provide the NSF with an increase of $562 million or 15 percent over its fiscal year 1999 funding level. This would raise the NSF's overall budget from $3.773 billion in fiscal year 1999 to $4.335 billion in fiscal year 2000. NSF's mission is to promote and advance scientific, mathematical, and engineering research and education in the United States by funding the highest quality academic research and education programs. A 15 percent increase would enable NSF to support additional excellent research projects in pursuit of important discoveries and innovations. Enhanced support for the NSF's efforts to improve education will help expand our nation's intellectual capital. Strong links between research and education are essential to a healthy research enterprise, an educated public, and a well trained future workforce.

Microorganisms surround us and affect our lives in many ways. They play key roles in processing our wastes, recycling the nutrients that support our agriculture, forests and fisheries, yield new pharmaceuticals, provide key tools for biotechnology, affect the quality of our food and water, control some pests (biocontrol), and cause disease. NSF is to be complimented for recognizing a few years ago the important role microorganisms play in our well-being and in opportunities for basic science advances through its Microbial Biology initiative. This led to new programs such as LExEN (Life in Extreme Environments), Microbial Observatories which focus on the discovery of important but uncultured microorganisms, and the first Biocomplexity Program which is focused on microbially-based ecosystems. ASM applauds these new initiatives. Microorganisms do present very different types of research challenges and opportunities than those for macroorganisms. Hence we encourage NSF to maintain its momentum in Microbial Biology programming to ensure that basic discoveries for this group of organisms is realized.

New advances in science have provided new opportunities and needs in microbiology research which should be considered in NSF programming. These areas are the following.

Genomics research

More than 20 microbial genomes have now been completely sequenced and many more are underway. This information fundamentally changes the approach to research and what can be learned about an organism. Microorganisms, being the simplest forms of life, are the first in which the roles of all genes can potentially be understood. To maximize the value of the genome sequencing effort, NSF should expand its research in functional genomics and associated genomic areas. This should extend beyond the more obvious areas of molecular biology and genetics to the areas of ecology, taxonomy and population biology for example, so that the value of genomics is more fully realized. ASM strongly endorses NSF's functional genomics research under its Division of Molecular and Cellular Biosciences (MCB) and encourages the Division of Environmental Biology (DEB) to more aggressively encourage genomics technology to be used in their research. The ecological and population fields hold great opportunities for a more comprehensive understanding of the genome and hence cutting-edge advances to understanding biology.

Microbial biodiversity

Only a few percent of the microorganisms on earth are known, leaving microorganisms as the largest untapped source of biodiversity. New drugs, enzymes, biocontrol and bioremediation agents are examples of the economic potential in the discovery of this biodiversity. The NSF's Microbial Observatories Program is focused on observing, recovering, and understanding microbes in diverse environments and is an important introductory effort towards this goal. Efforts are also needed to advance the systematic, ecological, biochemical, and evolutionary understanding of particularly unique, newly discovered microbes as well as new strategies to recover more difficult to culture organisms. The tremendous opportunity in microbial diversity discovery will hopefully be realized under NSF's proposed initiative on discovery of new species and builds on the President's Committee of Advisors on Science and Technology (PCAST) Report, "Teaming With Life". ASM strongly supports this initiative.

Microbial systematics and databases

Microbial systematics research has not kept pace with research and application needs. Organism characterization is key to a proper taxonomy which in turn is vital to efficient research as well as to a host of application sectors such as proper diagnosis of diseases, quality control of a variety of products, safety of our foods and waters, patent descriptions and novel biotechnologies. Advances in molecular techniques have revolutionized our understanding of the relationships among microorganisms and provided new tools for more specific and rapid identification of microorganisms. The proper systematic study of many important microorganisms is needed to underpin much of the microbial research and its application. NSF is the appropriate agency to support microbial systematics research on the many organisms that do not cause human disease. We ask that NSF address this fundamental gap in microbial knowledge in its future programming.

Because of the small size of microorganisms, information of all types, including sequence, phenotype, function, chemistry and habitat is needed to efficiently understand and identify an organism. The jobs of the many practitioners of microbiology would be more efficient if microbial data were available in an integrated electronic database and new insight about the most numerous organisms in our universe could be more readily realized. NSF needs to recognize that biological databases, such as microbial databases, are a central and vital infrastructure need to modern day bio-

logical research and should be treated as a central national facility. NSF's information technology programs (IT) appear to also provide for advances useful in future biology research, including microbiology. With more intensive and extensive data, we need better ways to analyze, visualize and compute the information. ASM looks forward to the benefits from IT and IT^2.

Members of the ASM, whose activities include research concerned with the impact of microorganisms on the well-being of humans, animals, plants, and the environment, are very supportive of NSF's increased focus on microbial biology and the diversity of microorganisms, an initiative begun in fiscal year 1996 under the auspices of the NSF's Directorate for Biological Sciences (BIO). For years, research efforts have concentrated on the study of microbes in human and animal health. The unknown microbial biomass provides opportunities to discover new knowledge about microbial life forms and their potential application in industry, medicine and agriculture. In addition, microbiological research continues to provide the foundation for today's advances in biotechnology. These advances are based on understanding the molecular basis of microbial physiology and the genetics of viral, yeast and bacterial plasmid vectors. Future accomplishments and their application to increased agricultural productivity (an important by-product of biotechnology) will not be possible without NSF funded basic research.

The NSF is one of the few government agencies that support fundamental basic research. United States leadership in science and technology is dependent on sufficient funding for basic research. Most of today's scientific achievements in areas such as bioremediation, technology to clean up oil spills and industrial pollution, the development of new antibiotics and drugs, biopesticides, and biotechnology all have their roots in basic research. The many future public health and environmental challenges the United States will face can only be overcome through the potential of basic research to generate crucial new scientific knowledge and advancements that lead to new technologies for the future.

Mr. Chairman, on behalf of the American Society for Microbiology, thank you for the opportunity to submit testify to your Committee on the fiscal year 2000 appropriations for the EPA and the NSF. I would be pleased to answer any questions from you in writing at a later date.

PREPARED STATEMENT OF THE STATE AGRICULTURAL EXPERIMENT STATIONS AND STATE EXTENSION SERVICE

Mr. Chairman, members of the subcommittee: On behalf of the members of the State Agricultural Experiment Stations (SAES) and State Extension Service (ES), we as chairs of the Experiment Station Committee on Organization and Policy (ESCOP) and Extension Committee on Organization and Policy (ECOP) appreciate the opportunity to appear before you to discuss the importance of research, extension, and education in environmental and natural resource programs. ESCOP and ECOP are non-profit organizations representing a partnership that includes the SAES and the USDA-Cooperative State Research, Education, and Extension Service (CSREES).

A primary goal of these organizations is to broaden the partnerships with other agencies involved in environmental and natural resource management programs and research. These organizations are committed to improving environmental decision making at the local level by capitalizing on the comparative advantages in research, education, and extension that the Land Grant Universities (LGU) can provide. In working with federal agencies ESCOP and ECOP aim to focus additional attention on the national environmental research agenda and to attract new resources for environmental research activities conducted through LGU programs. Furthermore, our LGU institutions have a critical mass of scientific infrastructure and facilities and a history of long-range research.

ESCOP and ECOPs major focus in the areas of environment and natural resources include:

—Environmental modeling and forecasting (e.g., carbon sequestration);
—Water and watershed management (e.g., nutrient/waste management);
—Land-use planning and management (e.g., community-based environmental protection);
—Environmentally and economically sound agriculture (e.g., precision agriculture); and
—Environmental education and outreach.

PARTNERING WITH OTHER AGENCIES

ESCOP and ECOP share similar research priorities and goals as other agencies, such as EPA. Although many initiatives target specific agendas, a thorough inventory of research priorities and pooling of resources can be achieved through collaborative discussions. In recognition of these similarities, many agencies have targeted program areas for pooling resources to address these common initiatives and programs. One such organization to unfold in these efforts links the organizational structure of the SAES and USDA-CSREES into a national environmental initiative. A primary goal of this initiative, named SUNEI (SAES/USDA-CSREES National Environmental Initiative) is to facilitate teaching, research, and extension activities in the environmental sciences as they relate to agriculture and natural resource issues through traditional and new federal-state partnerships. This organization is committed to improving environmental decision making at the local level by capitalizing on the partnerships at the national level.

ESCOP & ECOP promote LGU partnerships with EPA and other agencies that will increase:

—the exchange of scientists between LGU institutions and Agencies for collaborative projects.
—the amount of LGU participation in Agency peer review processes;
—the quantity/quality of proposals submitted by the LGUs for Agency funded competitive grants
—the number of funding awards from agencies going to LGUs;

EXAMPLES OF COLLABORATION

Recently USDA and EPA joined efforts to draft the Unified Strategy for Animal Feeding Operations (AFOs). ESCOP & EPA applaud these agencies for their collaborative efforts. It is this and similar efforts which make meaningful partnerships. The nation is eager to see implementation of voluntary policies, which establish incentives to change or modify management practices. This Unified Strategy will protect and preserve the priceless assets of our nation's water resources in our coastal, surface, and groundwater. EPA has developed competitive funding programs to address waste management that are multidisciplinary and multistate driven. Programs such as this, which are aimed at protecting the quantity and quality of our water in the face of increased demands from population growth, should continue to be encouraged by decision makers at the national level. This institutional support by the various agencies solidifies and provides incentives for local level resource managers from different agencies to work together with local producers and state level nutrient managers.

ROLE OF COOPERATIVE EXTENSION

Under the AFO Strategy, we are pleased to see that USDA and EPA have identified Cooperative Extension Specialists as qualified nutrient management planners to assist owners/operators in meeting requirements. Our university system accommodates rapid advances in information technologies to extend outreach and education programs which are based on sound research and understanding of the public learning process. The LGU system offers a full environmental portfolio in its research, education, and extension programs, and provides the technical innovation and new management ideas to implement sound nutrient management plans. Therefore, LGUs can serve as a valuable resource when developing standards and providing technology transfer to owners and operators who manage production facilities in our nation's watersheds.

OFFICE OF RESEARCH AND DEVELOPMENT

EPA's Office of Research and Development (ORD) has demonstrated a strong commitment in working with the LGU System. In 1996, ORD policy makers held a workshop for LGU and EPA officials to discuss common research priorities and agendas. ECOP and ESCOP would like to encourage a strong continued commitment by ORD to collaborate with universities through a variety of competitive grants, investigator-initiative exploratory research grants, personnel exchanges, graduate fellowships, and environmental research centers.

Overall, the LGU System appreciates and supports the continuation of the Science To Achieve Results (STAR) program to fund core and problem solving research. In particular, the joint Water and Watershed Research program has provided increased opportunities for LGU scientists to submit proposals, participate within the ORD peer review process, and obtain needed funding to engage in watershed research programs. One EPA priority, Integrated Ecological Economic Modeling and Valu-

ation of Watersheds, will assess the impact of future land use—such as agriculture, forestry, and urban development—on the watershed. Under this project, LGU faculty could provide valuable research and extension capacity to EPA by educating local decision-makers with the sound scientific information on the impacts of different land use strategies on water quality.

Human activity has arguably caused changes to the earth's ecology in ways that threaten sustained agricultural and forestry production. Elevated levels of carbon dioxide from the burning of fossil fuels, increased exposure of crops and livestock to harmful Ultra Violet-B radiation, and the unknown consequences of elevated temperatures on crop, forest, and livestock production are just some of the emerging concerns for global changes on food and fiber production. ECOP and ESCOP realize that EPA is one of the many contributing agencies to the U.S. Global Change Research Program (USGCRP). We encourage USGCRP studies that not only investigate the impacts of global change on the environment and economy, but also research to develop the core science knowledge about the carbon cycle and how problem-oriented research can help mitigate excessive levels of CO_2 and develop agriculturally-based remediation methods for the changing global environment.

SOUND SCIENCE BASED-REGULATIONS

One of the critical issues that ECOP and ESCOP would like to address is the need for sound-science based regulations. Both the Unified Animal Feeding Operation (AFO) Unified Strategy and the Food Quality Protection Action (FQPA) have the potential to dramatically change the way agricultural and natural resource managers do business. The Land-Grant community is therefore very concerned that the EPA engage in credible research and outreach endeavors that provide a sensible background for any major regulations that may negatively impact agricultural producers during this "farm crisis."

LGUs encourage USDA and EPA to collaborate on the Integrated Risk Information System (IRIS). It is very important that the public is aware and educated about true risks of chemicals and contaminants, rather than purely reacting to perceptions of danger. Therefore, LGU's are supportive of EPA-ORD's Goal 8 for Sound Science. One area for emerging risk research is endocrine disrupters which ORD addresses under Goal 8. This is another example for potential participatory research by land-grant scientists with EPA's STAR Exploratory Grants program, since agricultural and natural resource faculty provide critical expertise in studying the effects of agricultural chemicals and fertilizers on endocrine disrupters.

THE SYNERGISTIC EFFECT OF INTERDISCIPLINARY RESEARCH AND EDUCATION

LGUs have an interdisciplinary mix of persons to address complex interdependencies of environmental systems. LGUs also integrate research and education. Thus, they can apply new knowledge to solve environmental problems in the field and improve the rate of adoption of new technologies. In particular, the Land-Grant community has existing capacity, expertise, and resources dedicated in the following areas that are consistent with ORD's over all goals for advanced integrated ecosystem monitoring and analysis.

Water and watershed management including:
—Nutrient management
—Harmful algal Blooms
—Animal waste management
Land-use planning and management including:
—Riparian/buffer zones
—Coastal zone management
—Sustainable development/openspace/conservation
Environmentally and economically sound agriculture including:
—Integrated pest management
—Alternative pest management and sustainable agriculture
—Precision agriculture/forestry/range
Environmental modeling, monitoring, and forecasting including:
—Natural disasters and hazards
—Climate change (especially, carbon sequestration)
—Bio-fuels and renewable resources
Environmental education and outreach including:
—Improved environmental decision-making at the local level community based environmental protection (CBEP)
—Geospatial and land-use extension specialists
—AFO-nutrient management planning assistance

ECOP and ESCOP also encourage EPA-ORD to work collaboratively with other federal agencies on environmental challenges in the future and with existing projects including:

—USDA-CSREES/National Research Initiative on basic environmental science questions;
—USDA-CSREES on integrated research and education needs and opportunities in the environmental area;
—The National Science Foundation, USDA-CSREES, and others on the joint Waters and Watersheds research program; and
—NOAA, NASA and others on the ECOHAB research program.

The Administrator of ORD, Norine Noonan stated that ORD intends to "'work smart' by leveraging our investments in all of this work through expanded partnerships with stakeholders in both the public and private sector." ESCOP especially appreciates ORD's willingness to collaborate with other federal agencies to better coordinate national priorities, reduce redundancy, and leverage resources. Under the Integrated Science for Ecosystem Challenges (ISEC), the Mid-Atlantic Integrated Assessment (MAIA), and the Coastal Initiative, EPA has a demonstrated need for geographically distributed monitoring and continuity of data. LGUs are logical partners to meet the needs of a geographically distributed environmental monitoring network (i.e., coastal and estuary water quality) and consistency of long-term data collection. This is one area where SUNEI may encourage new federal-state partnershipping.

ADDITIONAL COLLABORATION

ESCOP and ECOP continue to build its relationships with various other agencies such as DOE, NASA, NOAA, and NSF in support of the nations agricultural and natural resource system. We plan to encourage interagency communication and to broaden the LGUs federal participation within USDA and other agencies. SUNEI also hopes to better unify representatives from the Natural Resource Conservation Service (NRCS), the Forest Service, and the Agricultural Research Service. This goal is aimed at enhancing the collaboration that is occurring at the local level between LGUs and USDA agencies.

The LGUs will continue to provide an "on-the-ground" and "in-the-field" role on environmental and natural resources issues and research. Under ESCOP & ECOP, the SUNEI initiative provides an environmental and natural resource point of contact for Federal agencies to reach the System. Furthermore, through the excellent electronic communications network of the LGU System, the appropriate administrators, scientists, academic program personnel, and extension representatives can be reached almost immediately as circumstances demand.

Mr. Chairman and members of the subcommittee, thank you for the opportunity to testify on behalf of the LGU research, extension and education system. We will continue to build collaborative partners to provide for a sustainable agriculture and natural resource environment. We stand ready to work with you in these efforts.

PREPARED STATEMENT OF THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

The Associated General Contractors of America (AGC) appreciates the opportunity to submit testimony in strong support of the State Revolving Fund (SRF) programs—the Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF). These two revolving funds, based on assessments taken before they started, have been tremendously successful programs that were established to meet federal mandates.

The 1972 Clean Water Act created a federal grant program that was, in 1987, transformed into the Clean Water State Revolving Fund program to fund the construction and modernization of municipal sewage plants. Low-cost loans are provided to local governments to finance needed facilities. The loans are then repaid and new loans are made from the CWSRF.

The Drinking Water State Revolving Fund originated in the Safe Drinking Water Act Amendments of 1996. The program, which operates like the Clean Water State Revolving Fund, assists public water systems to finance the costs of infrastructure needed to achieve or maintain compliance with the Safe Drinking Water Act requirements and to protect public health.

AGC is proud of the role the construction industry has played in improving water quality. Our members build and rehabilitate the facilities financed by these two programs, both of which have been responsible for significant water quality improvement. Since enactment of the Clean Water Act in 1972, water quality has improved significantly on over 50,000 miles of waterway. Streams and lakes, once devoid of

fish and other aquatic life, now support abundant and varied populations. The foundation for many of these environmental improvements is in the construction grants program and the SRF programs.

The needs, however, are still staggering. In the Environmental Protection Agency's (EPA) first report to Congress in January, 1997 entitled "Drinking Water Infrastructure Needs Survey," the EPA reported that the nation's 55,000 community water systems must invest a minimum of $138.4 billion over the next 20 years to install, upgrade, or replace the infrastructure. Of this total, $12.1 billion is needed immediately to meet current Safe Drinking Water Act (SDWA) mandates. The EPA's report is a conservative estimate because many of the systems surveyed were unable to identify all of their needs for the full 20-year period.

In fact, a more complete and independent study released in October of last year by the American Water Works Association (AWWA) found that the capital investment needs for the water supply community over the next 20 years is $325 billion.[1] The EPA's emphasis in their survey was on identifying the utility investment needed to comply with the federal mandates issued under the Safe Drinking Water Act Amendments (SDWAA), so that Congress could better understand the costs imposed by federal drinking water regulations. The objective of the AWWA investigation, on the other hand, was to examine the longer-term infrastructure investment requirements of U.S. water utilities, regardless of whether they are directed at current or future needs over the twenty-year period.

Even if we use EPA's estimates, the water infrastructure needs are overwhelming. EPA's report indicates that the largest category of need is installation and rehabilitation of transmission and distribution systems—$77.2 billion. Aging, deteriorating pipes can allow water in the distribution system to become contaminated, leading to illnesses from ingestion of waterborne pathogens as well as interruptions in water service. Most needs in this category involve the extraction and replacement of existing pipe.

The second largest category is treatment, constituting a total 20-year need of $36.2 billion. Storage needs are the third largest category at $12.1 billion. The fourth category of need is source rehabilitation and development, estimated at $11.0 billion. An additional $1.9 billion in need is categorized as "other."

In addition to the extensive capital needs, the American public is very concerned about water quality and supports the federal government investing in the effort to clean up our water supply. In a recent survey commissioned by the Rebuild America Coalition, 66 percent of the American people from all regions and areas of the country describe spending on America's infrastructure as a "strong investment in America." 74 percent are even willing to pay 1 percent more in taxes if it meant you could guarantee a safe and efficient sewage and water treatment system. The support transcends party lines, carrying overwhelming support from Republicans, Independents and Democrats.

Despite the extensive needs and tremendous support from the American people, President Clinton's fiscal year 2000 budget proposed cutting the Clean Water State Revolving Fund from $1.35 billion to $800 million, a $550 million reduction. It is unthinkable that when needs are so severe President Clinton would cut the funding by 41 percent.

Equally disturbing is a new proposal by Senator Ron Wyden to direct "a significant portion" of the CWSRF funding to promote "smart growth" of cities and suburbs. Senator Wyden has said the plan would "set aside a portion of clean water dollars and then invite applicants to produce creative homegrown solutions to urban sprawl."[2] With the mounting wastewater needs, it is hardly the time to divert the precious and limited funding from these important state revolving funds. This program is too important to short-change in favor of the latest political campaign fad.

AGC believes that the nation's clean water program should be viewed for what it truly is—an investment in the future health and economic viability of the nation. Each one billion dollars invested in the construction of wastewater facilities generates some 52,000 new jobs. Even more importantly, wastewater treatment creates opportunities for economic development in communities by allowing new industries and new homes to locate there. These facilities are fundamental elements of the nation's environmental infrastructure. At this time, when our global competitors are recognizing the importance of infrastructure as the vital foundation on which future economic growth is based, the United States must provide the needed capital investment to allow our nation to thrive.

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[1] American Water Works Association: Infrastructure Needs for the Public Water Supply Sector, October, 1998.

[2] Senator Ron Wyden's comments to the Environmental Media Services news breakfast.

AGC believes in these times of economic prosperity and with the increasing needs in our nation's drinking water and wastewater, now is not the time for the federal government to lessen its commitment to clean water. Toward that end, AGC urges Congress to appropriate stable annual funding of at least $1.5 billion for the Clean Water State Revolving Fund and $1.2 billion for the Drinking Water State Revolving Fund.

Again, AGC appreciates the opportunity to submit testimony in support for the two state revolving funds. We look forward to working with you to ensure that the necessary investment is provided to improve the quality of our nation's drinking and wastewater.

FEDERAL EMERGENCY MANAGEMENT AGENCY

PREPARED STATEMENT OF THE ASSOCIATION OF STATE DAM SAFETY OFFICIALS

The Association of State Dam Safety Officials is pleased to have an opportunity to comment on the fiscal year 2000 budget request for the National Dam Safety Program within the Federal Emergency Management Agency.

The Association of State Dam Safety Officials (ASDSO) is an association of over 1,700 federal, state, and local dam safety officials and private sector individuals and was established in 1984 in response to a need for stronger coordination of dam safety programs on state and federal levels. This need was made apparent after several devastating dam failures in the late 1970s focused national attention on the lack of regulatory authority over the safety of these structures. The goal of ASDSO is to save lives, prevent damage to property, and maintain the benefits of dams by preventing failures.

Last year, the Subcommittee supported the National Dam Safety Program to the fullest extent possible as authorized in the Water Resources Development Act of 1996. The total amount was $2.9 million in fiscal year 1999. This small but vital amount of money took the new National Dam Safety Program into its second year of progress toward improved dam safety nationwide(progress that will be characterized later in this testimony.

But, there is no progress without continued funding. ASDSO, therefore, respectfully requests this Subcommittee's support for the authorized level of $5.9 million to fully fund the National Dam Safety Program in fiscal year 2000. We would also request that the $400,000 authorized for staff to administer the Program within FEMA be specifically earmarked for that purpose.

The following activities will be funded through this appropriation:

—$4 million for incentive grants to state to upgrade their dam safety programs,
—$500,000 for training state dam safety staff,
—$1 million for research to improve the techniques and equipment for rapid and effective dam inspections and dam engineering, and
—$400,000 for salaries and expenses for FEMA to administer the program.

This modest, yet vital funding would help reduce the risks to life and property due to dam failures by providing states with resources to improve their dam safety programs. It is an investment in public safety that will reduce loss of life, property damage and large federal expenditures that are a result of payments for disaster assistance through the Disaster Relief Fund and the National Flood Insurance Program.

DAM SAFETY, REGULATION AND THE EXTENT OF THE HAZARD

According to the National Inventory of Dams housed at the US Army Corps of Engineers, there are approximately 74,935 dams[1] in the United States. Sixty percent of these dams are privately owned. Federal, state and local governments own the other 40 percent.

Dams are an essential part of our national infrastructure. They serve a multitude of functions including the following: Flood control; Hydropower; Water Supply; Fire and Farm Uses; Irrigation; Recreation; Mine Tailings Retention; and Navigation.

But, failures of these structures can affect thousands of lives and cost millions of dollars. Safety is essential to all dams, but most-importantly to the approximately 9,300 dams determined by regulators to be high-hazard, meaning they threaten human life and could cause significant downstream damage should they fail.

Even more significant are the 1,800 dams that are considered unsafe. This means they have deficiencies that leave them more susceptible to failure. Many of these

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[1] These are structures meeting the federal definition of a dam. There are still thousands of smaller dams in the United States that are regulated and/or inventoried by the states.

unsafe dams are also high-hazard. Every member of this Subcommittee has high-hazard dams operating within his or her state. Nearly every member on this Subcommittee has an unsafe, high-hazard dam in their state. North Carolina, Pennsylvania and Texas have over 500 high-hazard dams each.

Other state statistics include the following:

	High hazard	Unsafe
Arizona	73	23
Montana	153	13
New Jersey	183	32
West Virginia	248	49

A complete chart of states' dam inventory data is included at the end of this written testimony.

For these reasons, safety regulation is essential to reduce the hazards involved with dams. That responsibility rests almost entirely with the states. States have responsibility for safety regulation over about 95 percent of the nation's dams. The federal government regulates the other 5 percent.

Although many thousands of dams have responsible owners and are maintained safely, there are still many thousands more where the potential for disaster grows as time passes. These dams are deteriorating, downstream development is increasing and owners face rehabilitation costs that they cannot meet.

Furthermore, support for state regulatory programs is lacking in many states. According to the National Inventory of Dams, 35 percent of high-hazard dams have a last inspection date of 1990, when it is generally agreed that high-hazard dams should be inspected every year. (Inspection being a function of a regulatory program.) A handful of states have exemptions in their law leaving thousands of dams not regulated across the nation. Lack of enforcement power in some states has given irresponsible owners the ability to ignore orders to repair their dams or to abandon their dams altogether; leaving a serious safety threat when these structures are determined to be high- or significant-hazard.

COSTS OF DAM FAILURES

It has been said that few man-made structures have the potential for causing catastrophic devastation, as do dams should they fail. Here are some historic examples:

—The Buffalo Creek Dam failure of 1972 killed 125 in West Virginia.
—The Teton Dam failure in 1976 caused the deaths of 14 and $400 million in property damage.
—The Laurel Run Dam failure in 1977 killed 40 in Pennsylvania
—The Kelly Barnes Dam in Taccoa Falls, Georgia killed 39 and caused $2.5 million in damages in 1977.
—The Georgia Floods of 1994 caused the failure of over 200 dams and millions of dollars in property damage.

Failures and devastation still occur and threaten lives and property today. According to the National Performance of Dams Program at Stanford University, there were approximately 20 dam failures and about 200 incidents in 1998. Included in the costs for these failures are:

—Emergency evacuation costs
—Downstream property damage
—Clean-up costs
—Loss of dam infrastructure and revenue generated from the dam operation
—Environmental impacts
—Economic losses to nearby communities

SUCCESSES OF THE NATIONAL DAM SAFETY PROGRAM

The National Dam Safety Program is currently into its second year. With the funding made available to FEMA, an enormous amount of progress has been made toward improving dam safety.

Thirty-nine states have taken advantage of the training assistance to send state inspectors to needed continuing education courses. Forty-six states received incentive grants in fiscal year 1999 to improve their dam safety programs. Here are some success-stories from these state recipients:

Florida

"Florida is holding a series of simulated failures to test emergency action planning procedures. A part-time data entry person has been hired to update Florida's dam inventory database."

Hawaii

"The Flood Control & Dam Safety Section has expanded by hiring eight new personnel. Hawaii will have a full time person and two part time persons on dam safety. The maintenance crew will also be available for emergency operations. Additionally, a maintenance facility will be constructed."

Kansas

"Thanks in part to the FEMA State Assistance Grant Program, the State of Kansas has begun a regular inspection of all dams that were rated "unsafe" and all dams that are classified as "c" (high) hazard dams. The inspection focuses on ensuring that all these dams meet regulatory requirements pertaining to hydrologic adequacy and that they have acceptable Emergency Action Plans. The department is also enhancing its computer equipment and software to perform its regulatory functions credibly and efficiently."

Kentucky

"Kentucky is coordinating with federal agencies, with jurisdiction over dams in the Commonwealth, to better inform the public of state regulations."

Missouri

"The NDSP funding has allowed the Missouri Program to send 3 engineers to much needed training. The training attended includes a Concrete Rehabilitation Course, HEC-RAS, and a course on how to detect seepage around conduits. Efforts are currently underway to purchase a remote controlled camera to use in inspecting conduits in dams. This is especially important due to the amount of Corrugated Metal Pipe that was used for primary spillways 30 years ago. Much of this pipe is now at the end of its useful life and the pipe has deteriorated to the point that the integrity of the dams is being threatened. Due to the high cost of this type of equipment, purchase of this equipment using the state budget allotment was impossible."

Montana

"Montana put on a Flood Hydrology Seminar on March 30, and 31, 1999 in the state. We used $3,000 of the $3,800 available for individual state training needs from the National Dam Safety Act. The seminar was about the flood hydrology techniques used in Montana for spillway design for dams. The seminar included an illustration of the recent USGS extreme storm unit hydrographs and a recent study of runoff parameters."

Nevada

"As a result of the federal grant money given to Nevada, we have purchased a notebook computer. By having the notebook computer in the field, we will now be able to write up our inspection reports at the site so that when the engineer returns to the office, the report can be printed and sent out. We are currently revamping our inspection checklist so that it can be filled out easily on the computer and be ready for mailing. The computer also houses our inventory database and will allow the database fields to be automatically inserted into the inspection forms. Without the federal grant money, there is no way the dam safety section would've gotten a notebook computer to do this type of work. And this is only the tip of the iceberg. We are planning on purchasing an outlet camera so that visual inspections can be done on old, small diameter conduits. The money is helping Nevada's dam safety program immensely."

New York

"New York is receiving $103,089 in incentive grants from FEMA in fiscal year 1999. Thanks to the training funding, each of the three state inspectors have been able to attend training that they would not have otherwise been able to attend."

North Carolina

"Several state dam safety engineers have been taking advantage of the new training opportunities at Emmitsburg, Maryland and at ASDSO regional workshops."

Washington

"The FEMA assistance money will be used for equipment and a summer intern, mproving productivity. It will result in a reduction in the time elapsed between inspections."

West Virginia

West Virginia is receiving $20,944 from FEMA to improve its dam safety program.

Other progress in 1998:

—Eleven states increased the number of dam inspections in 1998 over 1997

—Twelve states increased the number of emergency action plans filed with the state for those dams requiring them

—Six states said they executed quicker turn-around times on issuing permits

—Fifteen states reported improvement in remediation of deficient dams

—Fourteen states said they improved their coordination with state emergency preparedness officials

—Nine states reported better quality technical reviews at dams

CONCLUSION

Dams are a critical part of our national infrastructure. They provide benefits upon which our communities and industries depend. However, safety is essential to the efficient operation of the dam and to the people and property surrounding the structure. Safety cannot be realized without adequate regulatory programs at the state and federal levels.

To strengthen the effort, a strong, centralized national program(such as the one at FEMA, geared toward assisting the states through leadership, public awareness, and technical assistance(is imperative. It is, therefore, increasingly essential, as we will surely continue to face natural disasters and as our infrastructure ages, to place a high priority on mitigating risk associated with all types of disasters, whether natural or manmade.

Full funding of the National Dam Safety Program would continue to provide the needed tools to assist state dam safety programs, to increase the knowledge base and technical understanding through research and to strengthen the partnership between the federal, state and private sectors.

In closing, ASDSO strongly urges this Subcommittee to recognize the benefits of this modest investment in public safety by providing the authorized level of $5.9 million in fiscal year 2000 to FEMA.

Thank you to this Subcommittee for its support in years past for the National Dam Safety Program at FEMA. ASDSO looks forward to working with the Subcommittee and its staff on this important public safety issue.

1998 STATE DAM INVENTORY DATA

[Inventory sizes vary from state-to-state because of number of dams, but also because state laws vary on which dams are included under their jurisdiction]

State	Total national inventory [1]	Total state regulated [2]	State high-hazard [3]	State reg. unsafe [4]	Government ownership [5]
Alabama	1,570	1,704	184	150	25
Alaska	99	87	18	.....	55
Arizona	315	214	73	23	173
Arkansas	927	427	98	25	363
California	523	1,238	392	.....	536
Colorado	1,648	1,808	292	189	428
Connecticut	707	3,230	236	(6)	251
Delaware	73	98	9	(6)	75
Florida	572	(6)	(6)	(6)	15
Georgia	4,853	3,311	366	57	634
Hawaii	129	129	56	.....	29
Idaho	343	431	100	13	80
Illinois	1,232	1,232	157	(6)	387
Indiana	1,463	1,414	243	(6)	317
Iowa	2,465	2,514	66	2	1,437
Kansas	6,077	9,899	200	51	1,363
Kentucky	955	924	147	.....	(6)
Louisiana	381	311	12	.....	90
Maine	617	694	23	59	57
Maryland	273	361	56	6	162
Massachusetts	1,528	2,921	333	21	685
Michigan	909	1,191	83	(6)	378
Minnesota	932	852	40	(6)	532
Mississippi	3,191	3,328	238	10	121
Missouri	4,032	614	195	20	206

1998 STATE DAM INVENTORY DATA—Continued

[Inventory sizes vary from state-to-state because of number of dams, but also because state laws vary on which dams are included under their jurisdiction]

State	Total national inventory [1]	Total state regulated [2]	State high-hazard [3]	State reg. unsafe [4]	Government ownership [5]
Montana	3,517	3,219	153	13	795
Nebraska	2,029	2,029	92	.....	1,027
Nevada	323	577	106	8	74
New Hampshire	613	3,148	88	([6])	364
New Jersey	806	1,580	183	32	350
New Mexico	501	521	162	6	182
New York	1,633	5,645	372	57	676
North Carolina	2,699	4,646	874	40	199
North Dakota	770	1,308	26	5	191
Ohio	1,766	2,703	502	450	505
Oklahoma	4,510	4,380	145	5	150
Oregon	833	3,733	122	.....	186
Pennsylvania	1,315	2,886	735	7	501
Puerto Rico	36	36	33	.....	31
Rhode Island	185	506	17	.....	80
South Carolina	2,252	2,242	149	3	283
South Dakota	2,392	2,252	48	4	140
Tennessee	1,044	593	136	28	382
Texas	6,838	7,247	818	403	2,734
Utah	654	1,948	214	41	198
Vermont	343	1,001	51	([6])	141
Virginia	1,581	482	103	50	360
Washington	653	865	94	13	238
West Virginia	537	354	248	49	233
Wisconsin	1,291	1,080	192	([6])	618
Wyoming	1,216	1,332	64	3	221
Total	74,935	93,913	9,280	1,840	19,037

[1] Includes federal and non-federal dams over 25' in height or 50 acre-feet in volume; or anything above 6' ft in height with downstream damage potential should it fail.
[2] Includes all dams under state regulatory control.
[3] High-Hazard by state definition derived from state inventory in column 2.
[4] Dams with identified deficiencies by state definition (varies state to state) derived from state inventory in column 2.
[5] Derived from national inventory in column 1.
[6] Not Reporting. Some states do not keep data on "high-hazard" and/or "unsafe" categories.

Prepared Statement of the American Public Works Association

My name is Robert H. Miller, and I am Director of Public Works for the Village of Schaumburg, Illinois. I submit this statement regarding fiscal year 2000 appropriations for the U.S. Environmental Protection Agency and the Federal Emergency Management Agency as President of the American Public Works Association.

The American Public Works Association (APWA) represents 1,700 public agencies and 25,000 professionals nationwide charged with the planning and daily management of local public services and the construction, operation and maintenance of the public infrastructure. APWA members are responsible for providing a safe drinking water supply, collecting and treating sewage and implementing federally mandated urban stormwater management programs, and for the proper and safe collection and disposal of municipal solid waste. Public works agencies also manage the nation's flood control infrastructure and play an important role in communities' work to mitigate for and recover from disaster.

In determining fiscal year 2000 appropriations for VA, HUD and Independent Agencies, APWA urges the Congress to:

1. Restore funding to the water and wastewater state revolving loan funds.—Appropriate a combined minimum of $2 billion to the U.S. EPA for the clean water and drinking water state revolving loan funds (SRFs). The SRFs help capitalize local investment in drinking water and wastewater infrastructure. Retain caps on state administration expenses drawn from the SRF so that the maximum possible funds reach local governments to support actual water quality programs.

2. Retain funding for brownfields assessment, cleanup and redevelopment.—Appropriate the approximately $92 million proposed for U.S. EPA's budget and the additional funds for brownfields programs requested for the U.S. Department of Housing

and Urban Development. Brownfields grants to local governments are playing an important role in encouraging the efficient cleanup of low-level hazardous waste sites and spurring economic development in the nation's cities.

3. Provide funding for the FEMA flood mapping program, Project Impact, and domestic anti-terrorism programs.—APWA also supports creation of the National Flood Mitigation Fund, so long as other activities currently eligible for flood loss reduction project grants are not sacrificed.

WATER & WASTEWATER INFRASTRUCTURE

The great majority of costs associated with providing drinking water and wastewater services are borne by local governments. However, by providing access to interest-free and low interest loans, federal funding for the drinking water and clean water SRFs plays a vital role in helping local governments to build and maintain water and wastewater infrastructure. Continued water quality improvement can only be assured with the continued support of the federal government.

The public overwhelmingly supports federal investment in water quality infrastructure. A January 1999 poll conducted by the The Luntz Research Companies on behalf of the Rebuild America Coalition found that three-quarters of Americans are willing to pay an additional one percent in taxes to guarantee a safe and efficient sewage and water treatment system. Meanwhile, in a 1998 survey, 40 percent of APWA members identified the top challenge facing public works as the funding and financing issues associated with maintaining infrastructure. With this backdrop, the U.S. EPA proposed a combined $500 million cut in funding for the drinking water and clean water SRFs in 2000. Thus, local governments are under increasing pressure to expand water quality programs, largely due to federal regulations, with shrinking federal dollars available to support those programs.

The Cost of Clean, a study released in March 1999 by the Association of Metropolitan Sewerage Agencies and Water Environment Federation puts the price tag at $330 billion for wastewater infrastructure needs over the next 20 years. Even EPA, in its most recent Clean Water Needs Survey, identified a wastewater funding gap of $139.5 billion. These needs are driven by increasing federal regulation under the Clean Water Act aimed at controlling pollution from urban runoff, combined sewer overflows and sanitary sewer overflows, and from the capital improvement needs of an aging American infrastructure. Later this year, EPA is expected to finalize new regulations to require the nation's small municipalities to implement stormwater quality programs. Thus, the need continues to grow, and APWA urges the Congress to fully fund the clean water SRF to help meet those needs.

As the Safe Drinking Water Act Amendments of 1996 are implemented, drinking water agencies must make capital improvements to meet new, stricter federal standards. Changes to the surface water treatment rules and new regulations for removing the byproducts of conventional treatment will require major infrastructure investments by water suppliers. To comply with forthcoming new limits for arsenic, for example, the American Water Works Association projects a cost of as much as $1 billion nationwide. Water agencies also are making new and increased investments toward protect drinking water at its source under the sourcewater protection program. The drinking water SRF, authorized by the 1996 amendments at $1 billion per year, is an indispensable tool to help local governments achieve new standards.

APWA supports full funding of the drinking water and clean water SRFs, with a minimum combined appropriation of $2 billion for 2000.

BROWNFIELDS PROGRAMS

Federal funding for the assessment, cleanup and redevelopment of low-level hazardous waste sites known as "brownfields" is playing a key role in spurring economic development in many of the nation's large and small cities. The brownfields program provides an efficient alternative to clean up and encourage investment in disturbed sites, instead of pushing new development into undeveloped green space.

APWA supports continued funding for the federal brownfields program, administered by the U.S. EPA and the Department of Housing and Urban Development.

DISASTER MITIGATION & RELIEF

Given our responsibilities as the keepers of America's infrastructure, public works agencies play a broad and critical role in supporting the functions of emergency management, including delivering sand bags for flood fighting, repairing roads and bridges in the aftermath of an earthquake, and cutting-off and restoring utilities in the wake of a terrorist incident. On many occasions, public works departments have been applicants for disaster relief, and we are grateful for FEMA's presence and as-

sistance. For all these reasons, APWA has given keen attention to the proposed fiscal year 2000 budget for the Federal Emergency Management Agency (FEMA).

In particular, APWA supports FEMA's efforts to improve the integrity of flood insurance rate maps. Because of their function, many public works facilities, particularly water and sewage treatment plants, are located in special flood hazard areas. To minimize the flood hazard risk, it is imperative that public works agencies have accurate flood maps to guide the planning, construction, rehabilitation, and retrofitting of public works facilities. While APWA supports efforts to increase funding for the map modernization program, the association harbors doubts regarding the viability of the proposed mortgage fee. APWA would welcome the opportunity to partner in FEMA's modernization efforts and work to identify other funding sources.

In its proposed budget, FEMA has identified the mitigation of repetitive flood loss properties as a high priority. APWA recognizes how costly repetitive loss properties are to the National Flood Insurance Program—to American tax payers—but is concerned that the creation of the National Flood Mitigation Fund would divert or eliminate Flood Mitigation Assistance funds currently available for other flood loss reduction projects, such as enlarging culverts and creating small retention basins. These types of projects can be very effective in reducing flood losses and protecting insurable property and are worthy of funding, as well. APWA would support the creation of the National Flood Mitigation Fund so long as other activities currently eligible for project grants are not sacrificed.

The rising costs of disasters underscore the need for a pre-disaster mitigation program—resources jurisdictions can use to redress natural hazards outside of a presidential disaster declaration. APWA supports the initiative behind Project Impact and hopes that FEMA will move toward defined program eligibility criteria and performance measurements. APWA is concerned that without these metrics, support and funding for a pre-disaster program will diminish. APWA, along with other FEMA stakeholders, would gladly assist in this effort.

On the subject of domestic terrorism, APWA will work to expand the definition of "first responders," currently defined as police, fire, and rescue personnel. The role of public works departments in preparing for and responding to incidents of domestic terrorism continues to be overlooked. Currently, there are no resources or programs to train public works personnel in crisis and consequence management, or how to self protect. Following the Oklahoma City bombing, it was public works officials that suspended utilities in the affected areas, preventing additional damages and devastation. Public works officials also ensured the delivery of community services—water, electricity, refuse collection, traffic control—to areas not directly impacted by the bomb.

APWA would like to work with FEMA to infuse public works into domestic preparedness activities, supplementing the role of first responders. APWA supports FEMA's efforts to secure an additional $13.2 million in funding for anti-terrorism planning, training, and exercise activities with the hope that these funds will be coordinated with resources already available through the Department of Justice. APWA also hopes that the role of public works agencies in domestic terrorism will be recognized and that necessary training will be forthcoming.

Thank you for your attention and consideration. APWA would be pleased work with you to provide additional information upon request.

PREPARED STATEMENT OF THE NATIONAL FLOOD DETERMINATION ASSOCIATION

Mr. Chairman, Senator Mikulski and Members of the Subcommittee: The National Flood Determination Association strongly supports the Federal Emergency Management Agency's plan to fully modernize its mapping program. The NFDA is a professional association of leading companies, both large and small, which make determinations on whether or not a property is in a special flood hazard area. Our clients are primarily lenders and also insurance agents or companies. The NFDA members play an important role in furthering the program compliance and floodplain management objectives of the National Flood Insurance Program. The Association represents the flood determination industry on FEMA's Technical Mapping Advisory Council.

Accurate flood zone determinations depend on accurate and up-to-date maps. The maps were required for implementation of the National Flood Insurance Program, enacted in 1968, but since that time, their uses have expanded while the maps have grown older and technology has advanced. Some 100,000 map panels have been produced by FEMA, but 33 percent of them are more than 15 years old and another 30 percent are between 10 and 15 years old. Development and changed land use patterns significantly alter flood risk over a period of 10 to 15 years. Some areas

are mapped with more accuracy and detail than others, often depending on the quality and age of the base map upon which other information is superimposed. Often those maps reflected old engineering analyses or approximate methods that do not provide sufficient data. Also, some flood prone communities have never had a map study done.

The problem with access to good quality, up-dated flood maps was recognized by the Congress in the Flood Insurance Reform Act of 1994, which required a Five Year Map Update Needs Assessment. The Federal Emergency Management Agency has found that the results of that process make the importance of regular updating very clear because flood hazard conditions are dynamic. NFDA members and FEMA are very much aware of calls from frustrated lenders, property owners, insurance agents, developers and community officials for maps that can be used to interpret the effects of growth, construction and prior flooding events.

The Flood Insurance Reform Act of 1994 also included measures designed to improve program compliance. New tools such as the ability of lenders to force-place flood insurance on a property have resulted in much greater program participation, but have also led to more awareness of map inaccuracies and age. The 1994 law requires FEMA to respond promptly to appeals of map determinations. Appeals and requests for Letters of Map Amendment (LOMA) or Letters of Map Revision (LOMR) have grown from about 4,000 annually to about 12,000 annually. The process of changing and reissuing the paper maps is cumbersome and time consuming. LOMAs and LOMRs respond to a particular property inquiry and do not immediately result in a changed flood map. despite issuance of a number of LOMAs in a community, for example, the map in current use would still have to be used for new flood zone determinations, but may not reflect these changes. In many cases, this is due to lack of funds.

Digital technology now makes it possible to keep maps in a form that can be readily updated as new information becomes available. Use of modern technology is essential to facilitate effective functioning of the NFIP and to promote wise community planning and good development decisions. Yet, digitizing alone is not sufficient since the base maps themselves must be of a higher quality.

FEMA's Mitigation Directorate has developed a well conceived plan to update and modernize flood maps over a seven year period. The plan is costly, as investment in efficiency and longer term objectives often is. FEMA's benefit-cost analysis for the modernization plan is 2 to 1. At the present time, all of the costs of FEMA's mapping are borne by flood insurance policy holders. Some 40 percent of overall mapping activities funds are now spent to respond to map appeals, brought on largely because of map inaccuracies. There are many users of FEMA's flood maps, ranging from lenders to engineers, surveyors and community officials and emergency response professionals. It seems inappropriate for flood insurance policy holders to absorb the cost when so many others benefit.

NFDA fully supports FEMA's timely effort to begin the major task of improving and modernizing flood maps for the nation. It is critical that funds be provided for this task which is already overdue. Improved maps will save the federal government in disaster relief monies and in the cost of unnecessary LOMAs and LOMRs. Less directly, it will save money in promoting better community and development decisions.

This is a wise investment. While other funding proposals are being examined and, later, in addition to funds which may eventually become available by some other means, the appropriation of funds for map modernization is appropriate. This is an urgent need. NFDA strongly urges the Committee to appropriate funds to make sure that flood map modernization can get underway promptly.

PREPARED STATEMENT OF THE ASSOCIATION OF STATE FLOODPLAIN MANAGERS, INC.

Mr. Chairman and Members of the Subcommittee: The Association of State Floodplain Managers, Inc. is pleased to have the opportunity to share with you our thoughts relating to three initiatives in the fiscal year 2000 budget request of the Federal Emergency Management Agency. We support the initiatives to (1) begin a major overhaul and update of the flood maps that provide the basic information for hazard reduction across the country; (2) address the problem of repetitive claims against the National Flood Insurance Program; and (3) fund the pre-disaster mitigation concept of public-private partnerships targeted to specific communities with a goal of becoming "disaster resistant".

The Association of State Floodplain Managers and its 10 Chapters represent over 3,500 state and local officials as well as other professionals who are engaged in all aspects of floodplain management and hazard mitigation. All are concerned with re-

ducing our nation's flood related losses. Our state and local officials are the federal government's partners in implementing programs and working to meet our shared objectives. Many of our members are their states' coordinators for the National Flood Insurance Program.

FLOOD MAP MODELNIZATION

FEMA's Flood Insurance Rate Maps have been developed over the life of the National Flood Insurance Program, using technologies of varying sophistication and reliability. Early maps were produced quickly, using readily available resources, when there was pressure under the emergency phase of the program to make maps available. More advanced technology has often been superimposed on differing qualities of base maps. Full engineering studies to update maps have often not been possible due to financial and time constraints.

Accuracy questions are often settled through Letters of Map Amendment (LOMA) or Letters of Map Revision (LOMR). In this process, changes are not made to the map itself, but only to the map's application to an individual property, so continued and repetitive questions of accuracy arise. Approximately 45 percent of the maps are 10 years old and about 33 percent are at least 15 years old.

Accurate and up-to-date maps are important so that banks and lenders can make good decisions about what properties do and do not require flood insurance. Good maps are also important for community planning and development decisions as well as emergency evacuation planning. Flood maps are used by for state and local floodplain management for the purpose of preventing future losses to homes and public facilities. Flood maps are widely used by engineers, developers, community planners, state and local emergency management officials federal officials. Flood maps are used by HUD, EPA, the Army Corps of Engineers and FEMA's Mitigation Directorate, its Response and Recovery Directorate as well as in the Federal Insurance Administration. The Flood Insurance Rate Maps are widely recognized as being critical to efforts to reduce loss of life and property, to reduce insurance and disasters costs and to protect and utilize the natural and beneficial functions of our nation's floodplains.

Since flood maps serve so many purposes for our society, it is appropriate for American taxpayers to support modernization and updating of FEMA's mapping capabilities. Since 1990 and passage of the Omnibus Reconciliation Act, the cost of FEMA's mapping program is funded only by flood insurance policy holders through their servicing fees. The budget request seeks $65 million, including only $5 million in appropriated funds to fund the beginning of a multi-year effort. The remainder of the funds would come from a mechanism that has not been authorized.

About 40 percent of the current mapping budget pays for evaluating and responding to dramatically increasing numbers of requests for LOMAs and LOMRs. This shows the need for better maps, but it also makes clear the importance of beginning map modernization now so as not to "waste" more money on the much less efficient LOMA and LOMR process. ASFPM believes that it is fitting and proper for this Committee to approve the appropriation of general funds for flood map modernization. Indeed, ASFPM would urge an annual general fund contribution commensurate with the value of the flood maps for all taxpayers.

REPETITIVE LOSS

Repetitive loss properties are those that have filed numerous flood insurance claims. This has emerged as a problem that demands attention. While most cases of repetitive loss are hardly as egregious as those featured in national news coverage this past year, the losses do represent a drain on the Flood Insurance Fund. The drain has contributed to the need for more borrowing from the federal Treasury, representing a cost to taxpayers.

The NFIP was established so that flood-prone citizens would contribute to their own recovery. It saves the federal government and the taxpayers the cost of disaster relief every time a flood strikes. It provides a means to encourage communities to plan and implement effective floodplain management strategies.

Most properties subject to repetitive loss are older structures, built before the Flood Insurance Rate Maps (FIRMs) were developed. The NFIP has shown itself over its 30 years to be an effective vehicle for addressing recovery needs of flood-prone property owners rather than repetitive payment of disaster relief from the general Treasury. Some form of federal assistance will likely always be provided after major floods, therefore, it does not seem useful to deny insurance to repetitive loss properties. ASFPM believes it is more effective to address the problem through mitigation to prevent future flooding.

FEMA has proposed to combine a new appropriation of $12 million with the Floodplain Management Assistance program (FMA) in a focused effort to deal with the most problematic cases of repetitive loss. The NFIP, now funded entirely by premiums from policyholders, has lessened disaster relief costs to taxpayers. It is, therefore, reasonable to appropriate $12 million in general funds to assist in managing this serious drain on the National Flood Insurance Fund.

PROJECT IMPACT

Project Impact is FEMA's disaster loss prevention initiative which fosters partnership between the federal, state and local governments as well as with the private sector, including businesses and non-profit entities. The objective is to mobilize a community's members to plan and implement their own disaster loss reduction plans, programs and projects. Success at the local level, where disasters' impact is most felt, requires full local participation. Local public and private generation and implementation of plans is an important pilot concept to support. ASFPM supports the requested $30 million for this effort.

The Association of State Floodplain Managers would be very glad to respond to any questions from Subcommittee Members or staff. I can be reached at the South Carolina Department of Natural Resources at (803) 734–9120 and the ASFPM Executive Director, Larry Larson, can be reached in Madison, Wisconsin at (608) 274–0123.

PREPARED STATEMENT OF THE INTERNATIONAL ASSOCIATION OF EMERGENCY MANAGERS

Mr. Chairman and Members of the Subcommittee: The International Association of Emergency Managers (IAEM) would like to comment for the subcommittee's record on the proposed fiscal year 2000 budget for the Federal Emergency Management Agency (FEMA). IAEM urges Congress to fully fund the FEMA budget request for fiscal year 2000.

IAEM is a 1,700-member organization which represents the interests of emergency management professionals in local, state and federal governments, the military, private business and the non-profit sector, both in the U.S. and in other countries. Most of its members, however, serve local governments within the U.S. borders.

Comprehensive emergency management encompasses the entire public safety and service community, with a mission that includes mitigation, planning, response and recovery. On a daily basis, our members help their communities or their organizations plan for, respond to and recover from a wide variety of emergencies hurricanes, winter storms, floods, fires, droughts, earthquakes, chemical spills, transportation accidents, infrastructure breakdowns and others. Lately we've added terrorist activities, cyber-terrorism and Y2K.

For many years, there has been a recognized emergency management partnership that encompasses local, state and federal governments. Although the federal partner (FEMA) acknowledges the primary importance of that local component, budget pressures in recent years have meant a dwindling amount of federal dollars passed through to the local level, which is the first line of defense in any emergency.

FULL FUNDING

IAEM urges Congress to fully fund the FEMA budget request for fiscal year 2000. Many of the initiatives to be funded by the proposal are long overdue, including continued attention to pre-disaster mitigation and flood mitigation in particular, a start on modernization of floodplain maps, the focus on repetitive flood losses, and money for enhanced training and planning for anti-terrorism efforts at the state and local level.

CONSOLIDATED GRANTS

FEMAs budget request calls for consolidating the bulk of FEMA grant programs for state and local jurisdictions into a single, more flexible funding stream, called Emergency Management Performance Grants (EMPG). One of the grant programs to be put under this new umbrella is State & Local Assistance (SLA).

While IAEM believes the new grant mechanism may mean fewer complications and greater ability for states to target their particular needs, members have serious concerns about what the change will mean for funding at the local level—especially when coupled with the new requirement that all SLA funding be a 50–50 federal/state match. (Previously, parts of the SLA money was 100 percent federal funds.)

Aside from direct funding of local jurisdictions, there is a second concern: continuation of state-provided training, which is among the most important services that state emergency management agencies provide to local governments, and unfortunately is also the first service they cut when funding is cut.

LOCAL REQUIREMENTS

Emergency management happens at the local level. If there is no local program, an emergency situation quickly gets out of control, and there is no focal point for coordination of outside help from the state, the federal government or private relief agencies.

In the pre-Stafford Act, Civil Defense days, FEMA distributed SLA funds to states and required them to pass through two-thirds of the money to local jurisdictions. This requirement helped to ensure a floor-level local capability in many jurisdictions. Not all states strictly observed the requirement, and the federal pass-through funds in recent years typically provided only 15–30 percent of program budgets for most localities which received SLA funds. Nevertheless, it was a commitment by the federal and state governments to the local-state-federal partnership so crucial to effective emergency management.

There is no longer a pass-through requirement, and states are free to pass funds through or not. Its not hard to understand how the increasing demands on emergency management lead to a great temptation to keep more funds within state programs.

IAEM believes it is essential that FEMA develop and maintain standardized minimum program requirements relative to state administration of funds in support of local programs, should the proposed Emergency Management Performance Grants (EMPG) concept be approved. These requirements should include a formula by which local jurisdictions are assured an equitable portion of FEMA dollars.

IMPORTANCE OF TRAINING

For emergency managers at the local level, one of the greatest direct benefits derived from federal funding to states is the provision of training and exercise programs. These were among the 100 percent federally-funded SLA programs, and we fear that the move to a 50–50 match will result in degradation of these programs. We already have seen that training for local jurisdictions is one of the first items to suffer a hit when state budgets are squeezed either there is less training offered, fees are tacked on, or state employees become the major beneficiaries instead of local-level practitioners.

In the best of all worlds, IAEM would like to see the continuation of 100 percent funding for training and exercise programs that directly benefit all local jurisdictions within the state. At the least, Congress should require that FEMAs rules for its new performance grant program include requirements to maintain a certain level of training and exercising to benefit local jurisdictions.

IAEM members thank you for the opportunity to comment on the proposed FEMA budget. Our members and staff are available if you have any follow-up questions.

PREPARED STATEMENT OF FLORIDA STATE UNIVERSITY

Mr. Chairman, thank you and the Members of the Subcommittee for this opportunity to present testimony. I would like to take a moment to acquaint you with Florida State University. Located in the state capitol of Tallahassee, we have been a university since 1950; prior to that, we had a long and proud history as a seminary, a college, and a women's college. While widely known for our athletics teams, we have a rapidly emerging reputation as one of the Nation's top public universities. Having been designated as a Carnegie Research I University several years ago, Florida State University currently exceeds $110 million per year in research expenditures. With no agricultural or medical school, few institutions can boast of that kind of success. We are strong in both the sciences and the arts. We have high quality students; we rank in the top 25 among U. S. colleges and universities in attracting National Merit Scholars. Our scientists and engineers do excellent research, and they work closely with industry to commercialize those results. Florida State ranks fourth this year among all U.S. universities in royalties collected from its patents and licenses, and first among individual public universities. In short, Florida State University is an exciting and rapidly changing institution.

Mr. Chairman, let me describe several projects that FSU is pursuing this year. The first is a joint project with the City of Tallahassee involving an economic development initiative with the arts.

Florida State University and the City of Tallahassee propose to jointly seek funding to stimulate economic development in an area of Tallahassee that is adjacent to the FSU campus. The Frenchtown community, a redevelopment priority for the city, is one of the highest priorities of the City and is the University's highest capital construction project. The vehicle for providing this boost to the economic revitalization of this area will be a performing arts center that will be housed on the edge of the FSU campus adjacent to the Frenchtown area. That area, once a thriving resource to the Tallahassee area has, in recent years, become a high crime area consisting of deteriorating buildings, empty lots and abandoned housing. Such a new facility would provide a location that would allow for over 400 performances a year with audiences drawn from the surrounding communities throughout the Panhandle region of Florida, and including portions of southern Georgia and western Alabama. Audiences for the Center's performances will be drawn to commercial establishments created as part of the Frenchtown Revitalization Project. Small shops and restaurants, immerging as part of this revitalization effort, would be the catalyst for further development and enhanced opportunities for residents.

Private funds would be available to match the federal portion several times over. We will be requesting $3 million in fiscal year 2000 for this effort as an Economic Development Initiative grant.

Next, I would like to discuss a project involving Digital Emergency Broadcasting. Since 1995, FSU has delivered emergency information to citizens of northwest Florida as they have endured floods, hurricanes, tornadoes, and wildfires. These experiences have not only enhanced our awareness of the need to pass on accurate information to the general public but has also strengthened the ties between our stations and Florida's Department of Emergency Management and their Emergency Operations Center (EOC). Because of the success of our broadcasts, the FSU stations have recently entered into an agreement to act as the television production entity for the EOC during emergencies.

FSU and their broadcasting stations recognize a genuine need for additional emergency services and propose a partnership with the Federal Emergency Management Agency (FEMA) to explore the possibility of broadcasting emergency information to FEMA field personnel and/or to the general public during emergencies in the stations' coverage area using this new technology. We believe that there can be great advantages in the ability to broadcast the latest information available directly to PCs using DTV at times when other telecommunications infrastructure may be inoperative. With FEMA's investment into this initiative, a partnership could be formed with the FSU stations and Florida's Department of Emergency Management to better serve the citizens of the North Florida area during a disaster, which could eventually be duplicated nationwide. This is a worthwhile project will save lives in the areas where implemented.

We are requesting $600,000 from FEMA in fiscal year 2000 for basic infrastructure costs for this initiative.

Another project, Mr. Chairman, that Florida State University is pursuing is related to the creation of a Challenger Learning Center in Tallahassee and located at the FSU-Florida A&M University College of Engineering building. That Center, which will have 34,000 square feet of exhibit space, will house a space mission simulator with a mock-up of "Mission Control" and the laboratory node of a "Space Station" as well. Between 10–15,000 middle school students will visit the Center each school year, having been drawn broadly from 66 counties in north Florida, south Georgia, and southeastern Alabama. As a member of the Florida Space Grant Consortium, Florida State University is one of the seventeen public and private members of this association. Collectively, the Consortium serves more than 230,000 university students and also is involved in substantial outreach work with K–12 students as well.

Our request, Mr. Chairman, is that you and your Subcommittee consider funding NASA's Space Grant Consortium program at a level above the level requested by NASA. This is an important national program and deserves greater funding, The Florida Space Grant Consortium will be approached to provide additional funds for the FSU-FAMU Challenger Learning Center project. It is our hope that at least $100K could be made available to the Challenger Learning Center of any additional Florida funding that might be available. It would greatly enhance our outreach efforts throughout Florida, Georgia, and Alabama to K–12 students.

Finally, Mr. Chairman, I would like to thank this Subcommittee for its interest last year in your report and the conference report on the concerns expressed about orimulsion and its potential environmental impact. The Environmental Protection Agency (EPA) will be issuing some program guidance resulting from similar concerns about environmental impacts this and other heavy fuels might have and how those impacts might affect water quality and how could these various fuels be miti-

gated in case of a spill. We here at FSU are persuaded we have a unique approach to a examine such impacts in a total biological community approach. We are persuaded we have a unique and much more effective means of assessing impacts on the marine environment and will be discussing this further with EPA. We will keep the Subcommittee informed of our progress in this arena.

Mr. Chairman, as you can see, Florida State University has numerous projects and proposals pending before several of the agencies and departments within your jurisdiction. I would like to discuss one final activity that is preparing its renewal proposal to NSF. I call it to your attention because the decision made in the early 1990's by the NSF and its Board was an excellent one and one that has been borne out to have been highly successful. Florida State University's National High Magnetic Field Laboratory was awarded its first five-year contract in the early 1990's following a highly-publicized competition and decision by NSF and its Board. The NHMFL was renewed for another five years in 1996 and is preparing for its third proposal to NSF in the fiscal year 2000 budget year. I would only like to call your attention to this extraordinary facility which is an excellent example of partnerships between both the federal government and the State of Florida, a national laboratory, and Florida State University. It has developed state-of-the-art magnet technologies and systems in collaboration with numerous industries. It has attracted a world-class faculty to Tallahassee. It is doing research, development, and education at all levels including an extremely active K–12 outreach effort with the children of Florida and the southeastern U.S. It is a success story that your Subcommittee and the National Science Foundations should be proud to claim.

Mr. Chairman, I would like to conclude with a discussion of the overall budget of the National Science Foundation. NSF provides support for scientific and engineering research and educational activities at colleges and universities around the Nation. Their support and the quality of their programs and staff are unparalleled in the federal government. They provide approximately $30million per year to Florida State University so selfishly they are incredibly important to this university. I am asking that your Subcommittee look at the NSF request as the base and make every effort to secure additional funds that you could invest in the NSF and its programs. There can be no better return on investment than in research and development.

Related to NSF is a concern that is becoming broadly shared by the research community. That concern relates to the disproportionate share of federal R&D being appropriated to the biomedical sciences and substantially lesser amounts for other R&D activities that truly provide the foundation for new knowledge and breakthroughs in all sciences, including the medical sciences. While many of our scientists are less articulate in making the case for basic scientific research support like that provided by NSF, it clearly is incredibly important for our Nation's future.

I hope that your Subcommittee, as it makes its very difficult decisions regarding priorities for spending those resources allocated to your Subcommittee, please consider this issue of balancing federal R&D. This might require coordination among several of the key Appropriations subcommittees to ensure that investments which can benefit several scientific areas be considered appropriately. For instance, there are recent funding precedents that have seen NIH supporting the upgrades of synchrotrons which have been the responsibility of the Department of Energy. The OSTP Director, in a January 1999 report on this subject, indicated that this type of multipurpose funding by NIH of broader scientific instruments and facilities should be considered. Nuclear Magnetic Resonance (NMR) was one area noted as a possible candidate for such NIH funding because such funding by NIH would benefit broader scientific areas like biology, materials sciences, and others. I would request that your Subcommittee consider working with other key Appropriators to determine if utilization of certain NIH funds might be designated for instrumentation that has multidisciplinary benefit. While NSF clearly has successful programs to manage such large instrumentation projects, the NIH does not. Yet NIH has consistently garnered funding increases that the NSF has never seen previously. Seeking creative ways to redress the balance among scientific fields might assist in "rebalancing " federal funding among agencies and functions.

Mr. Chairman, I have described just a few of the exciting activities going on at Florida State University that will make important contributions to solving some key problems and concerns our Nation faces today. Your support would be appreciated, and, again, thank you for an opportunity to present these views for your consideration.

PREPARED STATEMENT OF THE NATIONAL EMERGENCY MANAGEMENT ASSOCIATION

Please accept these comments from the National Emergency Management Association (NEMA) regarding the Federal Emergency Management Agency Year 2000 budget request. NEMA represents the emergency management directors in the 50 states and territories responsible to their governors for emergency preparedness, mitigation, response and recovery activities. The FEMA budget provides critical dollars to support state and local emergency management programs. NEMA urges your strong support of the budget as presented with consideration for additional dollars above the request in the State and Local Assistance program.

The FEMA Year 2000 budget request reflects the incredible growth of all-hazards emergency management activities in recent years—from domestic terrorism preparedness to Y2K to international disaster relief and now planning for school safety. Emergency management programs at all levels of government face difficult challenges today including the expectation to do more with less, increased competition for resources, increased frequency and destructiveness of disasters and increased public expectations for services. In addition, there is an expectation by Congress to reduce disaster costs.

NEMA is proud to inform you that states are rising to meet these challenges. They are committing greater resources than ever before to emergency management. According to a recent survey by NEMA, states spent $2.77 billion on emergency preparedness, mitigation, response and recovery in fiscal 1997, which is nearly double the amount spent only five years ago. And while emergency management once focused on responding to and recovering from disasters, states are now clearly focusing their efforts and resources on mitigation or prevention efforts to reduce the costs of future disasters. The NEMA survey revealed that states spent $1.24 billion on mitigation activities in fiscal 1997 which is 45 percent of spending on all four phases of emergency management. This is an 80 percent increase over the previous year.

The budget request includes a new Emergency Management Performance Grant (EMPG) that will consolidate separate funding streams and replace the current Performance Partnership Agreement. NEMA understands the benefits of the consolidated grant will include flexibility for the states to meet emergency management priorities, and more efficiently use state staff end financial resources. The increased flexibility promised by FEMA will help to enhance the professionalism of state and local emergency management programs and build a decentralized capability for preparedness and response. NEMA has been working in cooperation with FEMA to develop program goals and objectives. We are excited about the opportunities the consolidated grant provides for states.

The proposed Emergency Management Preparedness Grant includes a request of $141 million for grants to states with an increase of approximately $4 million for State and Local Assistance funding. The SLA funds are pass through grants to state and local governments and provide the very foundation upon which basic emergency management capabilities are built. The $4 million increase in SLA funds over the previous year is sorely needed. In fact, a significantly larger increase in SLA funding is needed to bring the program up to the intended 50/50 match between the federal government and states. States reported that shortfalls in SLA grants totaled more than $152 million in fiscal 1997. This is $27 million more than fiscal 1996 and $68 million more than fiscal 1992. As you can see, funding has not kept pace with increased emergency management responsibilities and public expectations for a world class emergency management system. In addition, the cost share for the SLA program will shift to 50/50 in the Year 2000. This has had a negative impact on budgets and staffing levels in several states with limited financial capacity. Other states have been able to secure the necessary matching fund requirements. Regardless of their states' current financial capacity, all state of finials share the common concern that the future of basic emergency management programs and capabilities will be in jeopardy if we continue to shift costs to state and local governments and piecemeal funding for emergency management through special programs that may or may not be national priorities in future. With this in mind, we urge you to seriously consider providing additional SLA funds over and above the FEMA request.

Other FEMA budget initiatives supported by NEMA include the request for $30 million for pre-disaster mitigation. This is truly the only way we can reduce disaster costs. As I mentioned earlier, states have followed FEMA's lead and focused their efforts on prevention. Ninety percent of spending for emergency management in fiscal 1997 occurred before disasters could strike. NEMA is working in partnership with FEMA to collect mitigation success stories and to document the cost-effectiveness of such activities as property buyout and relocation projects. FEMA's request for an additional $12 million to focus on removing repetitive loss structures from

floodplains is very important and will prove to be a wise use of federal and state dollars.

A critical initiative that has been significantly under-funded within FEMA is the domestic preparedness program. FEMA has a critical role to play as the lead federal agency for consequence management, but hasn't received the funds to appropriately support that lead role. In turn, states have received little funding to adequately plan, train and exercise for potential terrorist incidents. NEMA fully supports FEMA's request for additional anti-terrorism funds $8 million of which is targeted to go to states for planning and exercises. This is critical if states are to develop comprehensive state terrorism strategies that build upon the existing capabilities of local, state and federal government already in place as part of the nation's all hazards emergency management system. It is important to note however, that special program funds such as these cannot be used to support day-to-day emergency management functions and should not be viewed as a source of funding to replace critical State and Local Assistance dollars. Having said that, the nation's domestic preparedness program is of great importance to NEMA and there are many coordination issues that must be addressed if we are to be successful in this endeavor.

In closing, NEMA would like to express its continued support and appreciation for FEMA Director James Lee Witt. He remains a good friend to state and local government, but more importantly a strong advocate for all our citizens when they become victims of disasters.

Please feel free to call on NEMA at any time as a resource on emergency management issues. Thank you for your strong interest and work in the emergency management arena.

PREPARED STATEMENT OF THE ASSOCIATION OF STATE FLOODPLAIN MANAGERS, INC.

Mr. Chairman and Members of the Subcommittee, The Association of State Floodplain Managers, Inc. is pleased to have the opportunity to share with you our thoughts relating to three new initiatives in the fiscal year 2000 budget request of the Federal Emergency Management Agency. We support the new proposed initiatives to (1) address the problem of repetitive losses in the National Flood Insurance Program; (2) begin a major overhaul and updating of the flood maps produced and used by FEMA; and (3) fund the concept of public-private partnerships targeted to specific communities with a goal of becoming "disaster resistant". The Association of State Floodplain Managers and its Chapters represent over 3,500 state and local officials as well as other professionals who are engaged in all aspects of floodplain management and hazard mitigation. All are concerned with working to reduce our nation's flood related losses. Our state and local officials are the federal government's partners in implementing programs and working to achieve effectiveness in meeting our shared objectives. Many of our members are their states' coordinators for the National Flood Insurance Program.

REPETITIVE LOSS

Repetitive loss, the filing of numerous flood insurance claims on the same property, has emerged as a problem in the functioning of the NFIP that demands attention. While most cases of repetitive loss are hardly as egregious as those featured in national news coverage this past year, the losses do represent a drain on the Flood Insurance Fund. Such a drain on the Fund can result in the need for more borrowing from the federal Treasury, representing a cost to taxpayers. The NFIP was established to help citizens with the cost flooding in a manner in which those at risk paid into their assistance, to save the federal government and its taxpayers the cost of disaster relief every time a flood struck and to provide a means of encouraging communities to plan and implement effective floodplain management strategies. Often, properties subject to repetitive loss are older structures, in place before the Flood Insurance Rate Maps (FIRMs) were developed. The program considers pre-FIRM properties to be those built before 1974. Since the NFIP has shown itself over its 30 years to be a useful vehicle for addressing recovery needs of flood-prone properties rather than repetitive disaster relief payments from the general Treasury. Since it is unlikely that some form of federal assistance would not be provided in the face of a natural disaster, it does not seem useful to deny insurance to repeat claims, but perhaps to address the problem through increased premiums or through steps to prevent future flooding. Unfortunately, many policyholders do not have sufficient savings or income to take often expensive steps to mitigate future flooding. FEMA has proposed to combine an appropriation of $12 million with its funds for the Floodplain Management Assistance program (FMA) in a new effort to assist the most problematic cases of repetitive loss through elevation,

floodproofing or buyout of the property. Since the NFIP, funded largely by premiums from policyholders, has lessened disaster relief costs to taxpayers, it seems very appropriate to appropriate $12 million in general funds to assist in removing the most serious drains from the National Flood Insurance Fund.

FLOOD MAP MODERNIZATION

FEMA's Flood Insurance Rate Maps have been developed over the life of the National Flood Insurance Program, using technologies of varying sophistication and reliability. Early maps were produced quickly, using readily available resources, when there was pressure under the emergency phase of the program to make maps available. Later, more advanced technology has often been superimposed on differing qualities of base maps. Full map studies to update maps have often not been possible due to financial and time constraints, so accuracy questions have often been settled through Letters of Map Amendment (LOMA) or Letters of Map Revision (LOMR). In this process, changes are not made to the map itself, so continued and virtually repetitive questions of accuracy arise. Approximately 45 percent of the maps are 10 years old and about 70 percent are at least 5 years old. Accurate and up-to-date maps are important to making proper decisions about what properties do and do not require flood insurance, but they are also important to community planning decisions. Flood maps are used by our members in floodplain management for the purpose of preventing future losses to homes and public facilities. Flood maps are tools widely used by engineers, developers, local community planners, state and local emergency management officials and federal officials, both in FEMA's Mitigation Directorate and its Response and Recovery Directorate as well as in the Federal Insurance Administration. The Flood Insurance Rate Maps(FIRMs) are widely recognized as being critical to efforts to reduce loss of life and property, to reduce insurance and disasters costs and to assist in utilizing the natural and beneficial functions of our nation's floodplains. Since flood maps perform so many functions for our society, it seems entirely appropriate for American taxpayers to support modernization and updating of FEMA's mapping capabilities. At present, the cost of FEMA's mapping program is funded only by flood insurance policy holders through their premiums and servicing fees. The budget request seeks $65 million, including only $5 million in appropriated funds to fund the beginning of a multi-year effort. The remainder of the funds would come from a mechanism that has not been authorized. Apparently about 40 percent of the current mapping budget pays for evaluating and responding to dramatically increasing numbers of requests for LOMAs and LOMRs. This shows the need for better maps, but it also makes clear the importance of beginning map modernization now so as not to "waste" more money on having to issue more LOMAs and LOMRs. It is the view of ASFPM that it is fitting and proper to contribute general funds to flood map modernization.

PROJECT IMPACT

Project Impact is an important disaster loss prevention initiative which fosters partnership between the federal, state and local governments as well as with the private sector, including businesses and non-profit entities. The objective is to mobilize a community's members to plan and assist in funding their own disaster loss reduction plans, programs and projects. Success at the local level, where disasters' impact is most felt, requires full local participation. Local public and private generation and implementation of plans is an important pilot concept to support. We hope that the requested funding for this effort can be provided. It is my hope that these comments on aspects of FEMA's fiscal year 2000 budget request will be helpful to the Subcommittee. The Association of State Floodplain Managers would be very glad to respond to any questions from Subcommittee Members or staff. I can be reached at the South Caroline Department of Natural Resources at (803) 734–9120 and the ASFPM Executive Director, Larry Larson, can be reached in Madison, Wisconsin at (608) 274–0123.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

PREPARED STATEMENT OF THE STATE COOPERATIVE EXTENSION SERVICES AND STATE AGRICULTURAL EXPERIMENT STATIONS

Mr. Chairman, members of the subcommittee: As the respective Chairs of the Extension Committee on Organization and Policy (ECOP) and the Experiment Station Committee on Organization and Policy (ESCOP) of the National Association of State Universities and Land Grant Colleges (NASULGC), we appreciate the opportunity

to discuss the importance of inter-agency partnership in education and research in space and agricultural programs.

As components of NASULGC, a non-profit organization, ECOP and ESCOP represent a national network of Land Grant University-based State Cooperative Extension Services (CES) and State Agricultural Experiment Stations (SAES). The Land Grant University system (LGU) and the USDA-Cooperative State Research, Education, and Extension Service (CSREES) have had a thriving partnership of many years, providing the technology which has made American agriculture the most productive and efficient in the world. Our organization is committed to advancing scientifically-based decision making at the local level by capitalizing on the LGU comparative assets in extension, education, and research. Furthermore, our Land Grant University institutions have a critical mass of educational and scientific infrastructure and facilities.

We believe technology transfer models are crucial to the ultimate success of any proposed joint venture. Joint venture partners must be able to integrate their intellectual assets and science infrastructures efficiently, and then move-out the products of the joint effort quickly into practical applications to be used in the real world.

As a key anchor in the real world of agriculture, the State Cooperative Extension Services would be the cornerstone of our proposed space-based technology and education delivery model to the ultimate end user—the American Farmer.

The Land Grant University system can contribute significantly to such a model with NASA as the partner. The Land Grant system has a knowledge base about the way agriculture is practiced and can readily find opportunities within agriculture for fruitful space research partnerships. We believe Agriculture can be made a solution to many of the problems the nation faces.

CES and SAES's major focus in the space and related food and fiber production and natural resource management areas include: NASA Remote Sensing Applications Research in Agriculture, Forestry and Range Resource Management and Precision Agriculture; Risk and damage assessment caused by a variety of physical, biological, chemical and anthropogenic stresses; Vegetation Mapping, Inventory, Characterization and Monitoring; Earth science applications and technologies; The National Agricultural Weather Information System, and Environmental education and outreach.

In not recreating the wheel, the Land Grant University system aims at partnering with NASA, and where helpful by also including the supplemental contributions of agencies such as NOAA and NSF, to collaborate on numerous space and food and fiber production and natural resource management initiatives. Many agencies share similar public education priorities and research goals that can be utilized to develop partnerships and collaboration. Many initiatives and goals are targeted to specific agendas, however a more thorough inventory of extension, education and research priorities can be assessed through collaborative discussions and pooling of resources.

Through a variety of means, a partnership between NASA and the Land Grant University system as well as NOAA and NSF and other agencies would increase: The rate of technology transfer and development between the partners; the amount of LGU participation in agency peer review processes; the quantity/quality of proposals submitted by the LGUs for government funded competitive grants in related space/agricultural areas; the exchange of scientists between LGU institutions and the government for collaborative projects.

For example, the USDA (through the Land Grant System) and NASA have already jointly developed the Space Grant Geospatial Extension Specialist Program. The National Space Grant College and Fellowship Program—in short: the Space Grant Program—has begun an effort to bring the benefits of NASA's Earth Science Enterprise and of Remote Sensing to the American public in partnership with the Land Grant Cooperative Extension System.

The Space Grant Program, modeled after Land Grant and Sea Grant university programs, is administered by NASA and consists of a nationwide network of universities, aerospace and related industries, state and local government organizations and other institutions dedicated to education, research and public service, including outreach, in aerospace science and technology. There are 52 Space Grant Consortia in each of the 50 states, the District of Columbia, and Puerto Rico, with over 700 affiliates. A large part of the more than $19M allocated yearly to Space Grant go to scholarships and fellowships for university students and are matched with university and other funds. A smaller percent of Space Grant funding is used to build new research infrastructure. The partnership with Extension is a more recent effort and is presently in a pilot phase.

Space Grant Consortia are led in each state by exceptionally dedicated administrators who strive to better help educate our youth in science and technology, to

bring the benefits of Aerospace Science and Technology to the public, to build local programs benefiting their states, who utilize NASA seed funding to leverage opportunities, create partnerships between universities, industries, state agencies, nonprofit organizations, local government and schools, and build high technology research infrastructure at colleges and universities. They are a bridge between the public and youth on one side and NASA and aerospace industry on the other side.

Four years ago Space Grant began exploring the possibility of partnering with the Cooperative Extension System to bring the benefits of NASA space products one step closer to the taxpaying public. The obvious NASA Enterprise chosen to work with is the Earth Science Enterprise (formerly Mission to Planet Earth). In the process it became clear that many applications of Earth imagery from space would result from commercial remote sensing. For example, a marriage of sorts could be envisioned between data and information technology on one hand and user communities on the other hand. The Space Grant Extension Specialist will have expertise in remote sensing and associated technologies, strong ties to the NASA Earth Science Enterprise and be part of the Cooperative Extension System.

The Specialist will act as a two-way conduit for information between NASA and user communities. He or she will: (1) Assess state needs for remote sensing research, value-added products, training, information and technology; (2) Initiate pilot research projects for remote sensing applications and extend their results to the users communities in the state through the network of county agents; (3) Involve commercial remote sensing data providers and value-added companies in his/her activities; (4) Facilitate the development of training curricula for professionals, Agents and other extension specialists; and (5) Support the education, research and outreach efforts of the State Space Grant Consortium in Earth Science and Remote Sensing.

Three Land-Grant universities, Utah State University, the University of Arizona, and Mississippi State University will serve as pilot programs to test and further develop the concept this year. It is expected that future NASA funding will allow additional Space Grant State Consortia to become involved in the project. Linking Space Grant and Extension networks is a very worthwhile and promising endeavor which may provide NASA an effective-vehicle for technology and information transfer to the user communities.

The Land Grant University system would like to see the formation of a partnership between these agencies for an expanded effort. It is efforts like these that make for meaningful partnerships. Such a partnership should be formed and accelerated, given the U.S. and world population growth, and its future need for food both in quality and sustainability as well as the nation's need to maximize new space-based technologies to maintain our global competitiveness in food and fiber production and natural resource management on public lands.

It is just these kinds of partnerships with the Land Grant Universities that can be developed which utilize the expertise that has been established over many years of striving to achieve rather different goals, i.e., increased productivity, and can now be focused on different but related problems.

Over the many scores of years they have been operating, the Land Grants also have developed a system of technology transfer that is the envy of the world. It is this kind of expertise which may be used to disseminate the progress made through extension and research and is not necessarily limited to farmers but can be used to educate the general public.

Thus the partnership approach maximizes the effective use of established skills to solve new sets of problems and in the overall scheme can be expected to solve them more efficiently and with less cost toward factors in an era of constrained resources.

The Land Grant infrastructure is a proven delivery system.

NASA and other agencies have existing and new initiatives to address many of the nation's agricultural and environmental problems. The Land Grant University system continues to build its relationships with various agencies in support of the nation's agricultural and natural resource system. It plans to encourage interagency communication and to broaden LGUs federal participation in USDA. A well-planned initiative could unify representatives from the State Cooperative Extension and Services the State Agricultural Experimentation Stations, Natural Resource Conservation Service (NRCS), the Forest Service, and the Agricultural Research Service and extend this unified expertise to NASA. This goal is aimed at enhancing the collaboration that is occurring at the local level between LGUs and USDA and other agencies. CES and SAES have identified existing resources in agencies for various programs which are targeted at addressing the scientific educational and research infrastructure between agriculture and NASA.

Endorsed programs areas	Department/agency
Precision Agriculture and Forestry	NASA/OES
Remote Sensing Applications	USDA/NASA
Geospatial Extension	DOE/NASA
Earth Science Enterprise	NASA/USDA
Risk and Damage Assessment	NASA
Global Climate	NASA/NOAA
Socio-economic Dimensions	NASA/NOAA

The Land Grant University system offers a full portfolio in its extension, education, and research program. The LGUs offer the technical innovation and new management ideas to implement a national agricultural/space research and development program. Our scientists provide public understanding through our extended outreach and educationprograms and provide for rapid advances in information technologies through our research portfolio. Additionally the LGUs can serve as a valuable resource when developing standards and perhaps most critically by providing technology transfer to farmers and communities in every county in America and the U.S. territories.

In the area of small farms, extensive research expertise already exists among the Land Grant system's 1890s (traditionally African-American) colleges about how agriculture is practiced on small scale farms. Jointly developed NASA and Land Grant technology could focus on the problems of small farmers and could reverse hopefully recent trends enhancing their competitiveness. Tuskegee University has already made significant contributions toward NASA-driven technologies in the area of precision agriculture. The 1890s as well as many other Land Grant Universities could help advance the development of these important space-based agriculture technologies.

CES and SAES would be pleased to provide an expanded "on-the-ground" and "in-the-field" role for the LGU System on energy and environmental issues and research. Through the excellent electronic communications network of the LGU System, government agency-partners can reach the appropriate administrators, scientists, academic program personnel, and extension representatives almost immediately as the situation demands. We hope we have highlighted the science benefits and value of partnerships between the Land Grant system and NASA and other agencies to solve some of the nation's pressing agricultural problems. We stand ready to help.

Prepared Statement of the United Space Alliance

Mr. Chairman, thank you for giving me the opportunity to submit testimony for the record before your Subcommittee.

I am Russ Turner, the President and Chief Executive Officer of the United Space Alliance (USA). USA is responsible for the day-to-day management of NASA's shuttle fleet under a single prime contract awarded by NASA in 1996. The company employs 9,000 people, mostly in Texas and Florida and had 1998 revenues of $1.4 billion. USA's primary mission is safe operation of the Shuttle; additional duties under our contract are: Mission design and planning; flight operations; payload integration; logistics; astronaut and flight controller training; vehicle processing, launch and recovery; and software development and integration.

Mr. Chairman, we at USA are proud to operate this vital and unique national resource. The Space Shuttle is a critical part of the Nation's space infrastructure and will continue to fly for at least 10 more years. To insure safe and efficient operation of the Nation's Space Shuttle fleet, NASA and its industry team have embarked on an upgrades road map for the Shuttles.

The International Space Station (ISS) is critically dependent on the Space Shuttle from assembly through the end of the program, and today, only the Shuttle can meet NASA's human space flight needs beyond ISS. The Shuttle fleet has more than 75 percent of its design life remaining so upgrades will maximize the return on our nation's investment. Upgrades that combine both the latest technology and the most dependable and proven technology benefit the entire program.

Our central issue to bring to the Subcommittee's attention is this: the Space Shuttle Upgrades program is underfunded, and it is imperative that NASA continue upgrading the only reusable launch system in the world to insure that maintainability and obsolescence issues do not jeopardize the Nation's Human Space Flight Program.

To improve Shuttle safety and productivity, investments need to be made in technologies beyond those in NASA's fiscal year 2000 budget request. We are asking your Subcommittee to add $25 million above the budget request to support the purchase of long-lead items for Phase 3 upgrades which will further improve Shuttle safety and reliability while reducing cost. In addition to those upgrades included in the NASA budget request, others have been identified, as follows:

—*Electric Auxiliary Power Units (APUs)* will make significant improvement in safety as well as, improve the performance and reliability of the Space Shuttle's hydraulic systems.

—*SSME Advanced Health Management System (AHMS)* will help flight safety and ground maintenance checkout of the Space Shuttle Main Engines (SSMEs) through advanced monitoring and detection systems.

—*Main Propulsion System (MPS) Electromechanical Actuators* will provide safer and more efficient operation and monitoring of propellant valves.

—*Proton Exchange Membrane (PEM) Fuel Cells* will reduce operating costs while also increasing electrical power for Orbiter systems and payloads.

No other launch vehicle in the world, either in use or in development today, possesses the capability or versatility of the Space Shuttle. Additionally, the Shuttle program is better than ever with improved safety and reliability, better performance, and lower operating costs. Additional upgrades will lead to even greater safety, reliability, and efficiency.

Mr. Chairman, the Space Shuttle is safer and more efficient than ever and an excellent example of how a major government program can be operated more efficiently for less money. Consider the following:

—In fiscal year 1992, the annual space shuttle budget was $3.9 billion—today it is $3 billion.

—Since USA signed the prime contract in 1996, metrics used to measure safety have shown a dramatic improvement.

—At the same time USA has contributed to shuttle cost savings of $267 million in 1997 and 1998; plus an additional $192 million in savings are projected for this year.

—USA has invested back into the program its share of contract underrun funds for system improvements. The Space Shuttle's on-time record is nearly perfect over the last three years, building on an outstanding record already started by NASA.

—Core jobs that required 15,000 people in fiscal year 1992 need only 8,900 in fiscal year 1998.

By investing in upgrades, the Space Shuttle will continue to meet the challenges in the next century. As has been proven with commercial and military aircraft, technology upgrades can extend the life of aircraft and return great value to the taxpayer. In this way we can assure that the unique capabilities of the Space Shuttle—still unmatched in the world for the foreseeable future—are available to our country in the next century.

Therefore, we ask your Subcommittee to support the following request: Support the NASA fiscal year 2000 budget request of $13.578 billion, particularly funding for the Space Shuttle, the International Space Station, and Space Shuttle Upgrades; and, provide an additional $25 million in NASA Shuttle Upgrades funding to continue investing in technology that improves Space Shuttle safety, productivity, reliability, and performance.

PREPARED STATEMENT OF THE AMERICAN MUSEUM OF NATURAL HISTORY

Good morning Mr. Chairman and Members of the Committee. My name is Ellen Futter and I am the President of the American Museum of Natural History. I very much appreciate the opportunity to submit to you today a summary of our recent activities and our fiscal year 2000 plans and objectives. Most of all, I want to thank this Subcommittee for the contributions it has made to scientific research and education in this nation.

Founded in 1869, the American Museum of Natural History is one of the nation's pre-eminent scientific and educational institutions drawing four million visitors on-site annually and another four million to our website. For over 129 years, the Museum has pursued a mission of examining critical scientific issues and increasing public understanding about them. More than 200 active research scientists, many with internationally recognized expertise, conduct more than 150 field projects each year. In fact, since its founding, the Museum has sponsored tens of thousands of expeditions, sending scientists and explorers to every continent. This rich scientific

legacy includes a collection of approximately 32 million natural specimens and cultural artifacts that together form a record of life on earth.

Early in the year 2000, the Museum will begin a new chapter in its history with the opening of the new Rose Center for Earth and Space, including a rebuilt and scientifically cutting-edge Hayden Planetarium and a new Hall of the Universe and Hall of Planet Earth. With the construction of the Rose Center, the Museum will better join science and education to provide a seamless educational journey taking visitors from the very beginnings of the universe, to the formation and physical processes that exist on Earth to the extraordinary and irreplaceable diversity of life and cultures on our planet.

Consistent with the federal government's stated commitment to an interagency and multi-disciplinary direction, the Museum's ongoing scientific research and educational programming increasingly emphasizes an interagency and multi-disciplinary approach. Under the leadership of Congress, the American Museum of Natural History has fostered a close scientific and educational partnership with NASA. As you know, unlike any other federal agency, NASA has captured the imagination of the American public and reinvigorated a national thirst for exploration into previously unknown realms.

The fiscal year 1998 Congressional appropriation enabled the Museum to launch the National Center for Science Literacy, Education, and Technology ("the National Center") in cooperation with NASA. In the National Center NASA and the Museum joined resources to create programs that neither one could do as effectively on its own. This extremely productive partnership rests largely on the shared goal of fostering scientific literacy nationwide. The National Center creates materials and programs that reach beyond our institutional walls into homes, schools, museums, libraries, and community organizations around the nation. NASA's partnership with the National Center has fueled four major components: the Educational Materials Laboratory, Electronic Science Bulletins, Digital Galaxy Mapping Project, and the Black Smoker Expedition and Educational Initiatives.

The Educational Materials Lab develops materials and programs to bring cutting-edge science to formal and informal science education settings across the country. One such program, Biodiversity Counts, is now in more than 100 schools nationwide as a middle-school curriculum.

Three interrelated efforts—the BioBulletin, GeoBulletin, and AstroBulletin—gather, interpret, and transform data and images into comprehensive, digital "snapshots" of events, research, and phenomena in global and cosmic systems displayed in the new permanent exhibition halls. Information displayed in the Bulletins is reinterpreted for dissemination via the World Wide Web, and can be compiled into digital almanacs or bulletins distributed on CD–ROMs and in other media. The BioBulletin centers on global biodiversity, the GeoBulletin will track data about climate systems, and the AstroBulletin will include images from NASA and other observatories, as well as updates on NASA missions, images and information about astronomical events.

The Digital Galaxy brings together diverse data sets to create the first scientifically accurate three-dimensional map of the Milky Way Galaxy. The Hayden Planetarium Space Theater was part of the principal motivation for the Digital Galaxy project. The Space Theater will feature the most advanced real-time digital dome projection system in the world. This project will showcase data from NASA and make it available for widespread public use. It will also explore new ways of compiling, interpreting, and communicating complex scientific data to the public in ways that are engaging, entertaining and highly educational.

A team of Museum scientists and educators has successfully participated in an expedition with the University of Washington to recover four "Black Smokers," sulfide structures located on the deep ocean floor on the Juan de Fuca ridge, off the coast of Washington. Nine teachers accompanied scientists on this expedition and experienced the process of scientific discovery. They also contributed to the Black Smoker Web site journals and will take their experiences back to their classrooms. The National Center plans to develop earth-science curriculum materials inspired by the themes in the Hall of Planet Earth, including the retrieval of and learning from the Black Smoker.

We have recently expanded our work with NASA to meet our common goals of exploring and developing ways to understand the earth, its biodiversity, and the history of life in the universe. By joining the Museum's massive biological collections, accumulated over the last 129 years and extending back hundreds of millions of years, with NASA's enormous datasets, this partnership will effectively address the goals of NASA's new investments in interdisciplinary research in biology, earth science, and space science. Our partnership with NASA will greatly enhance biological research by focusing on four key areas: (i) incorporation of satellite technology

into biodiversity conservation; (ii) utilization of DNA sequencing in systematics and conservation; (iii) improving collections by adding compact storage and a super-cold tissue storage for microbial and molecular biology; and (iv) use of digital imaging technologies for improved perception of specimens and dissemination of research.

The Museum now seeks to extend and broaden the relationship between the American Museum's National Center for Science Literacy, Education and Technology and NASA by expanding the role of NASA in the new Rose Center with the goal of educating a broader segment of the American public. We are seeking, therefore, a fiscal year 2000 NASA investment of $5 million to support an expand the Educational Materials Lab, which is accessed by millions of Americans, and will include the development of additional curriculum modules from prototypes created in the first phase of the National Center's NASA grant in the areas of Tools for Making Sense, Black Smokers, Hall of the Universe, and Digital Galaxy. In addition, we seek to deepen and broaden our partnership with NASA in the realm of the Digital Galaxy by bringing this astounding compilation of information to teachers, students, and the general public through an easily accessible format such as a data archive and coordinated website. We plan to develop an on-going Digital Dome visualization project that will contain a NASA "news" element that will highlight current NASA priorities such as progress in the space station and new astronomical discoveries. These elements can then be integrated into the planetarium space theater presentations for greater public access. In partnership with NASA, we seek to implement a second phase of the highly successful Electronic Science Bulletins that were instituted under the first NASA agreement.

This is our agenda for the coming years. Much of the support for research, exhibition, and education comes from foundations, corporations, and individuals. However, it is significant that we have been able to leverage federal funding such as that from NASA with the result that the support has been matched many times over by private dollars. We seek a similar public/private partnership for our further federal collaborations. The American Museum of Natural History is deeply appreciative of the support of this Subcommittee and looks forward to continuing and strengthening this fruitful partnership. Thank you again, Mr. Chairman and Members of the Committee, for all of your support.

NATIONAL SCIENCE FOUNDATION

PREPARED STATEMENT OF THE NATIONAL CORN GROWERS ASSOCIATION

The National Corn Growers Association, representing 30,000 corn growers in 47 states, appreciates the opportunity to provide you with our recommendations regarding fiscal year 2000 funding for the National Science Foundation's Plant Genome Initiative. We appreciate the Chairman's leadership and the support of this Subcommittee for this Initiative. This program is laying the foundation for agricultural research in the 21st Century.

We are at a critical juncture in plant genomics, one comparable to that faced in human genomics this past year. Last year, two companies announced that they were going to sequence the entire human genome and obtain patents on the data. In response, the National Institutes of Health (NIH) pumped an additional $80 million into the human genome project. They accelerated the project to ensure that vital genome data and materials remained publicly available.

Many other countries and companies have announced major initiatives in plant genomics and have announced intentions to file patents on fundamental plant genomics data. Earlier this month, a company announced that it planned to sequence the entire rice genome and to create a commercial database for which companies would be required to pay $30 million to have five years of access. Because of the similarities between crops, the patenting of rice genomic data will affect research on every crop, including corn. Most companies and public sector scientists at universities and within the Federal government will not have the financial wherewithal to have access to the data unless Congress acts swiftly to increase the Federal effort in plant genomics.

We urge Congress to respond to the recent announcement in the same manner that the NIH did last year by providing a significant increase in funding for the NSF Plant Genome Initiative. We urge you to provide not less than $70 million for the NSF plant genome initiative. We recognize that this will be extremely difficult due to budgetary constraints. However, we believe that we cannot be complacent about maintaining access to fundamental plant genomic data.

In January 1998, the National Science and Technology Council issued an Interagency Working Group report on the National Plant Genome Initiative. The report

stated that the time was right for the implementation of a comprehensive, five-year National Plant Genome Initiative to meet the major challenges that will face mankind in the 21st Century. In the transmittal letter accompanying the report, the President's science advisor, Dr. John H. Gibbons, stated the following:

"The timing of this initiative is critical, since our international and private sector partners are moving forward aggressively. A significant public sector program . . . carried out in partnership with industry will ensure plant genome data and materials are openly accessible to all scientists. It is a critical step toward promoting future scientific breakthroughs in plant biology and their practical application."

The Interagency Working Group on Plant Genomes estimated that $400 million in funding was needed, over five years, to accomplish the short-term goals of the National Plant Genome Initiative that focus on building plant genome research infrastructure. However, funding for the initiative has fallen far short of that needed to meet the $400 million level. Fiscal years 1998 and 1999 provided only $90 million for the effort. If full funding had been provided from the very beginning, it is possible that we would not be faced with losing accessibility to vital plant data today.

The Plant Genome Initiative is, critically, important to the nation's corn growers and to the nation's consumers. While world population continues to expand and protein demand increases exponentially, there is an expectation of higher quality, safer, and more nutritious food. These accelerating demand pressures mean that existing resources of land, water, and nutrients must be used more effectively if the supply of food, feed, and fibers is to remain in balance with world needs.

The NCGA believes that the future of the corn industry is written in corn's genetic code. The NCGA concurs with Philip H. Abelson's statement, in a recent Science editorial, that we are in the early phases of the third technological revolution—a genomics revolution and that ". . . the greatest ultimate global impact of genomics will result from manipulation of the DNA of plants." As he stated, "ultimately, the world will obtain most of its food, fuel, fiber, chemical feedstocks, and some of its pharmaceuticals from genetically altered vegetation and trees." (Science, Vol. 279, p. 2019.)

The Plant Genome Initiative supports research that advances our understanding of the structure, organization and function of plant genomes, and accelerates utilization of new knowledge and innovative technologies toward a more complete understanding of basic biological processes in plants. The primary focus of the PGI is on economically significant plants, such as corn. The Plant Genome Initiative will help scientists, geneticists, and plant breeders identify and utilize genes from corn and other economically significant crops that control important traits, such as nutritional value, stress tolerance, and resistance to pests. The far-reaching benefits of this Initiative include:

—Protection of U.S. interests and access to important biotechnology and gene patents and basic plant genome data;
—Retention of U.S. leadership in cutting edge research;
—Revitalization of rural America due to a more robust agricultural sector;
—Expansion of plant-based renewable resources for energy and raw materials;
—Significant reductions in crop losses and reliance on pesticides through improved biological methods to control and alleviate serious industrial threats and targeted pests;
—Improved yields and reduced crop losses caused by adverse environmental conditions such as heat, drought, and salt;
—Improved nitrogen-use efficiency, thereby, limiting the potential for nitrates in the water supply;
—Reduced environmental problems confronted by livestock producers, such as modifying the digestibility of phosphorous in feed corn to reduce the amount of phosphorous that enters our ground water;
—Improved animal nutrition leading to healthier meat and increased meat productivity;
—Reductions in the occurrence of mycotoxin contamination by significantly improving resistance to fungal infection;
Development of tailored hybrids with valuable specialty starches, oils, and protein content; and
—Reduced worldwide malnutrition due to higher yielding and more nutritious crops.

The Plant Genome Initiative is critical to the long-term viability of U.S. agriculture. To compete in the global market, the U.S. must continually strive to efficiently and economically improve production capabilities—to maximize yield and combat serious threats from disease, pests, and climate changes—without harming the environment. Genomics research holds the key to achieving this goal.

A significant increase in funds will help the US to remain at the cutting edge of plant genomics and will help guarantee that we have continued access to fundamental plant genome data. This is the number one appropriations issue for the National Corn Growers Association. We urge you to provide not less than $70 million for the NSF Plant Genome Initiative to ensure that our growers have the tools to meet the challenges and demands of the 21st century.

Thank you for allowing us to share our views on the fiscal year 2000 VA, HUD appropriations bill.

PREPARED STATEMENT OF THE AMERICAN PSYCHOLOGICAL SOCIETY,

Mr. Chairman, Members of the Subcommittee: Thank you for the opportunity to submit this statement on the fiscal year 2000 appropriations for the National Science Foundation. I am Alan Kraut, Executive Director of the American Psychological Society (APS). APS's 15,000 members are scientists and academics who conduct research in cognition; memory; auditory and visual perception; decision-making; human development; emotions; and group behavior, to name just a few topics. To summarize the main points of my testimony:

—As a member of the Coalition for National Science Funding, APS supports the Coalition's recommendation that the NSF budget be increased 15 percent in fiscal year 2000.

—We ask the Subcommittee to significantly increase the fiscal year 2000 budget for NSF's behavioral and social science research divisions to support the reorganization of those divisions and to allow the initiation of programs in emerging areas such as cognitive neuroscience.

—Disparities in the length and duration of NSF grants in behavioral and social science compared to other NSF grants mean that the behavioral sciences continue to be underfunded. We ask the Subcommittee to encourage the elimination of these funding disparities at NSF, recognizing this would require some "catch-up" funding for these disciplines.

—We ask the Subcommittee to support the establishment of small grants at NSF specifically designed to sustain new investigators in the behavioral sciences at a critical junction in their career.

I want to begin by expressing our appreciation for the substantial increase that Congress provided for NSF in fiscal year 1999. That increase has made a difference throughout the agency and particularly in the programs that I know best, those that support psychological science. It is our position that this general growth needs to continue at NSF in fiscal year 2000. As a member of the Coalition for National Science Funding (CNSF), APS supports the Coalition's recommended 15 percent increase for NSF in fiscal year 2000, for a total appropriation of $4.3 billion. The President's request this year is a 5.8 percent increase, but a substantial portion of that is in information technology. We support increased funding for information technology—this will benefit science as well as the public. However, it should not be at the expense of other areas which also provide essential scientific knowledge. The CNSF recommendation would allow a balanced distribution of increases in the fiscal year 2000 budget.

Social and Behavioral Structure and Funding.—I'll talk about some of the initiatives that are being funded in fiscal year 1999 in a moment, but first, within the context of NSF's overall budget, I'd like to discuss some of the agency's policies as they affect basic behavioral and social science research. For the past several years, this Subcommittee has strongly encouraged these areas at NSF. Your support was instrumental in establishing the Social, Behavioral and Economic Sciences Directorate—known as SBE—and later in strengthening it. You also were instrumental in helping the Directorate expand its Human Capital Initiative program. Most recently, this Subcommittee, along with your colleagues in the House, expressed strong support for the planned reorganization of SBE's single research division into two separate divisions. I am pleased to report that the final touches to this reorganization have now taken place, and the SBE directorate has a Behavioral and Cognitive Sciences Division, and a Social and Economic Sciences Division.

This reorganization will enable NSF to accommodate the explosive pace of discovery in the behavioral and social sciences and to promote partnership with other disciplines. There was just too much breadth and depth in these fields to be contained in one research division. However, the reorganization is just a beginning. Providing a critical mass of funding is the next step.

The President's budget request includes a 5.3 percent increase for NSF's behavioral and social science research programs, which would bring them to just over $106 million for fiscal year 2000. We appreciate the proposed increase, but it is also

clear that additional resources are needed if the two new divisions are to sustain the scientific momentum that led to the reorganization. We ask the Subcommittee to support a significant increase in the NSF budget for behavioral and social science research programs in the SBE directorate.

In addition, we are asking the Subcommittee to encourage NSF to increase the average amount and the duration of awards in the behavioral and social sciences. The average length of an award in the behavioral and social sciences is only 2 years, compared with the NSF-wide average of 2.7 years. Further, the average grant in these areas receives $20,000 less than the average NSF-wide grant. These disparities exacerbate the underfunding that NSF's behavioral and social science research experiences, both in terms of the number of grant proposals that are funded compared to the number submitted, and in comparison to overall budget levels in other areas of science. We ask the Subcommittee to encourage NSF to examine its support for these essential areas, and to stress that any plan to provide additional equity among the sciences will not be accomplished through a reduction in the number of awards made in these disciplines.

Young investigator mechanisms.—The need to support the next generation of scientists is especially acute in basic research in the behavioral and social sciences. The underfunding of our fields has an impact beyond principal investigators whose proposals aren't being funded. It jeopardizes the supply of high-quality future investigators who would otherwise receive training under those grants. The beginning of an investigator's career is an important juncture; it is a time when a relatively new PhD should be collecting initial data and gaining experience that is often necessary to later compete for larger grants. In order to protect our "seed corn" investigators, we suggest that NSF use a mechanism such as NIH's B/START (Behavioral Science Track Awards for Rapid Transition) grants, which provide small amounts of funding specifically to sustain new investigators at that critical time in their careers. We ask the Subcommittee to encourage the establishment of small grants such as B/START at NSF for new behavioral and social science investigators.

SOCIAL AND BEHAVIORAL SCIENCE INITIATIVES

The remainder of my testimony describes specific initiatives at NSF that are being funded in the current year. These illustrate the important work in my own field, psychological science, that is being supported by NSF's behavioral and social science programs, and how this work is combined with many other disciplines. By expanding NSF's capacity in these areas, you would be allowing much more of this kind of work to be done. The increase we are requesting will allow NSF to increase the number of grants funded under these initiatives, plus the agency will be able to launch additional initiatives in fiscal year 2000.

Knowledge and Distributed Intelligence.—Research in Knowledge and Distributed Intelligence (KDI) is an NSF-wide priority for fiscal year 2000 and is funded by all six NSF research directorates. Behavioral science is a core area of the initiative, which is using interdisciplinary research to examine such phenomena as learning and memory, social cognition, human-computer interactions, and visual and auditory perception. This initiative involves research in areas ranging from neuropsychology to cognitive science to social and developmental psychology.

Of the nearly 700 research proposals received by the KDI program, 40 were funded, and of those 40, about a quarter included a significant cognitive, behavioral or psychological science aspect. Here are some examples of projects on which psychological scientists are serving as principal investigators:

—At the University of Pittsburgh, investigators on a KDI project called Computational Models and Coordinated Neuroimaging of Learning and Cognitive Function will be mapping human brain function and developing computational models of brain structures involved in human cognition.

—In Virtual Environments and Behavior, a KDI project at the University of California, Santa Barbara, scientists will be using immersive virtual environment technology (IVET, a state-of-the-art research tool which creates illusory physical and social surroundings) in four areas of basic research: education and learning, visual perception, spatial cognition and social psychology. Among other things, they will study social interactions in virtual environments and how people develop natural interactions under virtual circumstances. IVET is already invaluable to many areas of psychological research, and one primary goal of the project is to expand the use of IVET in social psychology research.

—In a KDI project at Michigan State University, titled Sequential Decision Making in Animals and Machines, investigators from cognitive psychology, computer science, and zoology will be examining issues that cut across biological and artificial intelligence, yielding knowledge that will be relevant to many disciplines.

—In a project with the complicated title of Segmental and Prosodic Optical Phonetics for Human and Machine Speech Processing, psychologists and others from the House Eye Institute at UCLA will be studying fundamental issues in visual speech perception and optical speech synthesis. Specifically, they will be characterizing optical speech signals and examining how optical speech characteristics relate to acoustic and physiologic speech characteristics.

Enhancing Infrastructure for the Social and Behavioral Sciences.—In social and behavioral science, the term "infrastructure" refers to large, innovative and long-running projects that involve data bases, technology, some longitudinal research, and other resources useful across a wide base of scientific inquiry. NSF has historically supported several important infrastructure initiatives in the behavioral and social sciences. In fiscal year 1999, the SBE launched a new infrastructure initiative that among other things will capitalize on the expanding capabilities of the World Wide Web to bring data, researchers and experimental facilities together electronically in arrangements that are being called "collaboratories." These collaboratories will enable scientists from different geographical locations to jointly conduct real-time controlled experiments and to share the use of expensive experimental equipment. More generally, it allows a greater number of scientists to be involved in, and gain results from, research in progress. Other infrastructure activities will involve large-scale surveys, electronic databases and archives that can be accessed through the Web, and interdisciplinary research centers that develop innovative methods of collaborative research activity.

The fiscal year 1999 round of proposals have been received, and since the review process is under way we don't yet know what specific proposals will be funded. But I am sorry to report that with the current level of funding, $3 million, only a very few of the 100 proposals received—perhaps as few as 4 or 5—will be funded under this infrastructure initiative.

Child Learning and Development.—Another initiative to be funded in fiscal year 1999 is in the area of child learning and development. This multidisciplinary competition will support research that increases our understanding of cognitive, social, and biological processes involved in learning, with particular emphasis on new theories and methods for studying learning and child development. Specific issues to be addressed include: the development and transfer of knowledge in specific subject areas; the effects of peer relationships, family interactions, and other social factors on learning; the impact of family, school and community resources on learning and development; and the role of demographic and cultural characteristics in learning and development. A minimum of $2 million will be available for this initiative in fiscal year 1999, and it is anticipated that 15–20 of the 60 proposals received will be funded.

Cognitive Neuroscience.—I would also like to briefly highlight an area where NSF is seeking to increase its activities. The emerging field of cognitive neuroscience combines behavior and biology in a multi-disciplinary approach to understanding the mind. The result is a new approach to unraveling the complexities of mental processing and the underlying biological intricacies. Drawing on theoretical advances in cognitive science and technological advances in brain imaging, this field has significant implications for our understanding of memory, learning, perception, emotion, of virtually any brain-based behavioral process. Cognitive neuroscience has potential applications in education generally, and in diagnosing and treating learning disabilities and assessing cognitive ability in cases of disease and trauma, among other things.

NSF is in an excellent position to expand and strengthen the field of cognitive neuroscience. We ask the Subcommittee to support the development of a cognitive neuroscience initiative at NSF and to provide new funding in fiscal year 2000 to help launch a program in this area.

This concludes my statement. I would be pleased to answer any questions.

LETTER FROM THE UNIVERSITY CORPORATION FOR ATMOSPHERIC RESEARCH

UNIVERSITY CORPORATION FOR ATMOSPHERIC RESEARCH,
NATIONAL CENTER FOR ATMOSPHERIC RESEARCH,
Boulder, CO, April 22, 1999.

Hon. CHRISTOPHER BOND,
Chairman, Subcommittee on VA, HUD and Independent Agencies,
Senate Appropriations Committee, Washington, DC.

DEAR MR. CHAIRMAN: On behalf of the University Corporation for Atmospheric Research (UCAR) and the university community involved in weather and climate research and related support activities, I would like to submit this letter for the record

of the U.S. Senate Committee on Appropriations, Subcommittee on VA, HUD and Independent Agencies.

UCAR is a university membership consortium composed of 63 U.S. and Canadian institutions that grant the Ph.D. in atmospheric, oceanic, and related sciences. It is a not-for-profit Colorado corporation established in 1959 to support, enhance, and extend the capabilities of the university community, nationally and internationally; to understand the behavior of the atmosphere and related systems and the global environment; and to foster the transfer of knowledge and technology for the betterment of life on earth. UCAR manages and operates the National Center for Atmospheric Research (NCAR) and the UCAR Office of Programs (UOP). UCAR is supported by the National Science Foundation (NSF) and other federal agencies including the Department of Energy (DOE), National Aeronautics and Space Administration (NASA), the National Oceanic and Atmospheric Administration (NOAA), the Environmental Protection Agency (EPA), the Department of Defense (DOD), and the Federal Aviation Administration (FAA).

We appreciate the opportunity to submit written testimony on the proposed fiscal year 2000 budgets for the following agencies:

THE NATIONAL SCIENCE FOUNDATION (NSF)

We urge the Committee to support the overall proposed budget of $3.95 billion for the National Science Foundation (NSF) for fiscal year 2000, a 5.8 percent or $217 million increase over fiscal year 1999. NSF is a critical source of funding for the research and education activities of our community and the welfare of the nation. Scientific advances funded by NSF over almost 50 years of service have helped to fuel the vibrant economy that makes the U.S. the strongest country in the world.

Within the NSF, we would like to provide written testimony on the following specific programs:

New Initiatives

The new Information Technology for the 21st Century (IT^2) initiative is funded at $146 million, $110 million in NSF's CISE Directorate and $36 million in NSF's Major Research Equipment Account. IT^2 has the potential to address the critical supercomputing needs for science in the U.S. Our nation has lagged behind other developed nations in high-end computing, a situation that will adversely affect our economy and has already impacted the atmospheric science community's position of scientific leadership. As the atmospheric sciences community strives to learn more about the effects of solar variability on the earth's atmosphere, space weather that impacts satellite communications, climate variability and weather patterns, the need for computational power grows. We do not have the computation tools to effectively address many of our nation's weather and climate policy issues. This is particularly important as we get closer to the next round of international climate change assessments in 2004. If investments in basic information technology are made in concert with the computational science needs of the weather and climate community, our nation will get significantly larger return on these IT2 investments.

The exciting Biocomplexity in the Environment (BE) initiative, funded at $50 million in the new Integrating Activities line, will explore the complex interdependencies among living organisms and the environments that affect, sustain, and are modified by them. We expect that contributions can be made to this effort from across the science and engineering community. In fact, we believe the atmospheric and related science community is well positioned to contribute, including proposing the integration of biogeochemistry, especially the carbon cycle, into NCAR's Climate System Model, one of the world's premier, fully-coupled, climate system models.

We urge the Committee to support the new IT^2 and Biocomplexity initiatives.

Geosciences Directorate

We urge the Committee to support the proposed fiscal year 2000 budget of $485.48 million for NSF's Geosciences Directorate (GEO). We are concerned, however, that this represents only a 2.6 percent increase over the fiscal year 1999 Current Plan of $472.98 million. Given inflation factors, this amount allows little or no enhancement of the work supported by GEO focusing on the atmospheric, earth and oceanic sciences. GEO is the principal source of funding for university-based research addressing the nation's ability to understand, predict and respond to environmental events and changes. As our ability increases to do more complex research on the interactions of the earth's systems, so do the costs of research tools such as computation time and instrumentation. In future years, we believe that the GEO budget should increase in proportion to its key role in this critical area of research and that the following components of the GEO budget should increase accordingly.

We urge the Committee to support the proposed fiscal year 2000 budget of $164.00 million for Atmospheric Sciences (ATM) within NSF's Geosciences Directorate, a 2.7 percent increase over the fiscal year 1999 Current Plan. The ATM Subactivity within GEO funds university research activities as well as the country's large research facilities that further our understanding of weather, climate, and the solar-terrestrial environment. Research studies include understanding the be havior of weather and climate on all scales, the chemistry and chemical cycles of the earth's atmosphere, and the sun as it relates to the Earth's atmosphere and space environment.

Within ATM, we urge the Committee to support the proposed fiscal year 2000 budget of $68.15 million for the National Center for Atmospheric Research (NCAR), a 2.7 percent increase over the fiscal year 1999 Current Plan. This world-class center for atmospheric research supports the broad atmospheric sciences community through observational and computer facilities, instrumented research aircraft, and an extensive visiting scientist program. In fiscal year 2000, NCAR will continue the badly needed refurbishment of the NCAR Mesa Laboratory building at a level of $4.0 million. This $12 million, multi-year refurbishment was begun in fiscal year 1999 and will ensure that NCAR's primary building will continue to serve the scientific community at the highest level.

U.S. global change research program

We urge the Committee to support the fiscal year 2000 proposed budget of $187 million for the U.S. Global Change Research Program (USGCRP) within NSF. The USGCRP is an interagency program that addresses interactions among physical, biological, ecological, and human systems at various scales. Working with national and international research institutions, this program allows the atmospheric sciences community to improve prediction capabilities for climate fluctuations between excessively wet and dry periods, and for long-term climate change. This research is a critical investment for the future of this nation, its economy, and the health and safety of its citizens.

U.S. weather research program (USWRP)

NSF and the National Oceanic and Atmospheric Administration (NOAA) are partners in the USWRP, a program designed to bring the operational and research weather communities together to extend the way in which we utilize the technologies of the National Weather Service's $4 billion Modernization Program. USWRP was authorized by Congress in 1992 and an implementation plan for $130 million over five years was submitted to Congress in 1994. According to that plan, the fiscal year 2000 USWRP funding level for NSF and NOAA should be $12 million each for a total of $24 million. We were discouraged to see that NOAA's proposed fiscal year 2000 funding for USWRP is only $1.5 million. The program is mentioned in the NSF budget, but no dollar amount is specified. The disaster relief savings realized through USWRP research on hurricane landfall and heavy precipitation could be many times the initial investment. We urge the Committee to fully fund the USWRP in NSF's fiscal year 2000 budget.

High-performance instrumented airborne platform for environmental research (HIAPER)

The atmospheric sciences community were extremely disappointed when HIAPER was omitted from NSF's Major Research Equipment (MRE) account in the fiscal year 2000 proposed budget. This high-altitude, modern research aircraft has been approved by the National Science Board and was slated to begin funding in fiscal year 2000. The scientific need for HIAPER is well documented. The study of the upper atmosphere is vital to the understanding of how severe weather and other climate phenomena develop and impact the nation and the globe. The aircraft is scheduled to be operational five years after funding begins. Since at least one other aircraft currently in service at NSF will end its useful lifetime in the next five years, we urge the Committee to provide a modest start for HIAPER within NSF's MRE account in fiscal year 2000, provided it doesn't significantly impact other NSF initiatives.

The National Aeronautics and Space Administration (NASA)

We urge the Committee to support proposed funding for Solar B within NASA's Solar Research account. Solar B is part of NASA's Solar-Terrestrial Probe (STP) program and, from what we understand, is recommended at the full funding level for fiscal year 2000. Solar B is a collaboration with Japan to carry out a series of highly focused satellite missions to study the Sun and its many influences on the Earth and other planets. The data gathered should help us understand events such as

solar flares that can hit Earth's atmosphere with enough force to cause extremely expensive and dangerous communications disruptions.

We understand that the High Resolution Dynamics Limb Sounder (HIRDLS) instrument is fully funded through the Earth Observing System's chemistry mission of NASA's Office of Earth Science and we urge the Committee to maintain that support. We are pleased with the progress achieved for the HIRDLS instrument, scheduled for flight on the Chemistry platform of the Earth Observing System. HIRDLS is being jointly developed with the United Kingdom and with extensive participation by the U.S. academic community. It will return observations with unprecedented detail, notably on the transition region between the troposphere and stratosphere. These data will enable detailed studies of chemical and dynamical processes that are fundamental to improved understanding of global change.

On behalf of the atmospheric sciences community, I want to thank you for the important work you do for U.S. scientific research, education, and training. We appreciate your attention to the recommendations of our community concerning the fiscal year 2000 budget.

Sincerely,

RICHARD A. ANTHES,
President.

PREPARED STATEMENT OF THE BOARD ON HUMAN SCIENCES OF THE NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND GRANT COLLEGES

Mr. Chairman and members of the committee: My name is Patricia Knaub. I am Dean of the College of Human Environmental Sciences at Oklahoma State University. This testimony is in behalf of the Board on Human Sciences of the National Association of State Universities and Land Grant Colleges (NASULGC). The Board on Human Sciences (BOHS) represents those State Universities and Land Grant Colleges which conduct research, extension and education programs on nutrition and health, food safety and product development, p K–12 teacher education, workforce development, human development, family and community viability. Our work is supported by federal, state, and privately funded grants as well as CSREES formula funds and USDA competitive grants programs. In 1998 member colleges reported $1.5 million in projects supported by NSF. Some of our colleges are located in major research institutions and several others are located in EPSCoR designated institutions.

The BOHS strongly supports the National Science Foundation initiatives outlined in the fiscal year 2000 budget proposal. Our member colleges are prepared to carry out work in support of several of these initiatives, especially aspects of Information Technology for the 21st Century (social, economic, and workforce impacts of technology); Educating for the Future: A 21st Century Workforce; and encouragement of scientific participation of underrepresented groups.

INFORMATION TECHNOLOGY FOR THE 21ST CENTURY

The IT^2 initiative places emphasis on enhancing the fundamental capacity of technology to support scientific investigation but also recognizes the critical need to develop and maintain literacy of the workforce at all levels to use current and new technology in the application and dissemination of scientific advances. Workers in America are being displaced because their jobs become obsolete or change with the advent of technology. They must be retrained. Users of information available via technology need support in accessing information and in verification of its quality.

EDUCATING FOR THE FUTURE: A 21ST CENTURY WORKFORCE

A generation caught between low and high technology must be retrained or redirected into economically viable jobs, but the emerging generations of workers must be prepared to utilize available and new technologies to become employable. The pairing of graduate assistants and undergraduates with p K–12 learners and their teachers not only provides direct assistance, but reinforces skills being learned by these graduate and undergraduate students. A long term technology literate workforce is likely to be assured with such pairings.

HUMAN SCIENCE RESEARCHERS AND EDUCATORS RESPOND

Human science researchers and educators in all 50 states are conducting programs which directly address the issues identified as fiscal year 2000 NSF priorities. Extension educators work directly with displaced workers in need of technological skills and teacher educators conduct programs to enhance the scientific lit-

eracy of p K–12, but also conduct programs which increase interest in science as a career. Further, all human science faculties are linked through the Board on Human Sciences so that interstate and interdisciplinary programs can be carried out and information freely exchanged across the country.

Workforce Transition.—Consortia of human sciences colleges in several states are providing coursework, degree programs, or skill upgrade workshops to help place-bound workers' transition from jobs which no longer exist. These opportunities are being made available by distance learning technologies so that learners can remain at home or study at times available around work schedules. Not only do these opportunities retrain workers with new marketable skills, it familiarizes them with the use of technology, enhancing their marketable skills.

Educating for the Future 00 Faculty and p K–12 teachers have developed science programs which introduce fundamental science knowledge via subjects of interest to students. For example, a program based upon food safety has been introduced into biology and chemistry classes. Science teachers are introduced in summer sessions to course materials on food safety. Similarly, high school students participate in textile and polymer science summer courses working with graduate students on research projects. A member Human Sciences college is currently conducting an NSF funded project teaching textile and polymer science to non-science university students.

Serving underrepresented groups.—Human sciences faculty in 1862 Land Grant Universities team with Faculty in 1890 and 1994 LGU institutions in undergraduate/graduate/faculty exchanges to work on joint research projects in nutrition, food product development, and dietetics. In several cases these are funded projects resulting in enhanced institutional capacity as well as collegial enhancement.

The Board on Human Sciences welcomes these well targeted initiatives for fiscal year 2000. Human Sciences faculties contribute significantly to the programs addressed in this budget as outlined above. Support for this budget can help assure that contribution. Thank you or the opportunity to comment. We urge your support of these initiatives.

PREPARED STATEMENT OF THE STATE AGRICULTURAL EXPERIMENT STATIONS

Mr. Chairman, members of the subcommittee: On behalf of the State Agricultural Experiment Stations (SAES), I appreciate the opportunity to appear before you to discuss the importance of research and the National Science Foundation (NSF). The SAES comprise a nationally coordinated system of experiment stations that serve as the research arm of the Land Grant Universities (LGUs). The mission of the SAES is to generate knowledge and technology to support a highly diversified agricultural and natural resource system that produces, processes and delivers a high quality, safe, affordable and abundant supply of food, fiber and forestry products.

In support of its mission, SAES seeks to broaden partnerships with other agencies, including NSF, that are involved in agriculture and natural resource management programs and research. SAES is committed to improving the technology and information base by capitalizing on the LGU comparative advantages in research, education, and extension.

PARTNERING WITH NSF AND OTHER AGENCIES

Many agencies such as NSF share similar research priorities and goals that can be utilized to develop more effective programs. Many initiatives and goals are targeted to specific agendas, however a more thorough inventory of research priorities can be assessed through collaborative discussions and pooling of resources. Through a variety of means, partnerships with NSF and other agencies increase:

—number of funding awards from agencies going to LGUs;
—the amount of LGU participation in Agency peer review processes;
—the quantity/quality of proposals submitted by the LGUs for Agency funded competitive grants;
—the exchange of scientists between LGU institutions and agencies for collaborative projects.

NSF FISCAL YEAR 2000 BUDGET PROPOSAL

The SAES strongly support the priorities outlined in the NSF fiscal year 2000 budget proposal including:

Information technology for the 21st century (IT^2)

This initiative requests $146 million across two components: $110 million for fundamental information technology research (Software systems, scaleable information

infrastructure, high-end computing, and social, economic, and workforce impacts of information technology). An additional $36 million is designated for tetrascale computing systems allowing researchers access to leading edge computational systems. According to NSF, 60 percent of this will go to support university-based research. This program will help address the need to better manage and utilize information and technologies produced and disseminated by the Land Grant University system.

Biocomplexity in the environment

$50 million is requested to better understand:

—Biodiversity and ecosystem dynamics, diversity of life responses to changes in land, water and air,

—Environment and the human dimension, the impact of population distribution and human decision-making on environment and global change, and

—global and environmental change including earth system history, tectonics, glaciology and hydrology.

Given that one of the five major goals of the Land Grant University system is to address greater harmony between agriculture and the environment, the LGUs bring a high level of expertise in the area of biocomplexity in the environment to the table. Our system supports this investment and stands ready to work with NSF to address these critical issues.

Plant genome research

NSF proposes a $55 million investment to advance understanding of plant structure and function, with emphasis on economically significant plants, and advance use of new knowledge and innovation technologies toward basic biological processes. The mapping of genomes of economically important crops and other plants has tremendous implications for agricultural production and processing, food safety and quality and environmental protection. Increased investment in this area of research it extremely important and the competitive grants provided by NSF facilitate continued partnerships between the NSF, Land Grant Universities, USDA/ARS, Department of Energy and the private sector.

Experimental program to stimulate competitive research (EPSCoR)

An investment of $48 million is proposed for the Experimental Program to Stimulate Competitive Research (EPSCoR). EPSCoR targets those states that have historically received lesser amounts of Federal R&D funding and have demonstrated a commitment to develop their research bases and to improve the quality of science and engineering research conducted at their universities and colleges. EPSCoR is successful at identifying, developing, and utilizing a state's academic science and technology resources in a way that supports wealth creation and a more productive and fulfilling way of life for a state's citizenry. This program is particularly important to the 1890's institutions. Land Grant Universities in EPSCoR states have built important linkages through this program that have resulted in lasting improvements to the state's academic research infrastructure and increased national R&D competitiveness. Continued investment in this program is critical.

Thank you again for the opportunity to provide testimony to the subcommittee regarding the National Science Foundation's fiscal year 2000 budget. I strongly urge the subcommittee to support the NSF fiscal year 2000 budget proposal and I look forward to working with you, the NSF, and other agencies to address the science and technology needs of the future.

PREPARED STATEMENT OF THE COUNCIL FOR CHEMICAL RESEARCH

ISSUE

The National Science Foundation (NSF) is the only federal agency with the responsibility for research and education in all scientific and engineering fields. It is the heart of the Nation's science and technology enterprise. Any erosion of this enterprise will impact many areas of our Nation. The 9.1 percent increase in the NSF budget for fiscal year 1999 provided an opportunity to address the declining purchasing power of NSF funding that has occurred since fiscal year 1995. The fiscal year 2000 budget must continue to address these impacts which fall directly on today's researchers, students, and population overall.

POSITION

The Council for Chemical Research (CCR) appreciates the support of both the President and the Congress that resulted in a 9.1 percent increase in the NSF budget for fiscal year 1999. This increase began to address the loss of purchasing power

of the NSF budget that has occurred since fiscal year 1995. CCR also appreciates the President's submission of a 5.8 percent increase for the NSF fiscal year 2000 budget to a level of $3.954 billion. However, the Council believes it is important to go farther than this. Greater support is needed for the physical sciences that form the basis for advances in so many other areas. In particular, we urge larger increases than the proposed 2.2 percent to chemistry and 2.1 percent to materials research. Additionally, CCR along with other members of the Coalition for National Science Funding asks Congress to support a 15 percent increase to the overall NSF budget. This increase will enable new discoveries and educate the world's best scientists and engineers; it is clearly in the best interests of the Nation and crucial to our continued economic growth.

RATIONALE

Not only is NSF the guarantor of basic research for the United States, but it has a primary role in building the science and engineering workforce of the future and helping to educate the public about science in an increasingly technological world. As leaders of the Nation's chemical research enterprise, CCR well understands the role of NSF funding on scientific research, on kindergarten through post-graduate education, and on enhancing public understanding of science and technology.

NSF provides the core research and infrastructure upon which all can build. Nearly half the research cited in chemical industry patents is from public science, and most of that science was supported by NSF. These contributions at the basic end of the R&D spectrum enable the science and technology enterprise. In the chemical sciences and engineering alone, such research has contributed to the development of plastics, synthetic fabrics, cleaning products, fuels, medicine, advanced electronics, environmental solutions, and many other necessities of modern life.

The budget decisions confronting government decisionmakers are not easy. The case for investing in the future by funding NSF at the level requested, or more, must stand up against concerns about spending for individual health and security. NSF is only about 0.2 percent of the federal budget, but it provides nearly 25 percent of all federal support to academic institutions for basic research. Although it is classified as part of the discretionary budget, funding for the Foundation should be properly viewed as an investment that yields very high return to our society. Half our economic growth in the past fifty years has come from technological innovation and the science supporting it. It therefore follows that decisionmakers must take a long view in choices that affect the future capability of the Nation's innovation engine.

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