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AGENCY BUDGETS AND PRIORITIES FOR 2008

(109–9)

HEARING

BEFORE THE

SUBCOMMITTEE ON
WATER RESOURCES AND ENVIRONMENT

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

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February 9, 2007

MEMORANDUM

TO: Members of the Subcommittee on Water Resources and Environment

FROM: Subcommittee on Water Resources and Environment Staff

RE: SUMMARY OF SUBJECT MATTER: Hearing on "Agency Budgets and Priorities for FY 2008"

Purpose of the Hearing

On February 14, 2007, at 10 a.m., the Subcommittee on Water Resources and Environment will hold a hearing on the President's budget request for fiscal year 2008 in 2167 RHOB. Testimony will be received from the U.S. Army Corps of Engineers (Corps), Natural Resources Conservation Service, Tennessee Valley Authority, and St. Lawrence Seaway Development Corporation on their proposed budgets for fiscal year 2008. **For purposes of comparison, funding levels in the recently House-passed continuing resolution (H.J. Res. 20) are used to represent the fiscal year 2007 enacted levels.**

Army Corps of Engineers

The Army Corps of Engineers provides water resources development projects for the nation, usually through cost-shared partnerships with nonfederal sponsors. Activities include navigation, flood control, shoreline protection, hydropower, dam safety, water supply, recreation, environmental restoration and protection, and disaster response and recovery.

The water infrastructure and programs of the Army Corps of Engineers support vital economic and environmental needs of this nation. These projects provide for continued economic growth, job creation, and economic stability while protecting human lives, ensuring reliable waterborne transport of goods, and important environmental restoration of valuable natural resources. This budget continues the longstanding trend of the administration requesting significant cuts in the Corps budget compared to Congressional appropriations. For fiscal year 2008, the administration requests a total of $4.871 billion, which is $459 million (-8.6%) less than the fiscal year 2007 enacted levels.

The funding level for construction projects included in the budget is 45% less than capability, and the investigations projects is 39% below full capability, limiting the effective advancement of these mission responsibilities. In addition, these funding levels continue to exacerbate problems by failing to fund the construction backlog, and curtailing the study and development of new projects.

Construction: The construction account continues to decline under the administration's fiscal year 2008 budget request of $1.5 billion, a reduction of $811.4 million (-34.8 %) from the fiscal year 2007 enacted level. This reduction is proposed despite the recognition that there is a backlog of projects needing funds. The administration has again assembled its budget under "construction budgeting principles" which is intended to direct funding to the highest performing projects while addressing human safety concerns. The principles require a benefit cost ratio better than 1.5 for a project to be considered for funding, and over 3.0 to receive full funding. Ecosystem restoration projects are not included in the benefit-cost ratio analysis and are reviewed based on cost effectiveness and national significance. The new criteria also limits new starts to those projects that rank in the top 20% of the construction projects—no projects qualified this year for a new start. Fourteen additional flood damage reduction projects were included in the budget outside of this benefit cost analysis to address significant risk of human safety. The administration's threshold for funding consideration results in no new starts, and has the effect of preventing the consideration of many important projects which are ready for construction.

Investigations: The administration's budget requests $90 million for investigations, a decline of $72.4 million (-$44.6%) from fiscal year 2007 enacted levels. The administration states this budget request is intended to limit development of new projects because the current construction backlog reduced the ability to fund new projects. This justification fails to recognize the importance of new projects. As a result, currently needed projects that protect human life and property, improve navigation, or restore vital environmental areas are sacrificed in favor of previously developed projects.

The administration's budget allocates $35.3 million (38.9% of total request) to project specific studies. The balance is directed to an array of Corps' watershed studies that are not specific to any particular project. The application of the benefit cost review to these studies puts important watershed studies at a disadvantage. These watershed studies do not study any one project but are designed to provide a comprehensive analysis of the overall needs of the affected watershed, including potential flood damage reduction, water supply, and ecosystem restoration needs. When properly conducted, these studies can provide valuable information to guide local development decisions. The administration did include one new start for a flood plain management study.

Operations and Maintenance: The administration's fiscal year 2008 budget requests $2.5 billion in the Operations and Maintenance account (O&M), which is an increase of $501.9 million (+25%) over fiscal year 2007 enacted levels. Due to inadequate funding in the O&M account, the Corps has been deferring maintenance on navigation and flood control projects for many years. Three years ago, the Corps' own estimate called for a 50% increase in operations and maintenance funding to address long delayed maintenance needs which will only become more costly with further delay. The increase in the fiscal year 2008 O&M account is an important, though small step, to ensure the reliable and efficient operations of our nation's vast water infrastructure.

The administration again proposes to shift several former Construction General responsibilities to the O&M account. These include: infrastructure rehabilitation for work that is not large enough to be considered a replacement; Endangered Species Act compliance where the Corps is implementing an alternative set forth in a biological opinion; the construction of facilities, projects or features (including islands and wetlands) to use materials dredged during Federal navigation operation and maintenance activities; and the mitigation of shoreline impacts resulting from Federal navigation operation and maintenance activities. The administration's budget proposes to consolidate funding for O&M activities by region, making it more difficult to track individual project spending in this account.

The administration's budget anticipates the Corps will resubmit its fiscal year 2007 proposal for the Corps to collect new fees at recreation sites. This proposal permits the Corps to retain entrance fees collections in excess of $37 million and is modeled on fee collection programs currently used by National Park Service and the Forest Service. The Corps is the largest federal provider of outdoor recreation services. It manages 4,300 recreation areas at 456 Corps' sites in 43 states. Many of the Corps' facilities were built 30-40 years ago, and were designed to meet the recreation needs of the public at that time. Today, Corps facilities serve millions of people per year. Under the administration's forthcoming proposal, beginning in fiscal year 2008, the Corps would be authorized to finance a portion of the cost of maintaining and upgrading recreational facilities through the collection of additional user fees, and from new planning, management, and financing arrangements with state and local government park authorities, and private sector concessionaires.

The President's budget request summary also notes that the administration is developing and will propose legislation to require new tolls for barge traffic on the inland waterway system. This proposal is intended to address declining revenues in the Inland Waterways Trust Fund (Trust Fund), which is derived from a 20 cent per gallon tax on diesel fuel for commercial vessels engaged in inland waterway transportation, plus investment income. The Trust Fund is used to pay one half the costs associated with the construction, replacement, expansion, and major rehabilitation of Federal inland waterways projects. At the end of fiscal year 2008, the administration's budget forecasts a balance of $4 million in the Trust Fund, down from $126 million at the start of the fiscal year.

The administration's budget again provides no funding for beach renourishment as part of a shoreline protection project. This continues the administration's policy of funding

only initial beach nourishment and mitigation for impacts to shorelines caused by of federal navigation projects.

Regulatory Program: The Regulatory Program would receive $180 million in the administration's proposal, representing a $21.6 million increase (+13.6%) over fiscal year 2007 enacted levels. This program administers the laws pertaining to the regulation of activities affecting the waters of the United States, including wetlands, in accordance with the Rivers and Harbors Appropriation Act of 1899, the Clean Water Act, and the Marine Protection, Research and Sanctuaries Act of 1972. This additional funding is intended to improve permit processing and better assess wetlands and environmentally sensitive areas.

Formerly Utilized Sites Remedial Action Program (FUSRAP): The administration's budget requests $130 million, down $8.6 million (-6.2%) from fiscal year 2007 enacted levels. This program funds the cleanup of certain low-level radioactive materials and mixed wastes, located mostly at sites contaminated as a result of the nation's early efforts to develop atomic weapons.

Mississippi River and Tributaries: The administration's request of $260 million is a reduction of $136 million (-34.3%) from the fiscal year 2007 enacted levels. The budget funds one new start for planning, operation and maintenance activities associated with the projects to reduce flood damage in the lower Mississippi River alluvial valley below Cape Girardeau, MO.

Administration Proposals: The administration also includes six legislative proposals.

1) Reprogramming Rules: Proposed Sec. 101 reaffirms the reprogramming rules introduced in the fiscal year 2006 Energy and Water Appropriations bill. This provision limits reprogramming to $3 million for programs, projects or activities; and limits studies to 25% of base amount.
2) Convert Continuing Contracts to Multi-year contracts: Proposed Sec. 103 proposes to amend the Rivers and Harbors Appropriation Act of 1922 to convert the Corps use of continuing contracts to multi-year contracts. The authorization is required for contracts over $100 million with a notification and waiting period for any contingent liability over $20 million.
3) Missouri River Endangered Species: Proposed Sec. 104 authorizes the Corps to undertake endangered species recovery actions throughout the Missouri River and its tributaries for the survival and recovery of the least tern, piping plover, and pallid sturgeon.
4) Flood Inventory Project: Proposed Sec. 105 authorizes the Corps to continue the flood project inventory work that it began as a result of the levee failures in New Orleans during Hurricane Katrina. The authorization directs the Corps to continue the inventory and develop a methodology to assess the structural and operational integrity of such projects and associated risk. The administration also included $10 million in the fiscal year 2008 budget request for this project.
5) Chicago Sanitary and Ship Canal Dispersal Barrier Project: Proposed Sec. 106 authorizes $11.4 million to construct improvements to barrier 1 and authorization of $16.0 million for barrier 2. These projects are designed to prevent the movement of

invasive fish species (e.g. asian carp) from the Upper Mississippi River system into the Great Lakes, and vice versa.

6) McAlpine Lock and Dam: Proposed Sec. 107 amends the authorized funding level for the McAlpine Lock and Dam from $219.6 million to an authorized level of $430.0 million.

Natural Resources Conservation Service:

The NRCS, formerly known as the Soil Conservation Service, small watershed protection program has faced declining requests in recent budgets, despite its role in protecting and restoring watershed damaged by erosion, flood water, and other natural occurrences.

The administration's budget request for the Natural Resources Conservation Service (NRCS) zeros out funding for the Watershed Surveys and Planning program, and the Watershed and Flood Prevention Operations program, and significantly reduces funding for the Watershed Rehabilitation Program from a fiscal year 2007 appropriation of $31.6 million to a request in the President's fiscal year 2008 budget of $5.8 million.

Small Watershed Program – Under authority of the small watershed program, authorized in the Watershed Protection and Flood Prevention Act of 1954 (P.L. 83-566) and the Act of December 22, 1944 (P.L. 78-534), NRCS provides technical and financial assistance to local organizations to install measures for watershed protection, flood prevention, agricultural water management, recreation, and fish and wildlife enhancement. Depending on its size and cost, a project may be carried out administratively or with Congressional approval by the House Agriculture Committee (projects with a structure up to 4000 acre feet of storage capacity) or the Transportation and Infrastructure Committee (projects with a structure over 4000 acre feet of storage capacity) and comparable Senate committees. There are more than 11,000 such structures under the NRCS authority nationwide.

Watershed Surveys and Planning – The watershed surveys and planning account funds the studies needed to carry out the small watershed program. The administration's budget requests no money for the Watershed Surveys and Planning Program (studies). Appropriations for this program in fiscal year 2007 were $6.02 million.

Watershed and Flood Prevention Operations – The Watershed and Flood Prevention Operations account funds both the Small Watershed Program, discussed above, and the Emergency Watershed Protection Program, which provides assistance to State and local governments after a flood or other emergency has taken place. The administration's budget requests no money for this account. In fiscal year 2007, $74.25 million was appropriated for the Small Watershed Program.

Watershed Rehabilitation Program – In 2000, Congress amended the Watershed Protection and Flood Prevention Act to allow NRCS to provide assistance to rehabilitate flood protection dams that had been built with assistance provided under that Act and have now reached the end of their useful lives, creating threats to property and lives. The budget

request includes $5.8 million (-81.4 percent) for the Watershed Rehabilitation Program to provide technical and financial assistance for upgrading or removing aging dams. In fiscal year 2007, $31.2 million was appropriated for this account.

St. Lawrence Seaway Development Corporation

The St. Lawrence Seaway is a 328 nautical-mile deep-draft waterway between the Port of Montreal and Lake Erie. It connects the Great Lakes with the Atlantic Ocean via the lower St. Lawrence River. The Seaway includes a network of 15 locks and connecting channels located in Canada and the United States. Thirteen of the locks belong to Canada and the remaining two locks, located in Massena, NY, belong to the United States.

The U.S. portion of the Seaway was authorized in 1954, and is operated by the St. Lawrence Seaway Development Corporation, an agency within the U.S. Department of Transportation. The Canadian portion of the Seaway is operated by the St. Lawrence Seaway Management Corporation, a private corporation established in the 1990s and owned by the nine largest Canadian users of the Seaway.

The St. Lawrence Seaway was opened to traffic in April 1959. It experienced rapid growth in vessel and cargo traffic during its early years, but those trends went into decline in the late 1970s. However, since 1993, cargo traffic volume have shown signs of increasing. The mix of cargoes, however, has changed from one that was diverse during the Seaway's infancy to the current one that is composed largely of lower-value bulk commodities, such as iron ore, coal, and building materials.

Until 1994, tolls were collected for the use of Seaway facilities by U.S. and Canadian Seaway agencies. However, from April 1987 until October 1994, U.S. tolls were rebated under the authority of the Water Resources Development Act of 1986. Tolls collected by the United States were abolished altogether effective October 1994; however, the Canadian government continues to collect a toll for its portion of the Seaway. Since the 1986 Act, U.S. costs for Seaway operation and upkeep have been funded by annual appropriations out of the Harbor Maintenance Trust Fund.

The President's Budget for fiscal year 2008 proposes $17.0 million for operations and maintenance of the Seaway, compared to the fiscal year 2007 appropriation of $16.1 million (a 5.5 percent increase). This request would be funded from appropriations from the Harbor Maintenance Trust Fund.

The fiscal year 2008 budget *does not* continue a former administration proposal to change the way Seaway operation and maintenance are funded by creating new mandatory charges for using the Saint Lawrence Seaway. In the 109th Congress, this Committee strongly opposed the imposition of new tolls on users of the Saint Lawrence Seaway.

Tennessee Valley Authority

TVA is the nation's largest wholesale power producer and the fifth largest electric utility. TVA supplies power to nearly eight million people over an 80,000 square mile service area covering Tennessee, and parts of Mississippi, Alabama, Georgia, North Carolina,

Virginia, and Kentucky. In addition, TVA's non-power program responsibilities include the multi-purpose management of land and water resources throughout the Tennessee Valley, and fostering economic development.

Since fiscal year 2001, 100 percent of TVA's power and non-power programs have been funded through its power revenues. TVA receives no appropriated funds. TVA's expected power revenues for fiscal year 2007 are $9.5 billion and its operating expenses are expected to be approximately $7.78 billion. This compares to fiscal year 2007 expected revenues of $9.03 billion and expenses of $7.49 billion.

Largely due to investments in nuclear power plants, TVA carries a debt load of $24.7 billion in total financial obligations (TFOs). TVA estimates that it will have $553 million for reduction of TFOs in FY 2007, $404 million of which will be net cash available for statutory debt reduction. The budget includes a debt reduction targets of $3.4 billion by 2012.

In 2000, the Inspector General (IG) became a Presidential appointed post. The IG currently is funded directly from TVA revenues, subject to TVA board approval. The President's budget proposes to appropriate funds for TVA's IG out of TVA revenues. Under the TVA Act, the TVA board may choose to deposit some power revenues into the U.S. Treasury, but absent Congressional action, TVA's revenues are not available for appropriation.

Beginning in the second quarters of fiscal year 2007, a fuel cost adjustment took affect that increased rates by 0.2 percent, related to the recovery of fuel and purchased power expense increases. TVA forecasts an additional fuel cost adjustment of 1.5 percent in the upcoming third quarter. However, with the scheduled start of Browns Ferry Unit 1 nuclear power plant in the spring of 2007, TVA forecasts two rate adjustments that will decrease rates by 1.3 percent and 2.4 percent, respectively in the last quarter of 2007 and the first quarter of 2008, mainly from the result of cheaper power production in the restarted nuclear reactor.

The restart of Browns Ferry Unit 1 nuclear power plant has been funded with existing revenues without incurring additional debt. As a result, the TVA anticipates enhanced revenues once the new unit becomes operational.

AGENCY BUDGETS AND PRIORITIES FOR FISCAL YEAR 2008

Wednesday, February 14, 2007

HOUSE OF REPRESENTATIVES,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT,
Washington, DC.

The committee met, pursuant to call, at 10:00 a.m., in room 2167, Rayburn House Office Building, the Honorable Eddie Bernice Johnson [chairman of the committee] presiding.

Ms. JOHNSON OF TEXAS. Good morning. Today we will receive testimony on the President's budget request for fiscal year 2008 and its impact to the programs and priorities of the Subcommittee on Water Resources and Environment. Unfortunately, the priorities reflected in this budget are contrary to the Nation's priorities of protecting the public safety and environment, investing in the future and ensuring continued economic prosperity. Quite simply, this budget is not adequate to meet the Nation's needs. The budget takes a penny-wise, pound foolish view of the economy, making imprudent short-term cuts to programs that have proven essential for long-term economic health.

This Administration fails to recognize that continued investment in water-related infrastructure is a key element for stimulating and improving the U.S. economy, an economy built on the investments of our predecessors. Cutting investment today and exploding future deficits can only serve to deny economic opportunity to future generations. For example, the President's budget request for the Corps' construction account is close to $500 million less than the likely appropriation for the current fiscal year. This amount is 45 percent below the Corps' own capability numbers, which represent the amount of work the Corps could carry out if funding were available.

As a result, roughly half of the work that the Corps is authorized and ready to carry out will be delayed until funding is available, leading to further delay and completing essential flood control, navigation and ecosystem restoration projects. I am certain that every member of this Subcommittee can identify important projects that are targeted for slowdown, reductions or elimination in this budget.

I am also concerned about the impact of this budget on the Corps' ability to conduct vital operation and maintenance activities for both navigation and flood control projects. The passage of time has taken a toll and has created the real possibility of catastrophic failure for transportation linkages or flood protection projects.

As the Nation learned in the aftermath of Hurricanes Katrina and Rita, the implications of failure of our navigation and flood control infrastructure can be devastating, not only to local economies, but to lives and livelihoods. Yet this budget forces the Corps to do more with less money and risk the continued reliability of our infrastructure on the hope that it will hold together for another few years. This is irresponsible.

These cuts are also not limited to the Corps, but also in the budget of the other Federal agencies represented here today. The small watershed programs of the Natural Resources Conservation Service are completely eliminated. There is no consideration of termination costs, no consideration of State or local investment, and no consideration of the potential threat to public safety that comes from shutting down these programs.

As history has proven, the Federal Government will pay up front to protect lives and property, or will pay afterwards to help rebuild and restore people's lives, which usually costs much more.

For the Environmental Protection Agency, this budget represents the lowest funding level requested by the current Administration for several programs essential to safeguarding human health and protecting the environment. Most notable is the 36.6 percent reduction to primary Federal programs for investing in wastewater infrastructure, the Clean Water State Revolving Fund. As noted by this Subcommittee's hearing last month, annual needs for water infrastructure are estimated between $3 billion and $11 billion above current expenditures. Yet the budget would eliminate almost $400 million in Federal grants to States for revolving loan funds. These reductions are simply unacceptable and are the exact opposite approach to that taken by the Committee last week in approving legislation to authorize $20 billion over five years for the Clean Water State Revolving Fund.

States and local communities have warned that reduced funding for wastewater infrastructure programs make it difficult to respond to failing wastewater infrastructure and could force the delay of essential upgrades to improve water quality. Again, we all know of examples where local communities have been unable to fund necessary projects due to the lack of availability of funds.

The Superfund program fares no better in this budget. Since the Administration came into office, the President's budget has almost halved the annual number of Superfund cleanups achieved by the previous administration. From 2001 to 2008, this Administration has presided over a significant slowdown in the pace of toxic waste cleanups from an average of 73 sites per year to just over 40.

Unfortunately, this year, the President's budget announced that it must revise its prediction for fiscal year 2007 downward from 40 sites to just 27. Barring any further revisions of fiscal year 2008, the budget forecasts only 30 sites will reach the construction complete threshold. These figures validate my prediction at last year's budget hearing of a second slowdown of the Superfund program and that insufficient funding to address contaminated sites further slows cleanups and may force EPA to limit the number of future sites that can enter the cleanup program.

The budget also reinforces the troublesome findings of a 2004 EPA Inspector General's report that highlighted how limited fund-

ing for the Superfund program has hampered its ability to clean up toxic waste sites. EPA has responded that a major cause for the shortfall is that the remaining sites are more complex and more costly. However, most of these sites have been in the Superfund pipeline for decades, so it comes as no surprise that the additional cleanup dollars are going to be necessary. Yet for the last several years, the President's request for the Superfund budget has been declining, failing even to keep up with the pace of inflation. Fewer resources for more expensive sites can only lead to slowdowns.

This budget again proposes that all Federal spending for the Superfund program will be from the general taxpayers and continues the alarming trend of collecting fewer and fewer cost recoveries from responsible parties. It is not how the Superfund program was intended to be run when it was enacted. Gone are the days when the Superfund program was a ″polluter pays″ program. Now the program has become less than super, requiring everyday taxpayers to foot the bill for cleaning up someone else's mess. Unfortunately for the American people, the list of cuts to important programs goes on and on. We cannot under-invest in the Nation's infrastructure nor its environment. We have an obligation to our future generations to provide a cleaner, safer and more secure world for them to live.

I welcome the witnesses here today and I look forward to today's testimony.

I would recognize Mr. Mica, and then Mr. Boustany.

Mr. MICA. Thank you for recognizing me, and thank you for going forward today. I am glad. There were some of the hearings that were canceled or postponed. But it is important that we all move closer to the Capitol Building, get a small hovel or apartment where we can walk right to the Capitol and go to work immediately. I appreciate your pressing forward. I understand Mr. Baker will be here, he's delayed, and we will be joined by some of the other members on both sides of the aisle.

Today I know we are discussing some of the budget items, important matters under the jurisdiction of the Subcommittee on Water Resources and Environment. I think most of the people around here know that I am a pretty tight-fisted fiscal conservative. And I often am known also for supporting the President's efforts to control Government spending.

I realize also that the Administration finds itself in a very difficult situation, having to make some very tough choices, particularly when we face national security and homeland security requirements that are unprecedented and very expensive. Again, we have some very tough choices and we have to set priorities.

However, I believe that the Administration and Congress have the same responsibility of also sustaining economic growth while protecting our environment. I have to say that I am a bit disappointed in the Administration's budget. I do again recognize the pressure they are under. But I think that we have to look at some of what we are doing in this Subcommittee and have responsibility over our really strong investments in many important program areas for the Country.

The civil works program of the Corps of Engineers, we have seen how vital that is with Katrina, with the storms that we face, coast-

al storms and flood damage. Part of our Federal responsibility is also to partner to keep our ports and waterways open for commerce and restore our aquatic ecosystems.

One of the things I have learned about since taking over as the Republican leader too is the need for some of the dredging and deepening of our harbors, new requirements to accommodate new classes of cargo ships and other ships. If we want to be able to compete, we are going to have to go forward with those projects that the Corps is involved in, again, with some of our State and local partners. The construction funding for these projects unfortunately would be cut if the proposed budget by the Administration were followed.

Another very important area is the EPA Clean Water State Revolving Fund program, which provides, as you know, low interest loans to communities, so that they can meet the requirements of the Clean Water Act and keep local waters clean. This program has played a very important role in water quality improvements that we have seen across the Country, and unfortunately, not seen enough of. Yet the Administration does propose a cut in funding for this program as well.

The small watershed program of the Natural Resources Conservation Services provides small but very important water supply and flood projects to rural America. The Administration, the budget proposed unfortunately does not fund these projects at all, so I have some concerns there.

These programs are, I think, good examples of the kinds of investments we are going to have to make to keep our environment clean, create jobs and keep up with global competition. I don't view these in any way as wasteful spending.

I am confident that the Congress, who does have the responsibility to make these choices, will restore some of these funds. I look forward to working with both sides of the aisle to make certain that we do come up with the best list of priorities and that we can move some of the projects I mentioned that are so vital to this Country forward. I appreciate the Corps and the others, your fine work and efforts. We will move forward together.

Thank you for yielding to me and I yield back the balance of my time.

Ms. JOHNSON OF TEXAS. Thank you.

Ms. Matsui.

Ms. MATSUI. Thank you, Madam Chair. Thank you very much for calling this important hearing.

I had hoped today to be welcoming Assistant Secretary Woodley, but I understand he has been hampered by the weather and Mr. Dunlop is here in his place. I hope you have been apprised of some of the discussions that I have been having with the Secretary. And I look forward to following up with some questions.

The fiscal year 2008 Administration budget is a good place to begin some of the ongoing discussions for both policy and budget that this Subcommittee will be engaging in during the 110th Congress. I am looking forward to these discussions.

My top priority in Congress is protecting my district from flooding. Statistically, Sacramento is a single American river city most likely to experience a catastrophic flood in the near future. We

have to remember that New Orleans was just ahead of us, and we know what happened to New Orleans.

So I am committed to working with my partners at the Federal, State and local levels to withstand such an event. From a budgetary perspective, these efforts depend on full funding for authorized flood protection projects in the Army Corps of Engineers budget. I do have several follow-up questions that I will be asking you, and I look forward to your testimony.

Thank you.

Ms. JOHNSON OF TEXAS. Thank you very much.

Mr. Boustany.

Mr. BOUSTANY. Thank you, Chairwoman Johnson. First, let me offer my apology for arriving late to this hearing, to the witnesses, Chairwoman Johnson and our colleagues on both sides of the aisle.

The work being done by the agencies under the jurisdiction of this Committee is absolutely vital to my southwest Louisiana district. I am pleased to be here today to talk about the Administration's fiscal year 2008 budget priorities. I am encouraged that the President's request for the Corps of Engineers includes $16 million for operations and maintenance along the Calcasieu River ship channel. Our Nation depends on Louisiana to meet its energy demands. And within the next 10 years, 25 percent of all natural gas used in the United States will run through my district, actually most of it will run through Cameron Parish in the form of liquified natural gas being imported.

Three liquified natural gas facilities are being located on the Calcasieu river, in the Calcasieu ship channel, and one of our Nation's top ten ports, The Port of Lakes Charles, anchors that waterway. Ensuring safe and unfettered navigation along this vital ship channel is important, both to our Nation's commerce and energy security.

We are rapidly reaching our capacity to dispose of dredged materials along the Calcasieu, which is going to be a major problem in the near future. I am encouraged that the Administration has included funding for a dredged materials disposal facility, and I am eager to learn more about the Corps' intended use for this funding.

We could probably spending an entire hearing talking about the beneficial use of dredged materials. I don't want to do that here today, but I know that the Corps is currently working on its beneficial use program. But it makes sense to me that one way to address our disposal limitations along the Calcasieu is to use the materials to revitalize nearby wetlands. I mention it here today to let the Corps know that this is an issue I am very interested in and something I would like to follow up on in the near future.

I am disappointed that there is no funding in the President's request to complete the study of replacement alternatives for the Calcasieu lock. In the days immediately after Hurricane Rita, this inadequate structure of the current lock meant that 80 tows waited, costing the economy over $400,000 every 24 hours in direct transportation penalties. Louisiana just released its latest version of a draft comprehensive master plan for a sustainable coast. I know that the Corps is working with the State in developing its Congressionally mandated program for Louisiana, the Coastal Protection and Restoration Project. However, it is not clear to me how

these two reports will be merged to produce one set of comprehensive recommendations. I am hopeful that our witnesses can elaborate on this process today as we go forward.

Last Congress, this Committee passed a study resolution I introduced authorizing the Corps to specifically look at hurricane protection and flood control needs in southwest Louisiana. My main focus at the time was to ensure that southwest Louisiana did not get ignored, as much as the focus continued to be on New Orleans and the levees. I hope I can get an update on the progress of that study as well today.

I want to make sure that as the Corps works toward the completion of the LACPR report, the needs of southwest Louisiana are being addressed as well. It is a continual battle that I will fight each and every day to remind everyone that Hurricane Rita, the forgotten storm, of a similar magnitude to Katrina, made landfall in my district just weeks after the storm everyone else remembers struck Louisiana and Mississippi.

So as we begin the fiscal year 2008 budget process, and as this Committee moves forward on a new WRDA bill in the near future, I want to work with the Administration and Chairwoman Johnson to address many of these critical water resources issues facing southwest Louisiana, and I certainly look forward to your testimony today and thanks for being here with us.

Ms. JOHNSON OF TEXAS. Thank you very much. And thank you so much for trying really hard to find something positive about this budget.

Mr. Arcuri.

Mr. ARCURI. Thank you, Madam Chair. I want to thank our witnesses for coming before the Subcommittee to provide us with a detailed explanation of the President's fiscal year 2008 budget request.

The President's budget request is out of touch with the needs of the American people. The budget proposal cuts funding to programs that provide critical services across the Country. In this budget request, the President proposes decreasing overall funding for the Army Corps of Engineers by $459 million, less than the level prescribed by the House-passed continuing resolution two weeks ago.

Each year, heavy rains and subsequent flooding have a devastating impact on many upstate New York communities in my district. Floods that are only supposed to occur once every 50 years are occurring far more regularly. For example, the city of Oneonta, which I represent, experienced very damaging flooding last year due to heavy rains. Consequently, Oneonta and surrounding local economies are now bearing the burden of this damage, in part because funding for preventive measures like those overseen by the Army Corps did not receive adequate funding.

Perhaps if the Army Corps had the necessary funding, it would have been able to assist Oneonta. The devastating effects of these floods may have been minimized. The floods could have been prevented if the city had been afforded sufficient resources to assist them in putting the preventive measure in place beforehand. That is certainly the view of the local officials.

The President's budget request also proposes taking a step back in and addressing America's demand for clean water. The President's budget also proposes an almost $200 million cut to the Clean Water Revolving Fund, and almost $400 million in total cuts to wastewater infrastructure, when compared to the sum in the continuing resolution approved last week.

The State of New York would receive a $43 million cut in Clean Water Revolving Loan Funds under this budget request. This is not an option. A decrease of this magnitude would directly impact our State's ability to repair and modernize our aging water infrastructure. These critical funds provide our local communities with assistance they need to help with repairs and upgrades to damaged water treatment facilities and our aging sewer systems.

The Administration's proposal to lift caps on privately issued bonds is not a silver bullet and does not justify or soften the effects of slashing funding for the Clean Water State Revolving Loan Fund by 22 and a half percent. I am a believer that public-private partnerships can work in the short-term, but I still remain doubtful that private investment will address the long-term sustainable water infrastructure needs of communities around the Country.

I thank the Chairwoman and I yield back the balance of my time.

Ms. JOHNSON OF TEXAS. Thank you very much.

The Chair recognizes Mr. Duncan.

Mr. DUNCAN. Thank you very much, Madam Chairwoman. As you know, after chairing the Aviation Subcommittee for six years, I had the privilege of chairing this Subcommittee for six years. You were the third one of my ranking members during that period, and it was a pleasure and privilege to work with you. As I said a few days ago, I know you'll do an outstanding job as the new Chairwoman of this Subcommittee. The work of this Subcommittee is very, very important. I have said many times that there is nothing that the people of this Country take as much for granted as our clean water and wastewater infrastructure in this Nation.

So I look forward to continuing to work with you, even though I have moved over to become the ranking member on the Highway Subcommittee. It was a privilege just for a few minutes to sit by you as I substituted for Dr. Boustany, who was substituting for Congressman Baker. So I was sort of a third stringer there.

But at any rate, I am pleased to be here this morning and want to welcome all of the witnesses. I particularly want to welcome General Strock, who has been with us several times before and who is an outstanding leader for the Army Corps of Engineers. General Strock, I want to say that I am pleased that the President's budget contains $35 million to continue the construction at the Chickamauga lock. While that is in the Third District of Tennessee, Congressman Wamp's district, it is much more important to my district and the people of the Second District, because of the traffic on the river and so forth. So I appreciate that.

I also want to welcome Tom Kilgore, the Chief Executive Officer of the Tennessee Valley Authority. Certainly there is probably no agency more important to the people of my district than the TVA. Mr. Kilgore has just been doing an outstanding job in his leadership role at TVA. TVA is restarting the Nation's first nuclear unit

at the Browns Ferry site in North Alabama. If I understand it correctly, Browns Ferry Unit 1 will provide an additional 1,280 megawatts of clean baseload generation for the TVA system. TVA has in recent years really turned its nuclear generation around and I think that the agency needs to be commended for it. We hear so much about clean air and global warming and so forth and nuclear power is clean and safe and reliable. I think it must play an important role in our Nation's energy security and in our efforts toward clean air in the years ahead. Certainly the Tennessee Valley Authority is spending great sums of money and has been in recent years to make sure that the air in our Tennessee Valley is very clean.

I am also pleased that the TVA is doing so much to turn around the debt problem that they have had under previous leadership in years past. I have to go to the Floor shortly, so I am not sure I will be able to hear all of the testimony. But I do want to welcome the witnesses, and I thank you, Madam Chairwoman, for calling this very, very important hearing. Thank you.

Ms. JOHNSON OF TEXAS. Thank you very much.

Mr. Hall.

Mr. HALL. Thank you, Madam Chair, and welcome to all our esteemed witnesses. I am in a position of representing New York's 19th Congressional District, and we are bounded on the west side by the Delaware, on the east by the Connecticut border and close to it the Ten Mile River, and split down the middle by the Hudson River. So we have great interest in all of the projects that we will be discussing and hearing about from you today.

I just want to say first of all, thank you for the work that you do in maintaining our dams and waterways. I would imagine that we will try to get you more money to do that work than is in this budget, and I believe it will be necessary. I can't help but comment on the concept of nuclear power being clean, safe and reliable, except when it's not clean, safe or reliable, because we happen to have a plant in my district that is leaking strontium–90 and tritium into the Hudson River as we speak, from two point sources that have not yet been identified. There are several upstream communities, town of Poughkeepsie, city of Poughkeepsie, town of Wapingers and the New York City backup water intake at the Chelsea pumping stations, all of which have filtration systems to take river water and turn it into drinking water. I am curious, in a river that is tidal all the way to Albany, how that might be dealt with and still preserve those drinking water supplies.

But anyway, that is another topic. The water systems, water treatment and drinking water systems are very important, and flood control also is an issue that we have dealt with several of the last years on both the Delaware side and on the Ten Mile side where there was significant flooding that caused a lot of property damage and financial stress on individuals and also on the municipalities. So when we get to questions, I will have specifics about that.

Thank you for being here and I am looking forward to your remarks.

Ms. JOHNSON OF TEXAS. Thank you, Mr. Hall.

Mrs. Miller. And after Mrs. Miller, we are going to ask everyone to submit their opening statements to the record, so we can go right to our witnesses.

Mrs. MILLER OF MICHIGAN. Thank you very much, Madam Chair. I appreciate that. I will be brief.

I just want to speak briefly to the Army Corps of Engineers budget. Like every budget, there are some things you like and some things you don't. But I am concerned in particular that the budget request is lacking particularly for funding to dredge small and recreational harbors. In fact, recently the entire Michigan Congressional delegation sent a letter to the Chairman and the Ranking Member of the Transportation Committee, as well as the Chair and the Ranking Member on the Appropriations, raising a couple of issues in regard to dredging along the Great Lakes, the harbors in the Great Lakes, about budget guidelines and criteria for dredging of commercial harbors that we felt hurt small and rural communities, particularly a policy that the Corps has about using tonnage handled as a standard for deciding which harbors to dredge. We raised that as an issue, as well as unacceptably low funding for the Great Lakes harbors.

So I will, when I get an opportunity under Q&A, talk a little bit about that.

But I also wanted to point out one area I was very pleased to discover in the Army Corps' budget as well, and that is a proposal by the Corps to authorize a total of $27.4 million for the Chicago Sanitary and Ship Canal, the barrier project. Of course, the goal of the project is to prevent the movement of invasive fish species, specifically the Asian carp, from coming up the upper Mississippi River system into the Great Lakes system. These carp were originally introduced to control algae, actually, in southern fish farms. But then they escaped into the Mississippi River during the floods of 1990. Since that time, these fish are moving northward up through the Mississippi River system and of course have been found in the Illinois River which connects to the Great Lakes via the Chicago Sanitary and Ship Canal as well.

Obviously those of us that live in the Great Lakes basin there recognize the significant threat that Asian carp are to the Great Lakes, for a number of reasons which I won't go into. But they really have the potential to have an unbelievably catastrophic and negative impact, we think, on the very delicate ecosystem of the Great Lakes. So I do see that the budget request does talk about an authorization for $11.4 million for construction improvements to Barrier One and then $16 million for Barrier Two. I look forward to hearing from the witnesses today about these issues that I have raised and others as well, and I appreciate the time to make that statement, Madam Chair.

Thank you.

Ms. JOHNSON OF TEXAS. Thank you very much.

We are pleased to have a very distinguished panel of witnesses on our first panel here this morning. And first, we have Mr. George S. Dunlop, the Principal Deputy Assistant Secretary of the Army Civil Works, who is here on behalf of the Honorable John Paul Woodley, the Assistant Secretary of the Army for Civil Works, who was unable to get out of his street.

Unfortunately, Secretary Woodley will not be here, but he told me that Mr. Dunlop was more informed than he was, probably. So I think he will be very credible.

And next we have General Carl Strock, Chief of Engineers for the U.S. Army Corps of Engineers. And finally, we have Administrator Collister Johnson, Jr., of the St. Lawrence Seaway Development Corporation. We are pleased that you are here and we will begin with Mr. Dunlop.

TESTIMONY OF GEORGE S. DUNLOP, PRINCIPAL DEPUTY ASSISTANT SECRETARY, ARMY CIVIL WORKS, U.S. ARMY CORPS OF ENGINEERS; LIEUTENANT GENERAL CARL STROCK, CHIEF OF ENGINEERS, U.S. ARMY CORPS OF ENGINEERS; COLLISTER JOHNSON, JR., ADMINISTRATOR, ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION

Mr. DUNLOP. Madam Chairwoman, I really do appreciate the opportunity to be here today. I thank you so much for your hospitality, on behalf of the Department of the Army.

It is my pleasure to discuss the President's fiscal year 2008 budget for the Civil Works Program of the Army Corps of Engineers. As you indicated, Mr. Woodley is unavoidably detained, and very much does send his regrets, and values the personal relationships he has with you and the other members of the Committee, and, of course, is always available to the Committee to discuss any of these matters with you all individually.

I can report that the budget that the President submitted provides a total of $4.9 billion in new Federal funding for civil works. This is a 3 percent increase over the fiscal year 2007 budget, and actually is the most ever included for the Civil Works Program and the most requested by any President.

The budget provides $2.5 billion for the operation and maintenance account. This is a 9 percent increase over the amount of the fiscal year 2007 budget.

The budget focuses on construction funding on 69 high-performing projects, including 6 national high priority projects, 11 dam safety and seepage control projects, and 52 other high-performing projects.

This budget modifies the construction guidelines that help determine the priority of these projects by replacing what is called the remaining benefit, remaining cost ratio concept with the total benefit cost ratio as a metric to rank these projects. The total benefit cost ratio will better measure the overall economic performance of the projects. Now, using this improved tool from year to year will help ensure continuous funding of these high-performing projects.

The budget includes $40 million to fund preparedness for flood and coastal emergencies, and about $20 million to apply lessons learned from Hurricanes Katrina and Rita, about $10 million to continue the national inventory and assessment of flood and storm protection projects, and $10 million to continue the assessment of dam safety at Corps of Engineers dams.

The budget emphasizes the regulatory program to protect the Nation's waters and wetlands through the Clean Water Act, and increases funding to $180 million.

In addition to new Federal funding in the budget, the budget also reallocates $1.3 billion in appropriations provided in fiscal year 2006 supplemental appropriations to expedite increases in the overall level of protection for the New Orleans metro area.

The Administration plans to transmit to Congress draft legislation that would authorize the collection of user fees for the inland and intracoastal waterways. The proceeds would be deposited in the Inland Waterways Trust Fund, and like the current tax on barge fuel, would finance 50 percent of inland waterway construction and rehabilitation costs.

This proposal would provide increased annual revenues to avoid depletion of the Trust Fund and would also improve, we believe, the user pay aspect of the trust fund.

The budget proposes the replacement of existing continuing contracting authority with multi-year contracting authority. We believe this would put the Corps contracting processes and practices on a basis similar to those of other Federal agencies.

In summary, then, the budget was developed using performance based principles that are in line with the President's very robust management agenda. Even though it provides the highest level of funding ever requested for Civil Works in any President's budget, indeed it is a frugal budget that reflects the priorities of a nation at war. As in past years, it does not fund all the good things that the Corps of Engineers is capable of doing, but it does move ahead with many important investments that would yield enormous returns to the Nation's citizens.

Madam Chairwoman, Mr. Woodley asked me if I would take this opportunity to convey on his part to the Committee the appreciation that he has for Lieutenant General Carl Strock, for his most excellent service to the Nation, both as a valorous soldier and as an outstanding Chief of Engineers. General Strock has served as the Chief of Engineers at a time of great challenge and difficulty for the Nation and for the Corps.

The magnitude of work that has been undertaken under his leadership has been utterly unprecedented when one considers the additional scope of work arising from Hurricane Katrina and the other hurricane disasters that the Nation faced in 2004 and 2005, and the enormous scope of the reconstruction projects undertaken in Iraq.

His effective leadership has been instrumental in enabling the Corps to effectively manage these challenges in a way that has left the Corps of Engineers an organization that is stronger and better than it was when he assumed his responsibilities.

So with that, Madam Chairman, we of course appreciate the opportunity to be here, and will be responsive to any questions that you have to the best of our ability.

Ms. JOHNSON OF TEXAS. I know that General, you have been in a very key spot during probably the worst disaster we have had as it relates to Corps of Engineers in this Country. I must say I am impressed with the way you handled it, and I never really saw you upset, although I know behind the scenes you probably were.

But I recognize you now for a statement.

General STROCK. Thank you very much, and Mr. Dunlop, please express my apreciation to Mr. Woodley for those very kind comments.

Madam Chairwoman and distinguished members of the Subcommittee, I am honored to be testifying before you along with Mr. Dunlop on the President's fiscal year 2008 budget for the Army Civil Works program. If I may, I would like to briefly summarize some of the key points of my full statement and with your permission submit my complete written statement for the record. Thank you.

This is a performance-based budget that reflects the realities of a national budget that must address recent natural disasters and the ongoing global war on terror. This fiscal year 2008 budget focuses construction funding on 69 projects that will provide the highest economic and environmental returns on the Nation's investment. The 69 funded projects include 6 national priority projects, 11 dam safety projects, and 52 other ongoing projects. These projects are crucial to the future success of our water resources infrastructure and the funding will be used to improve the quality of our citizens' lives, contribute to the national economic growth and development and to our national security.

The budget uses objective performance measures to establish priorities among projects and proposes changes to the Corps; contracting practices to increase control over future costs. We believe that focusing our effort on funding and completing a more beneficial set of projects will improve our overall program performance and would help the Nation realize the net benefits per dollar from its investments much sooner.

The Corps has learned many lessons in the past year and a half since Hurricane Katrina struck the Gulf Coast in 2005. The lessons learned provide great insights into changes that needed to be made with respect to parts of our organizational culture, in the planning, execution and life cycle management of projects and in how we communicate risks to the American people.

In light of this, I issued my 12 Actions for Change in August, in recognition of the need to continue to change our organization to better serve the Nation. The 12 actions also commit the Corps to ensuring that the American public has the information needed to fully understand and make decisions about risk when they live behind or near a Corps of Engineers project.

The fiscal year 2008 budget includes $2.471 billion for operation and maintenance, and $158 million for the Mississippi River and Tributaries Program. I can assure you that I will continue to do all that I can to make these programs as cost effective and efficient as possible.

Domestically, U.S. Army Corps of Engineers volunteers from across the Nation continue to respond to the call to help construct and improve a comprehensive hurricane and storm damage reduction system for southeast Louisiana, I should say coastal Louisiana. The critical work they are doing will reduce the risk of future storms to people and communities in the region.

Over the past year, Corps dams, levees and reservoirs again provided billions of dollars in flood damage reduction and protected lives, homes and businesses in many parts of the Nation following

heavy rains. Internationally, the U.S. Army Corps of Engineers continues to support the mission to help Iraq and Afghanistan build foundations for democracy, freedom and prosperity.

Many U.S. Army Corps of Engineers civilians, each of whom is a volunteer, and soldiers are providing engineering expertise, quality construction management and program and project management in those nations. The often unsung efforts of these patriotic men and women contribute daily toward this Nation's goals of restoring the economy, security and quality of life for all Iraqis and Afghans.

In closing, the Corps is committed to staying at the leading edge of service to the Nation. In support of that, we will be working with others to continue to transform our Civil Works Program. We are committed to change that ensures an open, transparent and performance-based Civil Works Program.

Madam Chairwoman, this is likely my last appearance as your Chief of Engineers, so I want to take this opportunity to thank you and the Committee for your efforts in improving our national water resources strategies and programs. It really has been a pleasure for me to work with you, and I have enjoyed our relationship over the years.

With that, I will conclude my statement and await your questions. Thank you, ma'am.

Ms. JOHNSON OF TEXAS. Thank you very much.

Mr. Johnson, you may proceed.

Mr. JOHNSON Thank you, Madam Chair and the other distinguished members of the Committee. We really appreciate your allowing us to be up here and to testify.

The details of our fiscal year 2008 budget and programs are in the formal record. I would like to take a few minutes to talk about the Seaway and its importance and how we can improve its competitive position.

The Saint Lawrence Seaway Development Corporation on the U.S. side is a wholly-owned Government corporation and an operating administration of the U.S. Department of Transportation. It is responsible for the operations and maintenance of the U.S. portion of the St. Lawrence Seaway between Montreal and Lake Erie. This responsibility includes maintaining and operating the two U.S. Seaway locks located in Massena, New York, and vessel traffic control in the areas of the St. Lawrence River and Lake Ontario. In addition, the Seaway Corporation performs trade development functions designed to enhance awareness and use of the Great Lakes St. Lawrence Seaway system.

The SLSDC coordinates activities with its Canadian counterpart, particularly with regard to safety, rules and regulations, environmental programs and the overall day to day operations of the Seaway. I think it is important to note, Madam Chair, this is a binational seaway and we have responsibilities to our Canadian partners.

The U.S. Seaway Corporation has assets exceeding $160 million, which includes locks, navigation equipment, buildings and other equipment and supplies necessary for the operation of the Seaway. Our agency is somewhat unique within both the Department of Transportation and the Federal Government in that we are directly

responsible for operating and maintaining fixed perpetual assets. So we are not a regulatory agency, we are not a grant agency, we are an operating agency, and therefore need to be funded accordingly.

Maritime commerce on the Great Lakes Seaway System is a critical transportation link for the continent's agricultural and industrial heartland, annually sustaining more than 150,000 U.S. jobs, $4.3 billion in personal income, $3.4 billion in transportation-related business revenue and $1.3 billion in Federal, State and local taxes. Since opening in 1959, more than 2.4 billion metric tons of cargo has been transported through the St. Lawrence Seaway with an estimated value of more than $400 billion. During the 2006 navigation season alone, 47.2 million metric tons of cargo, mostly grain, iron ore, steel and other bulk commodities, passed through the Seaway, representing a value of $7.7 billion.

The bi-national Seaway is expected to become an even more important commercial transportation route over the next decade as the U.S. and Canadian governments seek ways to ease highway and rail congestion, especially along North America's East and West Coasts and Midwest region. In the past few years, the St. Lawrence Seaway has enjoyed significant growth in new business as waterways become a viable alternative for shippers looking to avoid port, highway and rail congestion. But even with that, the Seaway only operates at about 60 percent capacity, and that is one of the few modes, I believe, in the United States, that can make that statement and therefore, offer solutions for congestion.

Of particular interest to this Subcommittee, the U.S. Corp of Engineers is expected to release later this year its final report on the recommendations for the future viability of the Great Lakes St. Lawrence Seaway System, including an engineering analysis that will provide the two seaway entities and policy makers with a detailed framework for projects, and most importantly, for the costs that are required to keep the Seaway lock infrastructure in excellent working condition for the next 50 years.

The final report, Madam Chair, scheduled to be completed in July, will detail the conditions of the various assets of the Seaway, which for the most part were acquired in the late 1950's and early 1960's. Many of these assets are showing signs of wear, and are urgently in need of technological and physical upgrades.

In many cases, the Seaway infrastructure assets, including locks, bridges and tunnels, have not been renewed at a level sufficient to perpetuate these assets. And that raises the specter, Madam Chair, as you pointed out, of catastrophic failure. And if that were to occur in the Seaway, because it is a single lock system, everything in the transportation route between Duluth and Montreal would be shut down if we failed. That may be of interest to Mr. Oberstar.

So once this report is completed, we will be back in touch with this Committee to talk about our needs.

Thank you again for the opportunity to testify and I would be pleased to answer any questions.

Ms. JOHNSON OF TEXAS. Thank you very much.

We are going to begin our first round of questions with people that didn't get a chance to make opening statements. Mr. Costello is recognized.

Mr. COSTELLO. Madam Chair, thank you very much. I will be very brief. I have one question.

General Strock, it is good to see you again. Thank you for being before the Subcommittee.

As you know, you are very familiar with the St. Louis region, we have a collection of individual levee districts that provide flood protection in the region. If one of those levees fails, it will have a severe impact on the adjacent levees along with various levels of impact for the entire region. While these levee districts, as you know, are dependent upon each other for system protection, they are not managed by a system. And I am wondering if you can state for the record how the Corps is approaching the need to manage these collections of individual levees as a flood protection system?

General STROCK. Yes, thank you, sir. As a result of the hurricanes that struck the Gulf Coast earlier in 2005, we developed a set of 12 Actions for Change. One of the most important actions is to embrace a systems approach to how we do the work. We must look at these systems not as discrete elements, but rather as how they interact and are interconnected. So while we don't have any specific authorities to do that now, we certainly recognize the value in considering them as a system.

Mr. COSTELLO. I am not clear on your answer, actually.

General STROCK. Well, sir, I think there are some legislative fixes to that. I think as an example in Louisiana, the State has taken it upon themselves to create an overarching State body that will oversee the efforts of the various levee districts within the State. That sort of thing will certainly contribute to our ability to operate as a system.

Mr. COSTELLO. So your suggestion would be that the State of Illinois would come in and pass legislation to try and address this issue?

General STROCK. I wouldn't suggest that, sir, but I am saying that is how the State of Louisiana has attacked a similar problem down there.

Mr. COSTELLO. And in that case, did the Corps work with the State of Louisiana to work with them to come up with a plan?

General STROCK. Indirectly, I did. We were informed of their plans and we understood the implications for the Corps as a result of those, yes, sir.

Mr. COSTELLO. Very good. Thank you, General. Thank you, Madam Chair.

Ms. JOHNSON OF TEXAS. Thank you.

The Chair recognizes Mr. Mack.

Mr. MACK. Thank you, Madam Chairwoman, and also thank you, all of you, for being here this morning. I too will be brief in my questions to give you the opportunity to speak to the issues.

First of all, I would like to know what you believe the current health and status of the Lake Okochobee in Florida is. The Lake Okochobee is vitally important to the health of the Everglades system and to all our quality of life in Florida. Also what the current situation with the Herbert Hoover dike surrounding the lake is. Basically want to know if we are safe if a hurricane comes through, and will the dike be able to hold the water.

And finally, take a few minutes to address an important issue for me and then for my district, and for all of southwest Florida, and that is the C43 Reservoir and the PIR that is going to determine the future construction plans of the reservoir. Obviously we are eager to see this move forward quickly, so we can see some relief for the river and for the ecosystem and for our quality of life in southwest Florida.

Thank you.

General STROCK. Sir, the state of health of the lake is not good. As a result of the hurricanes in 2004 and 2005, we had tremendous inflows into the lake, which caused large discharges, high turbidity within the lake and very high phosphorus levels. We had extensive loss of vegetation and major damage to the fisheries, so the state of health of the lake is not good.

As far as the safety of the Herbert Hoover dike, we are concerned about its structural integrity, but we do not see it as being in danger of imminent failure. We are able to control the safety through carefully regulating the levels of the lake, down to hundredths of a foot. And during the hurricane season, I get direct reports on that level within the lake. So we are able to control it.

But it does need to be rehabilitated. We have recently revised our study and recommendation on that rehabilitation with a considerable increase in the scope of that. This budget allocates $56 million to begin the work in fiscal year 2008. So I do not see an immediate threat to the safety of the people of South Florida as a result of the condition of the Herbert Hoover Dike, but it does need to be fixed.

As far as the C43 Reservoir is concerned, we are attempting to, we are putting the pilot project in there for aquifer storage and recovery. That project did not work as we had hoped, and we are looking now for an alternative site for the well that we will use to continue that pilot project. And with the success of that, that will drive then what we do with C43 and the rest of the general program of aquifer storage.

Mr. MACK. Thank you for your answers. Two things come to mind. One is, as you talk about changing the level of the lake, that has a direct impact on the Colusahatchee River and this reservoir.

General STROCK. Yes, sir.

Mr. MACK. So what I would like to hear is that the PIR is moving forward and that you plan on having that done soon so we can then begin the construction of the reservoir that I think we all agree will help with the quality of water that flows down through the Colusahatchee River that is killing the estuary.

General STROCK. Sir, we will finish phase one of the PIR this summer. That will allow us then to initiate phase two. So I think we are moving along about as quickly as we can. The phase two effort will address the additional storage needs and water quality needs for the basin. So I think we are moving along as well as we can on the PIR.

Mr. MACK. Thank you very much. Thank you, Madam Chairwoman.

Ms. JOHNSON OF TEXAS. Thank you.

Mr. Bishop.

Mr. BISHOP. Thank you, Madam Chair.

Thank you very much for your testimony, gentlemen. I have a couple of specific questions, but first overall, I am very concerned about the overall funding level for the Army Corps, I think an 8.6 percent cut in funding from fiscal year 2007 and the CR is ill-advised. I am also troubled by the prohibition on new starts.

I want to focus on two specific things. I represent eastern Long Island, so my district has about 300 miles of coastline. The first area I want to pursue is the Fire Island to Montauk Point reformulation study. As I understand it, the amount of money included in the fiscal year 2008 budget is $750,000 to complete the study. And I am pleased that there is money in the budget to complete the study. This is the fifth budget that I have been a member of Congress for, and three of the five did not include any money for the reformulation study. We had to work with the appropriators to see to it that that project remained funded.

But my question is specifically, is the $750,000 sufficient to complete the study?

General STROCK. I don't have that information immediately in front of me.

Sir, the answer is yes. It is sufficient to complete the study.

Mr. BISHOP. OK, thank you very much. And I am glad, many of us on Long Island anxiously await the results of that study, so that we can begin to have the framework that we need to make the decisions to protect our shoreline.

Secondly, I am troubled by the continued prohibition on the Corps being involved in beach renourishment projects. Just to be specific, as part of the Army Corps Fire Island to Montauk Point reformulation study, there is $2.6 million in the budget for the court-ordered beach renourishment at Westhampton Dunes. Now, there is no way that the Village of Westhampton Dunes could undertake that project on their own. The scope of the project is such that it requires a Federal role. That project is not unique.

So I guess my question is, is it realistic to think that local government can take on the role of beach renourishment projects, and does it not, if we say yes, it is only up to local government, does that not expose our shoreline and our inner shore areas to the kind of Katrina-like devastation that we have unfortunately seen?

General STROCK. Sir, as I recall, the court-ordered renourishments I think are an exception to that policy. I think the Federal Government remains committed to those court-ordered renourishments.

Mr. BISHOP. I am sorry, repeat that again, General Strock?

General STROCK. It is my understanding that the Federal Government does have responsibility for the court-ordered renourishment.

Mr. BISHOP. We are in full agreement on that. I am just using that as———

General STROCK. For the general discussion, yes, sir, it is our position that we will participate in the initial placement of the protective sand on a beach, but that the follow-on replenishment of that sand is a local responsibility. That is principally driven by the lack of available funding to do that.

Mr. BISHOP. I understand that that is your position. My question is, is that realistic? I mean, are we not turning a blind eye to a potentially devastating problem?

General STROCK. I think each case has its own merits. In some cases, beach communities have the resources to provide that renourishment, in others, they do not. So it is situational, to answer that.

Mr. BISHOP. Thank you for your testimony. I yield back.

Ms. JOHNSON OF TEXAS. Thank you very much.

Mr. LoBiondo.

Mr. LOBIONDO. Thank you, Madam Chair.

Thank you for being here today, to our panel. I would like to follow up on Congressman Bishop's comments. I feel, I will try to choose my words carefully, but I can't tell you how troubled I am with the position that the Administration has taken by again deciding that shore protection projects and their renourishment cycles will not receive funding. This just makes no sense to me. It comes despite the fact that these projects are fully authorized by Congress and the Corps and non-Federal sponsors have entered into signed project cooperation agreements with a lot of people doing a lot of work and renourishment is critical by almost any measure that you want to take.

Coastal erosion places homes and businesses of not just my constituents, but obviously of Congressman Bishop and many members of Congress, at a serious risk. And we have seen that the Administration has apparently decided that somehow it is cost effective to spend billions of dollars with FEMA in disaster relief to replace homes and business after the next storm, but not to spend the millions of dollars to do the renourishment projects. Each of us, many of us have districts that rely on this. And as Congressman Bishop said, these individual communities, you are in essence saying the projects can't be done. These small communities cannot afford to foot the bill to do these renourishment projects.

I am really troubled by this. And I would like to know, Congress has included funding for renourishment projects in the 2006 Energy and Water Appropriations Bill. Given the rules you are developing for the 2007 continuing resolution, can you tell me whether renourishment projects will receive funding?

Mr. DUNLOP. Congressman, it is my understanding that the type of renourishment that would receive funding when we come up with the work plan, the allocations which have not yet been completed for fiscal year 2007—that when projects are Federal projects, when there is a renourishment activity that is needed to protect a Federal project, that that would be under consideration for that allocation.

But it is a policy decision that has been made that the other things that you are referring to would not be included. And I understand what you said, I will take the message that you have about the rationale and the earnestness that you feel about it, and we will continue to take that under advisement. But right now, it is my understanding that unless it is directly related to a Federal project that those allocations would not be there.

Let me do check, though, to make sure that I have not over-spoken. And I think I have had this, that is, the additional confirma-

tion that has been provided to me is that renourishment would be budgeted, if it has been caused by a Federal navigation project, in other words, if some work that we have undertaken has resulted or had a consequence, an unintended consequence, of causing beach degradation, then that is when we could participate. That is what I am advised is what our allocations will look for.

Mr. LOBIONDO. Well, I can't tell you how upset I am with hearing this. You are dooming I don't know how many communities along all of our coast. And when property is lost or more importantly, when lives are lost because a storm comes in, and these communities couldn't keep up with this, the Federal Government is going to be coming in and picking up the tab. If you are worried about spending dollars and being cost effective, this is just about as stupid as it gets in my book. I hope that this Committee continues to make a strong statement. I hope this Congress continues to make a strong statement. And in this particular case, I hope that you can go back and report how strongly at least some of us feel that this policy has to be overridden. This is disastrous for us.

Mr. DUNLOP. I understand what you have said, sir. I will be faithful to that. As I have stated, the work plan has not yet been determined, so these are matters that we will continue to take under advisement, as you have asked us to do.

Mr. LOBIONDO. Well, I hope you strongly reconsider as you put this together. I just can't believe, we go back to our communities and tell them that the Federal Government is abandoning them and then another storm comes in, whether it is the East Coast or the West Coast or the Gulf Coast, and you are going to come in and pick up the pieces at a much higher price tag. It doesn't make any sense.

Thank you, Madam Chair.

Ms. JOHNSON OF TEXAS. Thank you very much.

Ms. Hirono.

Ms. HIRONO. Thank you, Madam Chair. I have a question for General Strock. The Army Corp Civil Works projects are of critical importance to my second district of Hawaii, which consists of seven inhabited islands. Except for Oahu, these islands are rural in nature, and the residents and businesses rely on our harbors for commerce, fishing and recreation. We also rely on the Army Corps to assist in important flood control and ecosystem restoration projects.

I am especially grateful to the Corps for its assistance in studying the safety of the many dams in our State after the tragedy at Ka Loko Dam on the island of Kauai, which resulted in several deaths, property losses and ecosystem damage. I want to inquire in particular about a project that has been a very high priority for the Hawaii delegation for many years. That project is the Kikiaola light draft harbor on the island of Kauai. This is a much-needed and long-authorized project that is ready to proceed to construction. I understand that this project has been delayed due in part to the reprogramming of some $10 million in funds that were earmarked for the project over the past 25 years.

Senator Inouye was successful in securing an earmark of $13.5 million in fiscal year 2007 in the Energy and Water Appropriations bill for the project, which would have allowed construction to move forward. However, as the bill did not become law, I am concerned

about the future of this project. Will the Army Corps provide the needed funding to finally move to construction this project from the funds provided and the fiscal year 2007 continuing resolution?

General STROCK. Ma'am, you are correct, we had hoped to move to construction in September of 2005. But the bid climate in Hawaii made it such that we were unable to do that. The project is owed $10 million in payback, and we are continuing to seek a source for that payback, but we do not have it.

As far as the work allocation for 2007, as Mr. Dunlop mentioned, we are awaiting the final form of the funding resolution and guidance from the Administration on how to work the 2007 program. But we will certainly do everything we can to move Kikiaola forward.

Ms. HIRONO. It is a long time coming. So I appreciate your pushing it as hard as you can.

General STROCK. Yes, ma'am.

Ms. HIRONO. Thank you.

Ms. JOHNSON OF TEXAS. Thank you very much.

Representative Ehlers.

Mr. EHLERS. Thank you, Madam Chair.

I have a few questions about the Great Lakes harbor dredging. It will come as no surprise to you that several of my colleagues from Michigan and the other Great Lakes States are very concerned about the persistently low level of funding for dredging Great Lakes harbors. Our region currently faces a backlog of over $200 million in operations and maintenance projects. This has led to vessels on the lakes being forced to carry lighter loads for fear of shallow harbors and channels. This has delayed cargo shipments, drives up costs significantly.

We are particularly concerned about the inequities of this. For example, in fiscal year 2005, the Ohio River received over $266 million for dredging, which is about $1.10 per ton of cargo. The Great Lakes only received $87.5 million, which is about 50 cents per ton, less than half. We dropped down to $74 million in fiscal year 2006. And I certainly don't want this to become a battle between regions, but that certainly seems inequitable, when we are receiving less than half as much per ton of cargo transported than other areas are.

I noticed that it gets bumped up to $105 million this year, but it is not clear to me that this is for the Great Lakes, or is because the Indiana harbor combined disposal facility, a $20 million project, was moved over from the construction account. So my question is, what plans do you have to start to tackle the backlog in maintenance projects of dredging that is causing such a problem for the shippers on the Great Lakes, and do you distinguish between navigation projects designed to move domestic cargo and those designed to move import and export cargo, and do you distinguish between those two at all or not? I might add, it is complicated by the fact that lake levels have fallen drastically since 1998. It makes the need for dredging even more urgent.

General STROCK. Sir, certainly where the allocation of funding goes, we do not discriminate between regions. We do not do a head to head competition between the Ohio River and the Great Lakes or any other region. The Lakes and Rivers District, like all of ours,

has a budgeting process that is risk based. So each project and each situation is taken on its own merits.

As you had mentioned, the result of that was an increase in the Ohio River, and I can't tell you categorically whether it was due to Indiana Harbor or not. We will look into that, sir.

But certainly the Ohio River increased by 12.6 percent and the Lakes increased by 8.8 percent, a difference. But it was a bottom-up driven budget that took that business line approach

[The information received follows:]

The increase in Operation and Maintenance funding for the Great Lakes and Ohio River Division is primarily for critical maintenance on the mainstem Ohio River. The Indiana Harbor Confined Disposal Facility also was included in the Operation and Maintenance account in the FY 2007 budget.

Mr. EHLERS. I don't understand that term, bottom-up. Are you talking about the bottom of the river?

[Laughter.]

General STROCK. No, sir, in terms of the organization. The districts within the Lakes and Rivers Division made the case for each of their projects against a set of criteria, and that then moved upward as we allocated the available funds. Their defense of their requirements was taken into consideration. That is what I mean by a bottom-up driven analysis.

In terms of the import-export, I will have to answer that offline, sir, I do not know the answer to whether we make a discrimination on that or not.

[The information received follows:]

Allocations to navigation projects were not based on distinctions between those that move domestic cargo and those that move import and export cargo.

Mr. EHLERS. OK. Well, I certainly appreciate your checking into that, because it has become a major problem for the shippers on the Great Lakes, particularly Lake Michigan and Lake Superior.

The other comment I wanted to make, I understand in her opening statement Mrs. Miller from Michigan raised the issue of the barriers. That is a crucial issue. I can't imagine anything which would be more damaging to the Great Lakes ecosystem than having the Asian carp get into the lakes. We absolutely have to stop that. I think it is to the point that if you can't get the dispersal barriers going up and operating regularly and faithfully, certainly, then we ought to close off the Chicago drainage canal and just make sure nothing gets up. But of course, the city of Chicago would be in terrible shape if that happened.

So it just absolutely has to be addressed. I think that has to be the highest priority project of anything that you do. So I certainly support Mrs. Miler's comments on that.

Thank you very much.

Ms. JOHNSON OF TEXAS. Thank you very much.

Mr. Carnahan.

Mr. CARNAHAN. Thank you, Madam Chair, and welcome to our panel.

First I want to just continue on the add my voice of concern that we have heard in a bipartisan way here today that, does it make sense for us to be penny-wise and pound-foolish with this budget. I hope we will look at that in the broader context.

To General Strock, I want to say thank you. We have talked many times about river issues that surround my district in the St. Louis region. I am right across the river from Congressman Costello, at the confluence of the Mississippi, the Missouri and the Illinois Rivers. So we have some great national treasures around us and appreciate your work with regard to them.

I want to echo Congressman Costello's comments about the need to look at the systems management approach to our levees around the region and look forward to working with you on that.

Secondly, I want to also mention the formerly utilized sites remedial action program. Two of those sites are in the St. Louis region. It is important we continue those. I am disappointed to see the funding down from 2007 levels. As you know, these are sites that were mostly contaminated as a result of our early efforts to develop nuclear weapons, atomic weapons. So we need to finish that work.

Finally, I want to talk about the St. Louis floodwall. During the great flood of 1993, as we all know, that floodwall nearly failed. At risk there in St. Louis is an estimated $3 billion worth of residential, commercial and industrial property. It has been 14 years since that great flood. It has been since 1955, three years before I was born, I might add, that that project was authorized. Yet this is being put in a category of new projects, new construction. And my question is, how can that be put in a category of new construction, number one, and number two, given the severity of the property at risk, how can we go forward to get that and make that a priority?

And with regard to the local initiatives, there are many new initiatives to improve our riverfront as a top priority for St. Louis. We have taken a local initiative to come up with local bonding funds to help that. But the Federal Government has to do their part.

General STROCK. Sir, I certainly share your frustration over the time it has taken to bring this to resolution. We do understand the nature of the problem, and it really can be resolved by installation, by replacement of the relief wells. Perhaps not a satisfactory answer, but the policy is that if the construction is a result of a design deficiency, which this is, then it is characterized as new work. That is simply the way the system works, so it must compete in that category. But we are prepared to move ahead for construction in 2008, if this is funded.

Mr. CARNAHAN. Well, we need to continue to work on that. As we have talked many times, and with other representatives from the Corps, this is one of the top priorities. When you look at the property at risk, it certainly should be in a top priority. So we appreciate that, and we will continue to work with you.

General STROCK. Yes, sir.

Ms. JOHNSON OF TEXAS. Thank you very much.

Congresswoman Drake.

Mrs. DRAKE. Thank you, Madam Chairwoman.

Gentlemen, thank you for being here, especially on such a difficult day. I would like to join the chorus of talking to you as well about beach replenishment. I think in Virginia Beach, we have all seen that that project did do exactly what it was supposed to do when Hurricane Isabel came in. I know we are very close to being able to finish that work.

My question for you deals with the Supreme Court ruling last year in Rapanos that Section 404 program overstepped its authority under the Clean Water Act. The Court ruled in a decision that to claim jurisdiction there must be significant nexus between the wetland and a navigable body of water. This decision did little to clarify any possible confusion on Section 404 because of the 441 ruling that was issued.

So the result is, companies are making business decisions based on circuit court decisions and interpretations, using Justice Kennedy's significant nexus test to assert jurisdiction over waters some distance from navigable streams. I believe the agencies need to issue guidance to the field staff and regulated industries, rather than companies making decisions based on very limited court rulings. So my question is, is this guidance coming and what can we expect?

Mr. DUNLOP. Yes, ma'am, the guidance is coming. We are obliged by the Supreme Court when they make decisions that add new factors into the consideration of what is jurisdiction. It is a complicated ruling. It is taking us much greater time to bring together the ways to accomplish what the Supreme Court has determined than we thought it would. I do think it is safe to say that the guidance that we expect to provide to the field to assure that we have consistency and predictability and that we are consistent with the Supreme Court rulings—and we factor in the considerations of, as you said, significant nexus and other factors that the Court has determined are necessary in this—that it is, if I used the term imminent it would not be overspeaking, that are very eager to accomplish this at the earliest possible time.

Mrs. DRAKE. I appreciate that. Can you also tell me what the basis would be, or if it is just like talking about the beach replenishment, how you are going to decide what ongoing projects are going to be funded with the CR for the 2007 funding?

Mr. DUNLOP. Well, I might ask General Strock perhaps to address the particulars of that. But as I did indicate previously, these allocation decisions are still under consideration. Until we settle all of those things out and look at the way that we have to deal with this CR, it would really be speculative for me to say anything specific about that.

I could ask my staff if there is a particular thing I might add to that. They confirm that we are working earnestly on this, and that at the earliest possible time we will try to deal with these allocation decisions.

Mrs. DRAKE. Then let me ask General Strock, if the President's budget request is above what was requested in 2007, as you said, so will you be able to address all expected maintenance needs? How much deferred maintenance do you think we are going to be incurring for what the current backlog is going to be for maintenance as well? Even though it is an increase, where do you think we are with that?

General STROCK. I don't have those figures available to me now, ma'am. I can answer that either offline or for the record. But as Mr. Dunlop says, our approach to the 2007 funding certainly would not be able to meet all the maintenance needs. We will address the critical needs first, obviously. And again, when the joint funding

resolution is passed and we see what that looks like and what guidance it provides, and what guidance we get from OMB, we will finalize the 2007 work plan.

Mrs. DRAKE. Thank you very much.

Madam Chairwoman, I yield back.

Ms. JOHNSON OF TEXAS. Thank you very much.

Ms. Matsui.

Ms. MATSUI. Thank you, Madam Chair.

Mr. Dunlop, I have been in discussion with Secretary Woodley and I have a question. For areas like Sacramento that have many budgeted and ongoing flood protection projects, it is really difficult to look toward fiscal year 2008 budget until one fully understands the status of the CR and fiscal year 2007 budget situation. So for high risk flooding areas, can you explain how these critical decisions for at-risk populations will be made?

Mr. DUNLOP. Congresswoman, I have not been involved in the discussions about that to the degree that Mr. Woodley has. I think that anything that I might say in that regard might just confuse the issues, because I am really not informed about that. What I would like to do is, in specific response to your question, to respond to that either by having Mr. Woodley have a discussion with you personally about it, to come see you or speak to you on the phone, or for us to provide a written statement that would address the specifics of what you have raised.

Ms. MATSUI. That would be very helpful.

I have a more general question here, then. For the CR, the fiscal year 2007, the Army Corps has $2.3 billion to spend on construction for projects. In fiscal year 2008, the Administration has recommended $1.846 billion in construction. If $2.3 billion cannot take care of our Nation's needs, how can we expect the fiscal year 2008 budget numbers to come close to meeting, let alone sustaining our Nation's needs?

Mr. DUNLOP. In a general sense, of course, what is public policy but the allocation of available resources? And you know, as General Strock and as many of you have said in your opening statements, the opportunities that we have to improve the water resources infrastructure of this Nation are great. And it is really very difficult. That is why we have assistant secretaries and why we have budgets and why we have Congresses that ultimately have to resolve these issues.

But the processes that we use seek to prioritize, in the very best way we can, in an open and transparent way, what the principles and the priorities and the practices are that would allow us to use the proper decision making processes to rank the ways in which we allocate these resources. It is a tough job and we are all engaged in it most vigorously. Ultimately, when we have more will than we have wallet, there just has to be a way to resolve those things.

The process that we are engaged in here in hearings, and other oversight that the Congress engages us with, help inform these processes greatly. We take it very, very seriously when elected representatives of the people emphasize what is important to them. And then we weigh those considerations against the matrices that we use so that we have an open and transparent way to help allocate these resources.

Ms. MATSUI. My concern, Mr. Dunlop, is that we have had ongoing projects for years. And we have decided on a direction. Most of this depends upon meeting capability. That is why I am concerned about where we are with the CR. Because if we use the 2006 numbers, we are certainly below capability. If we are looking at 2008, we need to look to see what we are doing in a CR, in order to stay on track. And even at that, from what I understand with the fiscal year 2008 budget on basically my projects, for instance, there is $66 million for various projects like the American River watershed, the Sacramento River bank protection and the South Sacramento streams. I have been advised that the Corps capability for these projects is approximately $100 million higher.

So we are looking ahead, trying to finish these vital flood control projects in a rational, reasonable manner, understanding that we would like to get this done within 10 years. And yet we have no understanding about what the rationale is, how we interface with you in order to find out how you make these critical decisions. You indicated that you have not been as involved in this process and I will certainly follow up with Secretary Woodley. But you have to understand that all of us here are very much focused on how our projects are going to be placed as far as the CR in the 2008. Because we are looking forward to many more years than that.

So it is something that I think all of you have to consider.

Mr. DUNLOP. Yes, ma'am. We understand exactly. And of course, the definition or the use of the term capability is something that from an engineering and construction and other allocation and mobilization of assets that we have in the Government—the people that work for the Corps of Engineers in a contracting capacity—is a very useful term.

But when we talk about capability outside of that engineering context, it can be somewhat confusing. Because while my understanding of these terms like capability and other things is not entirely perfect, it is my understanding that it assumes that there are no other constraints, there is no other work that is being asked to be done by the same people. So when we look at a number like, well, we have capability to do X, it is almost like we are looking at that particular project and not looking at any other activity that would need to be addressed by the same people that would be doing that work.

So as we talk with you and gain a better understanding about how we can properly allocate available resources there, this gaining a better understanding of exactly how these capability concepts affect the area in which you are interested, in the Sacramento and the American River and all those other areas there, will be something I think will be a very useful discussion for all of us.

Ms. MATSUI. Thank you. I must say that I have been really involved in this for a very long time. So I understand what capability means. And it is just a sense of trying to get to how you make a decision.

Thank you, Madam Chair.

Ms. JOHNSON OF TEXAS. Thank you. Mr. Brown.

Mr. BROWN. Thank you, Madam Chair, and thank you, gentlemen, for coming in and making these presentations this morning.

I represent the First Congressional District in South Carolina, which is on the coast, so I will echo some of the concerns that we have with some of my counterparts along the coast about beach renourishment. It seems like to me that the Corps and I guess the Administration has given up on renourishing our beaches. I am just concerned about the benefit cost ratio between prevention and the benefits of having sand on the beaches, particularly when we have a storm or national disaster come through.

I am just wondering, if in effect you are incorporating that into the former to help us generate the need for continuing beach renourishment?

General STROCK. Sir, the formulation of the benefit cost ratio does take into account the damages that occur if that protection was not in place. So in that respect, it does. In terms of the other aspect of this, the fact that we do not support beach renourishment, you can begin to get into the argument about whether the damages avoided would not be worth the cost to the Federal Government of renourishment. But as mentioned, with the shortage of funding, we simply have to draw the line somewhere. We have committed to the initial nourishment of those projects which meet the criteria and leave the renourishment to the local population.

Mr. BROWN. We have even had to go to FEMA to help reconstruct the beaches after the storms come through. It seems like to me that is kind of reversing the priorities in the best cost methods, using the taxpayers' dollars. I would certainly encourage you to take another look to see if we can't change, reach the direction in which we are going to address that particular problem.

A big problem we have down along the cost is the need to get permits during construction projects. I was just curious, after the Carabell/Rapanos decision, are you moving forward on enacting those permits? I know we have some 20 to 25 different corporations just waiting for an answer to move forward on some construction projects.

Mr. DUNLOP. Yes, sir. It is my understanding that the policies that we have, in regard to permits that are being made of the sort you described, is that until there is more guidance, which Congresswoman Drake was asking about earlier, the current policy is for any project applicant, any person who wants to use his property and needs a 404 permit, if he is willing to accept jurisdiction on that, we will immediately process that permit and accept that jurisdiction. And then of course the factors that would be considered for the permit would be the typical ones that involve mitigation, whether they can avoid, minimize or compensate for their impacts on the aquatic resources of the United States.

If people are not willing to accept jurisdiction, they say, well, gosh, there was this Supreme Court decision, we may not even be jurisdictional, then we have had to withhold dealing with those permit applications right now. So they are on hold. There is a backlog building because of this. It is a significant factor and we are most eager to get our guidance out into the field so that we can begin to deal with this mounting backlog.

Mr. BROWN. Well, it is a real serious problem in my district. We have smaller contractors that get financial commitments on the cost of that property and they are paying interest, and those inter-

est costs continue to build. I would hope in some timely time line that you would be able to make that determination.

Mr. DUNLOP. Yes, sir. In fact, as I responded to Congresswoman Drake, I don't think it is an overstatement to say that it is imminent. I would say, however, if you had asked me that in July, I would have said it is imminent. It is very difficult to come up with the types of guidance that cannot have unintended consequences of causing further litigation, and therefore further delays for everybody. But I do really think that we are very close to this, and certainly will take the admonishment that you have to help move this through———

Mr. BROWN. When was that ruling made?

Mr. DUNLOP. I think actually it was like in April of last year.

Mr. BROWN. So we really have a lot of people that have been hanging based on trying to get some decisions on that ruling.

Mr. DUNLOP. And in fact, in our budget presentation today, we also talked about how the Administration has requested $180 million for our program and part of that funding would be to help us deal with the much more complicated decision making that has to be made as we try to find what the significant nexus is. That increase is a very substantial increase. If I remember correctly, I believe the number for the current fiscal year 2006 is about $154 million. From 154 to 180 is something that we were very earnest about achieving, so that we can keep this regulatory program moving apace.

Mr. BROWN. So you are not predicting getting this new budget passed in order to get this enacted, are you?

Mr. DUNLOP. No, no. Not at all. When the Court rules, we have no recourse but to follow the guidance of the Supreme Court. Regardless of what these costs are and other things, we just have to proceed on that basis.

Now, if we don't have enough funds to actually do the work or if there isn't time to hire the people and get them on board, well, then, one of the consequences of these rulings is of course to cause the kinds of delays that you are describing. They are very real and very significant.

Mr. BROWN. Madam Chair, I apologize for going over my limit. But this is a major issue down in South Carolina, and I certainly appreciate your consideration as we try to move that as quickly as possible.

Ms. JOHNSON OF TEXAS. Thank you very much.

Mr. Arcuri.

Mr. ARCURI. Thank you, Madam Chairman.

Thank you, gentlemen. I have a couple of questions that are related. First question is, General, can you tell me what percentage or what amount of your budget or the time that you spend, however you can break it down for us, is dedicated to projects in Iraq and Afghanistan as opposed to domestic projects?

General STROCK. Sir, that is a very difficult question to answer, because the Iraq program involves about $13.5 billion worth of effort. It is funded through a different appropriation, and it is over a period of years. To date we have placed about $7 billion worth of effort there. But in my opinion, it does not directly compete with our civil works program. As part of the overall effort to the global

war on terror and the constraints that makes on the Federal budget, perhaps it could. But there is no direct connection or competition.

We do rely on volunteers for the Corps of Engineers, mainly civilians, to move overseas and execute those programs. But I think we are able to compensate for the absence of those people within those districts and carry the workload of those who are absent. So I don't see a direct impact. In fact, I really would like to say and believe that we are better able to execute our domestic programs as a result of the intensity of the experience that our people receive over in Afghanistan and Iraq.

Mr. ARCURI. Obviously the experience is always helpful and relevant. But are you saying that none of the programs or none of the money from the domestic budget is used for projects in Iraq or Afghanistan?

General STROCK. That is correct, sir.

Mr. ARCURI. It comes from a different funding source?

General STROCK. Completely different appropriation,yes, sir.

Mr. ARCURI. OK. My next question is, now, obviously you watch the news, you hear so much about natural disasters. In my own district, we are upland, we are in upstate New York and we still have some major flooding problems that we haven't seen in recent history. Has this affected the Army Corps of Engineers' ability to deal with the different crises, the more intense storms that we are receiving? Has it affected your ability to effect change, to quell these problems?

General STROCK. Well, sir, certainly storms like the intensity we experienced in Katrina taxed our ability to respond. We do not resource to the worst case. And that was very apparent in Katrina. We were at a low, I think, because we have standing processes and experience, to generate additional resources as we fed in response to that event. We are working very hard to align the response mechanisms we use. We respond to natural disasters, terrorist strikes and contingency operations. And we are trying to align all of those so we use consistent practices and processes when we do that.

Mr. ARCURI. My question is this, and let me be a little more direct with it. You indicated earlier that you prioritize the projects that you address. Has the fact that we had seemingly increased numbers of flooding, an increased number of projects, raised the bar, so to speak, and therefore made the smaller projects, which affect communities like mine greatly, less likely to be addressed by the Army Corps of Engineers in the short term?

General STROCK. Sir, I think that could be an outcome. We are committed to doing more risk-based analyses. Certainly there are communities that face risks now, and risks are constantly changing, based on weather patterns, geomorphology and that sort of thing. So it is not a static system. There continue to be growing problems around the Country.

We are unfortunately faced with the situation now that there is so much backlog on the books that our ability to take on new studies and new projects is diminished. And there is an increased awareness, obviously, and an interest in particularly flood damage reduction and protection. So there is more competition for a limited

pool of resources. So it is unlikely under current processes and policies that we would budget for additional studies.

Mr. ARCURI. Would the necessity to do this type of risk-based analysis be diminished if you had more funding, if the funding was greater for the Army Corps of Engineers?

General STROCK. Certainly with more funding, we could do more detailed and rigorous analysis. I think we have an obligation to contribute to informed decision making, to do the analysis that really articulates and quantifies the risks people face, so that those in the Administration and Congress can make informed decisions about where to invest resources. Unfortunately, with the prohibition on new studies and new starts now, we are unable to do a lot in the specific sense of addressing local problems.

Mr. ARCURI. But basically with additional funding, you would be able to address some of the flooding problems in the smaller communities that don't come up as such a high priority risk for the Army Corps of Engineers in its analysis?

General STROCK. Certainly, yes, sir, with more funding we could do more.

Mr. ARCURI. Thank you so much. Thank you, Madam Chair.

Ms. JOHNSON OF TEXAS. Thank you.

Mr. Shuster.

Mr. SHUSTER. Thank you, Madam Chair.

First of all, I want to thank the panel for being here today. I certainly appreciate all the good work that the Corps has done in my district over the years and I am sure will continue to do.

My question, I think Mr. Brown, I am not quite sure if he hit on the same exact topic as I am going to ask about, the nationwide permits. The nationwide permits are expiring, I understand, the middle of March, March 18th. And that to date you have not reissued the regulations that need to be put out in the public for 60 days so the Corps districts and the States can do the various things they need to do to comply. If for instance, you were to put them out tomorrow, that would, the 60 days would take us into April, there would be four weeks that people couldn't operate or there would be a gap in the current NWPs. That of course causes great problems for these contractors and developers around the Country, being able to plan long-term to keep the work going. Obviously time is money, and it is going to cost them.

Does the Corps have a plan to enable the existing permittees to continue to operate under their current NWPs?

Mr. DUNLOP. Congressman, it is our belief that in fact we can manage around, that there really will not be a gap.

Mr. SHUSTER. I am sorry, say that again?

Mr. DUNLOP. We don't believe there will be a gap. Now, theoretically there is because of the States, when they have the 60 days to review their 401s, that is, the State water quality certifications. We believe that we can work with the respective States, that they could go ahead and authorize in a programmatic way for the Corps of Engineers, the regulatory branch, to go ahead and execute the NWPs by giving us blanket 401s. If the States were to determine otherwise that they will not give a 401 until we have our NWPs and they have had their 60 days, then that would present a problem.

But I think it is a problem only in theory. We believe in practice we can manage through that. The bottom line is, we intend to keep on schedule with the publication of the NWPs and that this is imminent and will be done in a timely way, and that we can manage through so that the gap will not exist in practice.

Mr. SHUSTER. OK, so you will just extend, is that my understanding, you will extend the current NWP, is that what you would do? Because again, my understanding is under the law you have to have 60 days public notice and we are a month away from them to expire. So you wouldn't just extend what they currently have, or would you just issue them a new one and forego the 60 day public notice?

General STROCK. Sir, I believe that the condition is that these nationwide permits will take effect immediately upon publication, which is imminent. The challenge is the State water certifications and coastal zone consistency determinations. The State will have 60 days to reorient their processes.

What a developer would have to do, I think, in the interim, is comply with the nationwide permit, but would have to apply for an individual permit to comply with the State requirements.

Mr. DUNLOP. If the State doesn't give us programmatic 401s.

Mr. SHUSTER. And you think in practice that it is going to be a rather simple thing? Because my understanding is these have little impact to the environment, that is why they can move quickly?

Mr. DUNLOP. That is right. I think that is right. We are in the process—the regulatory branch is in the process—of communicating with the States and advising them of these circumstances and working through any problems in advance that any State might have.

Mr.SHUSTER. So you don't feel there will be a gap, and you believe that when they expire on March 18th, you will have———

Mr. DUNLOP. The new nationwides will be in effect and they will be lawful and everything will be able to move forward. We still have the kind of constraints that Congressman Brown was addressing. But in terms of the capacity of the nationwides to give people the tools out of the regulatory toolbox they need, we don't see an impact, an adverse impact, to the regulating community.

Mr. SHUSTER. All right. Thank you very much.

Ms. JOHNSON OF TEXAS. Mrs. Napolitano.

Mrs. NAPOLITANO. Thank you, Madam Chair.

General, there are a couple of questions that have to do with my area. One of them is not necessarily my area, but the delta levees in northern California. As the chair of the Subcommittee on Water and Power, that is a great issue for the State of California. What is the Army Corp proposing to do to strengthen those levees? This is the bay delta up in northern California.

General STROCK. Yes, ma'am. We worked very closely with the State over the last year to identify the most critical areas. I think we are well on the way to making those repairs.

The broader aspect, though, there is a tremendous amount of work, as Congresswoman Matsui indicated, throughout the entire delta that needs to be worked. We have plans in place and we are working toward that. But that is something we will have to work together.

Mrs. NAPOLITANO. I would like to sit with you at a later time, because it is an issue of the possible intrusion of the seawater into that area.

General STROCK. Certainly.

Mrs. NAPOLITANO. The second area that I wanted to ask is recently, the City of Los Angeles, the U.S. Army Corp of Engineers announced a $2 billion plan to transform 32 miles on the Los Angles River into a green ribbon of parks, pedestrian walkways, bike trails and housing. I will have a question on the housing, but that is later. The San Gabriel River is a great proposal that was started some years ago by Senator, one of the Senators.

At any rate, why was not the San Gabriel River included in the proposal and can you include it in the proposal to study the San Gabriel River, which is not more than a few miles down on the other side?

General STROCK. Ma'am, I can't answer the question, either the proposal for the L.A. River or the San Gabriel. I will have to get back with you.

Mrs. NAPOLITANO. I would appreciate it. What is the Corps' goal, in 25 words or less?

General STROCK. Twenty-five words or less? Boy, you got me. I require my people to have those sorts of elevator speeches, and I am caught without one.

[Laughter.]

Mrs. NAPOLITANO. I don't want a speech.

[The information received follows:]

The San Gabriel River was not included in the proposal for the Los Angeles River because there was no local sponsor for that action. The Los Angeles District is working with Los Angeles County, and our understanding is that currently the County intends to request a new reconnaissance study for the San Gabriel River area. This study could be performed under the existing Los Angeles County Drainage Area authority.

General STROCK. I think, as I indicated in my opening statement, we are looking for a mechanism to make sound decisions on investments in water resources for this Nation based on performance and returns on investment. We are looking for a water resources program and policy that contributes effectively to our national economy, to our environment and to national defense.

Mrs. NAPOLITANO. That is over 25, but I will take that.

Then why is it that we continue to see cuts in the budget that are going to help our economy grow, whether it is the tourism by helping the beaches refurbish, by doing all those different things? And one of the questions that I did have is dovetailing into Mr. Arcuri's question about your budget. You indicated it was $13.5 billion into Iraq and $7 billion today, although that doesn't come out of your budget for this particular area. But what has been your increase in the last, say, four years since the war, or decrease for projects that are so necessary and vital to the national welfare and economy?

General STROCK. Ma'am, I think generally speaking, the President's budget has had a steady increase over the last few years of about $200 million a year. When you compare it to the appropriation, then you have a difference. But I think the President has consistently added more money to the civil works program. And this

is the largest civil works budget that has ever been requested by any President.

Mrs. NAPOLITANO. Well, I am specifically addressing myself to the investigation and construction account. Investigation decimated by 54 percent. How else are we going to be able to help the communities? And then construction by 35 percent. Then we go to the Clean Water State Revolving Fund being cut. Those are areas that are key and vital to the recovery of our Country's economy. Yet we are saying, well, we can send more money to Iraq, but we can't put some of that money to work to be able to help us be able to fund the war later on, if we run into another one.

General STROCK. Yes, ma'am. Again, I don't see a direct plus and minus to the commitment we have made to Iraq. The fact is that we have many more projects on the books, as we have already talked about, we have a tremendous capability and requirement that is not being satisfied. So the Administration's general policy is, rather than bring new projects aboard, let's finish those high-performing projects we have now.

I do share your concerns with the lack of investment in the investigations. Because in addition to providing information on future needs of the Nation, it allows us to maintain a competency to do the sorts of studies to contribute to informed decision making. But again, it is the position of the Administration that we must focus on what is on the books now, put those projects into operation, so we can begin to realize the benefits that they will provide.

Mrs. NAPOLITANO. Would it be possible———

Ms. JOHNSON OF TEXAS. Thank you very much. Your time has expired. We will have to come back.

Mr. Miller.

Mr. MILLER OF CALIFORNIA. Welcome. I know when you walk in this room you are ready to make a presentation, you walk out feeling like a punching bag oftentimes. General Strock, I would like to welcome you here. I would like to say that for some reason in my district, we have a lot of issues that involve the Army Corps of Engineers. You have really been most professional, most responsive. Did you know Colonel Dornstauder? Well, he is somewhat presentable. But if he had a star on his shoulder, he would probably be a lot more presentable. But I have never seen anything to influence that decision.

He is, and Colonel Thompson before him that I dealt with, have been really good to work with. We have had old munitions that we have found in cities that they have immediately responded to and dealt with, flood control issues that arise quite often. You always seem to be there. I know if you had all the money that you needed, you could make 435 of us very happy. But the funds aren't there and available to meet the demands placed upon you.

But in my district, I represent the 42nd Congressional District in California, mostly Orange County, small part of L.A., small part of San Bernardino. We have the Santa Anna Mainstem project, which includes Prado Dam. The Army Corps estimated in the late 1980's that if that wasn't completed as proposed if they had a major flood, it would impact about 110,000 acres, over 3 and a quarter million people. And the damage of that projection was $15 billion, who knows what it would be like today.

We have been steadily working on that project. Now, last year the proposal from the Administration was about $54 million on that project. This year it has been cut down to about $17 million. And that whole project has not only a major impact on flood control, but the people that live behind that project have property that we are trying to acquire as the dam is elevated have been waiting very patiently for years. Their property has basically been condemned because they can't build on it, they can't sell it for development, and it is in a flood controlled area. So until the dam is completed and acquired, they are kind of stuck.

I just don't know if you have any idea how long this project is going to take. You have been working on it yearly. It is going up gradually. But we have been since the late 1980's and 1990's trying to complete this project and it is still under construction. So do you have any kind of an idea what we are looking at?

General STROCK. Sir, I don't have the specifics on that in front of me. I will have to get back to you to lay that out for you in more detail.

Mr. MILLER OF CALIFORNIA. Further on that question, the Administration I know comes up with proposal on how much they are going to spend, and they prioritize projects. How much direct input does the Army Corps have in prioritizing the funding and prioritizing the project in their budgetary process?

General STROCK. Sir, we have a considerable amount of direct input. We are given guidance from the Administration on how to present that. We do help in the development of that guidance. But we apply the guidance that we think does steer the available funding in the right ways by looking at benefit cost ratios, by looking at turns on environmental projects and so forth. So I am satisfied that we do have the ability to shape the guidance and make the recommendations for funding that we need to make.

Mr. MILLER OF CALIFORNIA. Would Congress enacting a basic water resource development act and prioritizing these yourselves, would that be beneficial, would that be detrimental to your efforts?

General STROCK. Sir, it is my personal view that a Water Resources Development Act would be useful to us, because we haven't had one in the last six years. And that is the legislation we use that shapes policies that must change over time. I think we certainly benefit from it.

Mr. MILLER OF CALIFORNIA. Well, as I say, Colonel Dornstauder has done a really good job. I know he is leaving this year, I believe, and is going to be replaced by somebody else. Colonel Thompson before him was excellent. Is there any way that you can get us some kind of a projection that is realistic based on what your future prioritization are going to be as far as funding, as to when this project might come to fruition and completion and when we might expect, especially that are impacted behind it, on both sides of this dam, to have issues resolved? Can you do that for us?

General STROCK. Sir, I will certainly try to do that, yes.

Mr. MILLER OF CALIFORNIA. Thank you. I thank you for your testimony and once again, the Army Corps has been very good to my district and I appreciate it. I yield back.

Ms. JOHNSON OF TEXAS. Thank you very much.

Mr. Hall.

Mr. HALL. Thank you, Madam Chair. I will keep it short.

I have two questions. The first one pertains to the capability for Delaware River comprehensive watershed flood management plan. There are three items listed in the proposed budget which were showing in my district and also Congressman Hinchey's and Congresswoman Gillibrand's district. The Delaware River comprehensive watershed flood management plan capability for fiscal year 2008 of $300,000, Upper Delaware River watershed the same.

And planning assistance to States, Section 22, all of them were taken to zero this year in the proposed budget. And I am just curious how we can begin to address the backlog of projects like this. We heard about capability before, we know in our area that the need is there. It is not just that there is capability, but there is this need. We have had two floods that caused substantial damage in the last four years. The Delaware was one of them, Port Jervis and that whole area of the Delaware.

So how are we supposed to respond to a zero budget line in 2008 and address this and what thoughts do you have on a realistic number?

General STROCK. Sir, I don't have the specifics of those projects in front of me. But in general, if the assessment is that there is a high risk to safety there and we have various metrics to evaluate that, the number of people in the flood plain, the anticipated velocity and volumes and so forth, that we will take on those studies. But without looking at the specifics of that project, I can't give you a good answer on that. I will have to do that for the record.

Mr. HALL. I would appreciate if your staff would respond to y office with that. Because I am getting this question all the time in Port Jervis, in particular.

And the last question, I will edit out the other ten, and send them to you in writing, there is a piece here in the written statement about hydropower. I understand that the Philadelphia office has been involved in a low-head hydropower project in Pennsylvania, at least one. I was curious if the Corps would be willing to undertake a full evaluation of what resources and facilities under its jurisdiction may represent opportunities to expand low-head hydro. We have, according to the Idaho National Laboratory, in New York alone 4,000 some low-head hydro sites, existing dams and waterfalls where a turbine could be put into place to harvest, they claim, greater than 12,00 megawatts of power without having to build anything new other than the turbine. And many of those dams, I understand, are flagged for safety reasons by the Corps. So do you see the Corps undertaking that sort of study?

General STROCK. Sir, I will have to answer that one for the record as well. In general, we applaud the opportunity for multiple purposes, to use a water column for multiple purposes as it moves through the system. Again, I will have to give you a separate answer for that one.

Mr. HALL. Thanks for your testimony. I will yield back my time.

Ms. JOHNSON OF TEXAS. Thank you very much.

Let me ask a question of Mr. Dunlop. As you know, the Congress has not passed a water resources bill since year 2000. Of course, the whole country is pleading for something to happen. We must take some of that responsibility, but we also feel that we have not

had the support of the Administration. Since year 2001, they have not even submitted a formal water resources bill to Congress, nor has the Administration been an active player in moving anything along.

My question is, it is pretty simple, is this Administration going to submit a water resources proposal to Congress this year?

Mr. DUNLOP. Well, the decision about that has not been finally made. But I can tell you, Madam Chair, that we are very vigorously developing a legislative framework that we believe will reflect the kinds of priorities that we have discussed today and some of which the members have discussed today. Our proposal will first of all, of course, support the budget recommendations that would require legislative enactment. But in the coming weeks, I believe that we are going to be able to make a proposal that will help accomplish the kinds of principles and the practices and the policies that have proven successful in the past. And we will seek some creative incentives to be able to improve them for the future.

So the bottom line, Madam Chair, is that we would like very much to work closely with this Committee and with the Congress toward a Water Resources Development Act that would allow you to fulfill your legislative objectives and responsibilities.

Ms. JOHNSON OF TEXAS. Thank you. Does that mean that the Administration is supporting the Congressional efforts this year?

Mr. DUNLOP. Well, when you say supporting the efforts, we always have supported the efforts. We have always been in the position where we want to be helpful to the Congress and provide what counsel we can.

Ms. JOHNSON OF TEXAS. I know that is the way it is with the Corps.

Mr. DUNLOP. And with the Administration, yes, ma'am. I am speaking on behalf of the Administration, not only the Corps of Engineers, but Assistant Secretary Woodley and the people to whom we are subordinate in the Executive Branch. We are under direction that whenever the Congress undertakes legislative activity, we are to be absolutely helpful, to be responsive in every way and to try to be creative in recommending specific things that we believe will carry out the best practices. And as I had indicated, it is very much our hope to be able to come forth with some specific recommendations and proposals and frameworks that will assist this process that you are engaged in with the WRDA bill that almost came to fruition last year.

Ms. JOHNSON OF TEXAS. Thank you very much.

Mr. Boustany. Thank you, Madam Chair.

First of all, General Strock, let me just say, thank you very much for your service to our Country. I know this is probably the last time you will appear before the Subcommittee. Thank you for what you have done for Louisiana. Let me just say I am glad to see that you don't have any more gray hair as a result of the challenges that we put before you in Louisiana.

In the interest of time, I would ask that the Corps provide a summary of what has been done to date in New Orleans, the Gulf Coast area, in the aftermath of the storms. Furthermore, an assessment of what needs to be done as we go forward to provide for safety.

Likewise, back in December of 2005, we had authorization and appropriation for a survey study of southwest Louisiana. I would like an update on that as well, if you could provide that. Not today, but some time in the future, to my office.

One question, though. I mentioned in my testimony, Louisiana had released its latest version of a draft comprehensive master plan for a sustainable coast. I know it is still a work in progress. The Corps has been working with the State on the Congressionally-mandated Louisiana coastal protection and restoration. I am not sure how these two are going to be merged together. Could you give me some guidance as to what to expect there?

General STROCK. Sir, the LACPR, we are working on it very closely with the State of Louisiana in partnership with them. So we are considering their ideas and their master plan. We are also considering the previous work we did with the Louisiana coastal area study. So all of that is being rolled together into our recommendation for the coastal protection.

Mr. BOUSTANY. I appreciate that. Being the Congressman for the Seventh Congressional District in southwest Louisiana, I just want to emphasize that we don't leave southwest Louisiana out in that process.

General STROCK. Sir, very briefly, I can tell you that on the study you referred to, we will complete the recon shortly. We have evaluated three plans which we all think are economically justified. And we expect a letter of intent from a local sponsor soon. We should be prepared to move on the feasibility study.

Mr. BOUSTANY. So you expect that all that will be merged into a comprehensive report?

General STROCK. Yes, sir.

Mr. BOUSTANY. Thank you. That is all I have.

Ms. JOHNSON OF TEXAS. Thank you very much. I thank the witnesses for panel one, as we complete, and most especially look forward to working cooperatively as we have in the past. If the Subcommittee has any further questions, if they can be submitted, we will submit them for response. I appreciate your coming.

We will now call on the second panel, who has been here very faithfully waiting for their time.

Mr. BAIRD. [Presiding] In the interest of time, I will go ahead and introduce our panel as they find their way to their seats.

Our second panel of witnesses consists of the Honorable Benjamin H. Grumbles, Assistant Administrator of the Environmental Protection Agency's Office of Water. It is good to see you again, Mr. Grumbles. The Honorable Susan Parker Bodine, Assistant Administrator for the Environmental Protection Agency's Office of Solid Waste and Emergency Response; Mr. Tom Kilgore, President and Chief Executive Officer of the TVA, Tennessee Valley Authority; and Mr. Arlen Lancaster, Chief of the U.S. Department of Agriculture's Natural Resource Conservation Service.

Your full statements will be placed in the record and we ask that you try to limit your testimony to about five minutes as a courtesy to other witnesses. We will proceed in the order in which the witnesses are listed in the call of the hearing. Thank you all for being here.

Administrator Grumbles, please proceed. Thank you.

TESTIMONY OF THE HONORABLE BENJAMIN H. GRUMBLES, ASSISTANT ADMINISTRATOR FOR WATER, U.S. ENVIRONMENTAL PROTECTION AGENCY; THE HONORABLE SUSAN PARKER BODINE, ASSISTANT ADMINISTRATOR FOR SOLID WASTE AND EMERGENCY RESPONSE, U.S. ENVIRONMENTAL PROTECTION AGENCY; TOM KILGORE, CHIEF EXECUTIVE OFFICER, TENNESSEE VALLEY AUTHORITY; CHIEF ARLEN LANCASTER, NATURAL RESOURCES CONSERVATION SERVICE, UNITED STATES DEPARTMENT OF AGRICULTURE

Mr. GRUMBLES. Thank you, Mr. Chairman. It is a delight to be here on behalf of EPA and the national water programs.

The national water Programs in the President's budget amount of $2.7 billion, or 37 percent of the Environmental Protection Agency's budget. The budget advances our goals toward greater sustainability and increasing the effectiveness and efficiency of the Nation's water programs. Mr. Chairman, what I will do in the brief overview is to highlight the key themes and areas and priorities of the budget.

Mr. Chairman, as you know our focus is on infrastructure and sustainability of infrastructure. It is the key to closing the gap and improving health and economics within the communities and the watersheds. The President's budget reflects the sustainability of our four pillars of sustainability program. We are seeking $688 million for the Clean Water SRF. We are also including in this budget, Mr. Chairman, an initiative of the Administration, the Environmental Protection Agency and the Department of Treasury have worked together on this. And within the President's budget is a proposed new water enterprise bond initiative. What this means, Mr. Chairman, is the potential to increase by billions of dollars the investment in the Nation's water and wastewater infrastructure.

Specifically what the Administration is seeking is to amend the U.S. tax code to remove the unified State volume cap on private activity bonds for water and wastewater infrastructure. We believe that while this will cost $184 million over a ten year period, it will translate into billions of dollars of new investment in water and wastewater infrastructure and advance our objective of sustainable infrastructure throughout the 21st century.

Another key component of our approach to water and wastewater infrastructure is to emphasize like never before water efficiency. EPA is putting a priority within our water programs on voluntary public-private efforts, modeled in part on the Energy Star program, but with a specific focus on water, water efficiency. So our budget will certainly help us continue this effort that was launched last June to develop a labeling program so that consumers and families and communities can choose water efficient products and appliances and save money and energy and also help advance ecosystem protection within a watershed.

The other item I want to highlight, Mr. Chairman, is the importance of watersheds and watershed protection. The Agency is seeking $57 million for the Great Lakes. It is a priority of the President and the Administrator, and that includes $35 million for the Great Lakes Legacy Act, to clean up contaminated sediments, to keep the ball moving forward and to make progress on the ecosystem health and protection to protect and restore the Great Lakes.

The Chesapeake Bay includes in the EPA budget a continued increase in funding for the EPA from our perspective, and that is $29 million for the Chesapeake Bay. We are also including $39 million, a continued increase in the national wetlands programs that the EPA works in partnership with the Army Corps of Engineers on. That is not just the regulatory effort, it is also cooperative conservation, which is a principle of the President to advance the goal, the ambitious goal, the new goal for the Country that the President announced on Earth Day in 2004, and that is not simply maintaining the wetlands base in America, but gaining, increasing wetlands. So our budget reflects that continued commitment.

The other key item I want to highlight, Mr. Chairman, is water security. The goal of the U.S. EPA national water programs is to ensure that water is clean, safe and secure. Water security in this post–9/11 world is critically important. There is $44 million included in the budget specifically for water-related efforts, advancing the technology, providing the tools and training to water utilities, as well as wastewater utilities, to work to increase the security of our Nation's water and wastewater systems.

Lastly, Mr. Chairman, I want to emphasize the importance of oceans and coasts throughout. The President has emphasized through his ocean action plan that more than ever before, it is critically important to invest in and to use the collaboration and efforts of various Federal agencies to protect our oceans. EPA is requesting $13 million for our Ocean Dumping Act and oceans and coastal protection programs, and that is part of the overall effort of the President for a new initiative, $140 million, to advance ocean protection and health.

Mr. Chairman, I will be happy to respond and answer questions that you and your colleagues may have. Thank you for the opportunity to testify.

Ms. BAIRD. Thank you, Mr. Grumbles.

Ms. Bodine.

Ms. BODINE. Thank you, Mr. Chairman, members of the Subcommittee. I am Susan Parker Bodine, the Assistant Administrator for the Office of Solid Waste and Emergency Response. It is always a pleasure to be back in this committee room, thank you.

I am here today to discuss the President's fiscal year 2008 budget request for Superfund, Brownfields and other programs in my office that fall in the jurisdiction of this Subcommittee. The President's fiscal year 2008 budget request provides the necessary funds for EPA to carry out our mission efficiently and effectively, to protect human health and safeguard the environment. The budget request continues to emphasize funding for homeland security, and my office's piece of that is preparedness, response and recovery. That is $45.2 million.

We maintain funding for the Brownfields program at $162.2 million and continue needed funding for the Superfund program at $1.245 billion to continue our success in cleaning up hazardous waste sites.

Now, I know that in today's tight budget climate, EPA faces many challenges. In our program, particularly in the Superfund program, we are preparing to address large, complex sites. For example, the sites that have not yet had all their remedies con-

structed are averaging 4.3 cleanup projects 4.3 operable units per site. The ones where we have been successful in already completing construction, those averaged 1.8 separate cleanup projects per site.

But I want to assure you that we are taking on this challenge and managing it. For example, through aggressive management of our contracts, we have been able to de-obligate more than $665 million since 2001. That is money that was sitting in contracts, had been obligated to contracts and the sites were completed, and we had excess money left over when the project was done. We were able to de-obligate that money and then use it, and put it to good use cleaning up other sites.

In addition, since 2001, through our aggressive enforcement efforts, we have been able to put more than $1 billion into special accounts. This is PRP money that we collect from the responsible parties, put into special accounts and then we can draw down on that funding again to clean up sites. As of the end of fiscal year 2006, remedy construction had been completed at over 1,000 sites, at 1,006 sites.

Now, while construction completion is one way to measure success in the Superfund program, it is an interim measure. It says remedy construction is done. But it isn't a measure of long-term protection. And so in 2007, we have established a new measure, which is post-construction completion, to make sure that the sites are ready for their anticipated uses. That means that the cleanup levels on the site have been met, that are consistent with the future anticipated use, and most importantly, that all the institutional controls are in place so that if the site use is restricted, then that will continue to be restricted on into the future, ensuring long-term protection. We anticipate in 2007 and also in 2008 to make 30 sites ready for their anticipated uses.

As the Subcommittee is aware, we have adjusted our goal for fiscal year 2007 for the number of sites where all remedies are constructed. It had been 40, we have adjusted that to 24. And the 2008 goal is 30 sites. However, we have not adjusted the goal that was in our strategic plan that was published in September. That strategic plan was a 2006 to 2011 strategic plan. The strategic plan was to complete $205 sites over that six year period. After analyzing the sites, we expect to continue to meet that goal.

In doing this analysis, we have looked at the stage that the sites are at in remedy construction. These are long-term construction projects, and we are looking at where they are in that phase. That is the basis for establishing these numbers. As we look at it, we are seeing a dip in 2007, and then we are going to see it go up again, based on where they are in construction. So whoever is sitting in this chair in 2009 is going to be able to tell the Committee, construction completions are going back up. But that is because of where they are right now. That is because they are long-term projects.

The budget request continues to support, of course, our emergency removal program that addresses spills and other incidents that have immediate risks at sites. We address immediate risks immediately with emergency removals and time critical removals. In our homeland security budget we are requesting an additional $6 million to help us set up laboratory networks that will allow us to

address chemical warfare agents. That is new for us. We are very good at analyzing chemicals, ordinary chemicals. Chemical warfare agents is a capability we don't have yet and we are working on developing. We have $6 million in our request to help us develop that capability.

As I mentioned, while maintaining our budget levels for brownfields, we have made adjustments within that. Our headquarters EPM account, environmental program management account, we have been able to do some belt tightening of our own money and reduce that. Within the STAG account, the State and Tribal Assistance Grants account, that account is steady. But again, within that account, we have been able to shift how we are spending the money, so that we are going to be able to give more grants to State and local governments for site assessment and cleanup and revolving funds.

Mr. BAIRD. I am going to ask you if you can bring it to a close.

Ms. BODINE. Thank you. I would be happy to answer any questions.

Mr. BAIRD. Thank you very much. I appreciate your comments.

Mr. Kilgore.

Mr. KILGORE. Mr. Chairman and members of the Committee, thank you for letting us come. I am honored to appear today before your Committee to discuss TVA's programs and priorities for the future. And I am also appreciative of Congressman Duncan's earlier remarks. He represents the district that houses TVA's headquarters.

This is my first appearance before you under the new governance structure established by Congress last year that has brought an expanded board and a fresh approach to TVA. With their fresh and strong business backgrounds, Chairman Bill Sampson and his fellow board members are using their wealth of experience to guide TVA's wide ranging business responsibilities.

TVA's responsibilities boil down to just three things: energy, the environment and economic development. These are the core of TVA's mission for improving the quality of life in the Tennessee Valley region. They were in 1933 and they still are today. Two thousand six was a recording setting year in the TVA energy business. With respect to energy, the TVA power system met eight new monthly records for peak demand in 2006, including the largest peak demand in our history. Our reliability was 99.999 percent for the seventh year in a row.

With respect to the environment, despite low rainfall in much of 2006, TVA's integrated management of the Tennessee River system continues to provide multiple public benefits. TVA also continued its $5.8 billion clean air program that has reduced sulfur oxide emissions by 80 percent since 1977 and reduced nitrous oxides emission during the ozone season by 81 percent since 1995. The air in the Tennessee Valley region is cleaner now than it has been in many years. Later this spring, TVA's Browns Ferry Unit 1 in north Alabama will become the first U.S. nuclear unit to be brought online in the 21st century. Its safe, clean, zero-emission power will be a vital contributor to TVA's clean air strategy.

With respect to economic development, TVA invested about $40 million to support the expansion of businesses and industries in the

Valley in 2006. These investments have to track or keep some 53,000 jobs in the region and leveraged capital investment from other sources. It is not surprising that TVA was ranked number one among Utilities and Business Facilities magazine's report card on economic development in 2006.

As you know, TVA is financially self-supporting and no longer receives any Federal appropriations. TVA pays its own way using power revenues to buy fuel, pay our wages, service our debt, maintain our assets and fund our river stewardship program. Despite a challenging year for TVA operationally due to the low rainfall and a hot summer, TVA met its debt reduction target in 2006, reducing its existing total financing obligations by $341 million. This year, we expect to pay $529 million in our TFO reductions. Total financing obligations, or TFOs, as we refer to them, include existing statutory debt and alternative financing mechanisms, such as lease leasebacks and prepayment agreements. In the past decade, TVA has reduced total financing obligations by nearly $2.5 billion and reduced the amount of each revenue dollar used to pay interest and other financing expenses from 34 cents of every dollar to 14 cents of every dollar. That is a record we are proud of.

Anticipating further growth in energy demand, TVA is exploring the cleanest, most cost-effective energy options for the future. These options will be addressed in the new strategic plan that is being developed at the TVA board's request. As we look forward to the future, TVA is committed to improving its financial health, maintaining fiscal responsibility and staying true to the mission for improving the quality of life for the people we serve. We look forward to continuing our close partnership with this Committee, the entire Congress and the Administration and with all our stakeholders, to ensure that we accomplish these goals.

Thank you for the opportunity to appear, and I look forward to answering any questions.

Mr. BAIRD. Thank you, Mr. Kilgore.

Mr. Lancaster.

Mr. LANCASTER. Mr. Chairman, members of the Subcommittee, thank you for the opportunity to appear here before you to discuss the water resource program activities of the Natural Resources Conservation Service. I have submitted my full testimony for the record, and in the interest of the Committee's time, I will summarize our budget request for fiscal year 2008 for the watershed and flood prevention operations, watershed surveys and planning, emergency watershed program and watershed rehabilitation.

Our water resource programs offer communities and landowners site-specific technical expertise and financial assistance for watershed project planning and implementation. The programs are designed to help solve local natural resource problems, including flood damage mitigation, water quality and quantity, soil erosion control and fish and wildlife habitat improvement. The water resources programs have given NRCS the authority to complete work on 2,000 watershed projects nationwide.

The watershed and flood preventions program authorizes NRCS to work cooperatively with States and their political subdivisions to plan and install watershed improvement measures that foster conservation and utilization of the land and authorized watersheds.

The President's budget for fiscal year 2008 eliminates funding for this heavily earmarked program, in order to redirect them to higher priority programs that reflect national interests.

While the NRCS water resource programs have been successful over the past 50 years, we believe that sponsoring organizations, along with State and local governments, will assume a more active leadership role in identifying solutions to local water resource concerns.

Our watershed surveys and planning program. Under this effort, NRCS assesses natural resource concerns and develops coordinated watershed plans that conserve natural resources. This includes flood plain management studies, cooperative river basin studies, flood insurance studies, watershed inventory and analysis, as well as Public Law 83–566 watershed plans.

With the elimination of the watershed and flood prevention operations program, funding is not necessary for the planning component. Therefore, the President's fiscal year 2008 budget eliminates funds for this program and redirects them to higher priorities.

The third program is the emergency watershed protection program which authorizes emergency measures to decrease runoff and soil erosion, to safeguard lives and property from natural disasters. This includes the purchasing of flood plain easements.

Typically work under this program ranges from removing debris from clogged streams caused by flooding, receding native grasses to prevent soil erosion on hillsides after a fire, or replanting and reshaping stream banks after a natural disaster. In response to requests from communities across the Gulf Coast region recovering from the 2004 and 2005 hurricane season, NRCS committed $350.9 million and obligated nearly $200 million in recovery work. Since funding for this program is provided through supplemental appropriations, the budget does not contain a specified request for AWP.

Our watershed rehabilitation program. In November 2000, the Watershed Rehabilitation Amendments of 2000 authorized the NRCS to assist communities to address public health and safety concerns and environmental impacts of aging dams. Since the enactment of the amendments and the subsequent amendments in the 2002 Farm Bill, NRCS has developed rehabilitation plans for 113 dams. The President's fiscal year 2008 budget requests $5.8 million for watershed rehabilitation activities involving aging dams. We will use that funding to focus on critical dams where failure could pose a high risk for loss of life and property. This reflects the Administration's position that maintenance, repair and operations of these dams continues to be carried out locally.

For the past 50 years, the Department of Agriculture has invested in local communities by providing funding and technical assistance through water resources programs. The benefits from these programs primarily accrue to local communities and we recommend that they continue to take on increasing responsibility of funding such projects.

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

Mr. BAIRD. I thank you, Mr. Lancaster, and thank all the witnesses for their patience and promptness.

The Ranking Member and I have agreed to invite Mr. Shuler to ask questions first, followed by Mr. Boozman.

Mr. SHULER. Thank you, Mr. Chairman. I want to thank the panel for taking time out of their day to present in front of the Committee. We certainly appreciate that, under the weather circumstances. I also want to congratulate Mr. Kilgore for his position and certainly the fiscal responsibility that the TVA is undertaking with some of their target debt reduction. I think it is $3.4 billion by year 2012. I want to commend you for that.

First, how do we meet those targets in debt reduction? Secondly, in meeting those debt reductions how will you ensure that we still have the promise to keep air quality control and to increase air quality control in western North Carolina, East Tennessee and especially the Great Smoky Mountain National Park?

Mr. KILGORE. Well, obviously what we have to do is from our free cash flow, which is basically produced from depreciation in our net income, is fund our capital expenditures and our debt reduction. Those are the two things it goes to. So we feel like we are on a good program to continue debt reduction at the rate we are at, and are looking forward to the capital expenditures which include additional clean air. We have spent about $4.5 billion so far, we have another $1.2 billion to go in the existing program.

We announced today back in Tennessee that we will be adding the next scrubber. That doesn't mean it is the last one, it just means it is the next one, we have seven in operation, we are constructing eight, nine and ten. And we announced today the eleventh one. So we are progressing right up the line.

We recognize that we have a lot of work to look at there, and we will continue and give you our commitment that we will continue to clean up there.

Mr. SHULER. Thank you. Also alternative energy sources, sustainable renewable sources, excluding nuclear—how are you relating to and marketing to the public to incentivize them to lessen their dependence upon the grid.

Mr. KILGORE. I think there are three things. Number one, we have some wind power, the first wind power farm in the southeast, in northeast Tennessee. That provides us some green energy. We also use sewer gas in the city of Memphis, for instance. We actually burn the gas that comes off of the processing of the sewage there in our Allen plant. Then as we go forward, we have to work even harder to get everybody to conserve and use energy at different times than on the peak. So those threefold things, conservation and then using the renewable energy sources are what we have to do.

Then I will just say finally, we are upgrading our hydro system. We have actually increased the output of our hydro, which also is non-polluting, of all kinds. So we have upgraded that by about 10 percent trough to the last few years. We have a little bit left to go on that.

Mr. SHULER. Thank you. I yield back.

Mr. BAIRD. Mr. Boozman.

Mr. BOOZMAN. Thank you, Mr. Chairman.

It is good to have you all here, we really do appreciate your hard work. We will have to visit with you, Ms. Bodine, in the sense of in your previous capacity last year, slipping us tough questions to

ask as opposed to sitting over there taking tough questions. So hopefully it won't be too tough. But we really do appreciate all that you all do.

One of the things that is really important to me is that, my rural communities in my district and I think across the Country are really concerned about the funding for the rural water and wastewater technical assistance. I think there is some concern that in the continuing resolution that that funding won't be available. Could you comment about that? I think that is something that is vitally important in helping those communities to address these problems before they go on and get out of hand.

Mr. GRUMBLES. Congressman, I would be delighted to address that question. The challenge is to meet the Nation's water and wastewater infrastructure needs and also to advance watershed protection, and to do so in rural America as well as in urban and suburban America. You are asking a question about the funding for some drinking water programs and watershed protection efforts. The Agency works very closely with the National Rural Water Association and its State chapters. There is also the policy of the Administration not to carry forward earmarks, Congressional adds such as that. So that question about how the funding will occur for fiscal year 2007 is still undecided, it is not answered yet.

I can also tell you, though, that the Agency is committed to working with that organization and with other organizations across the Country to provide funding to drinking water, to the drinking water SRF, through other programs that we have, to make sure that money and technical assistance get to the circuit riders and the rural water experts.

Mr. BOOZMAN. Thank you very much. And again, the funding for particular projects is one thing. The other thing, like I said, the technical assistance is so important to the rural water associations. I hope you will really look at it.

Mr. GRUMBLES. Yes, sir.

Mr. BOOZMAN. That has been something that really has proved to be very, very valuable. We take for granted that America has water and yet there are so many areas in this part of the Country, so many areas in Arkansas, where because of wells going back and this and that, throughout the United States, as you know, we have many, many areas that are hauling water and things like that.

So again, if you would look at that, we would be very grateful.

Mr. GRUMBLES. We would be happy to. The grassroots efforts, the work of the rural water associations complements very much the overall national efforts and programs of the Agency. So we want to work with them and continue to work with Congress and discuss funding for these organizations. Because it is not just about drinking water and watershed protection. They also play a helpful role in advancing water security for small systems.

Mr. BOOZMAN. Good. Thank you very much. And again, thank you for your hard work. You have always been very, very helpful as we have had questions. It is very much appreciated.

Thank you, Mr. Chairman.

Mr. BAIRD. Thank you, Mr. Boozman.

Mr. Grumbles, I will ask you a few questions, then after I am done, Mr. Boustany, followed by Mrs. Napolitano.

Mr. Grumbles, I am pleased to see funding provided for the Chesapeake Bay and for the Great Lakes. I represent the Puget Sound area as well as the Columbia River. Can you talk to us a little bit about EPA's role in the Puget Sound area and anticipated efforts there? As you know, there has been a major statewide initiative to try to improve the health of the Puget Sound and habitat for salmon, et cetera. I would welcome your comments on that.

Mr. GRUMBLES. Thank you, Mr. Chairman, I would be delighted to. In the President's budget request for EPA, there is funding specifically for advancing the Puget Sound Partnership. The Agency values the role it can play and has played over the years through the National Estuary Program.

But also, we are very existed about working with the partnership to advance their efforts. I was just on the phone this morning talking with Interior officials, working with them to coordinate efforts. We think that the key with any successful regional collaboration is to ensure that it is on everyone's agenda, that partnerships are developed and that people recognize, it is everyone's responsibility. The Federal agencies are very interested in that. EPA in particular, in addition to some technical and funding assistance, we believe that more action will occur to address septic tanks and stormwater and habitat protection for salmon, some of the key issues that have been identified. We are very optimistic and excited about making progress in the Puget Sound.

Mr. BAIRD. I appreciate that. Thank you.

Ms. Bodine, at some point perhaps this Committee may get back to you on some of these issues about the numbers of sites that have been cleaned up there, some technical questions. We want to ask and understand what exactly that means, but I appreciate your testimony. I think the questions I would ask you are more detailed than we could cover in five minutes. So I will just give you a heads-up, we will invite you back.

Mr. Lancaster, I am troubled by what seems to be a virtual abandonment of the mission of NRCS. The reason is, back home, I have talked to people who are very respectful of the work that has been done by your agency, and it seems that in a number of ways, you are cutting back or eliminating entirely programs. When you say you shift the costs, you expect the local communities to bear the burden. Any sense of what the net cost increase will be to our local communities? How much of the cost in dollars are we shifting to our local communities? Where do you suppose they will get that money?

Mr. LANCASTER. Thank you, Mr. Chairman. Under our programs, the local sponsors actually incur all the costs for operating and maintaining those facilities after they are constructed. And in terms of the construction of the programs, many of those practices, when we look at a watershed, structures are a part of it. But land treatment is a key part of addressing those watershed needs. Those are programs that address I think in other programs within NRCS, through our cost share programs as well as through our technical assistance. I can't give you a specific number on what the cost is on constructing additional facilities.

But again, we are talking about a program here that is 100 percent earmarking, and in terms of trying to address national prior-

ities, there is not all that flexibility there so we can make sure those funds are focused on those national priorities. Again, we continue to work with landowners in the State of Washington, we have tremendous support and participation on our Farm Bill programs. Each of those practices do address land treatment as well as, in many cases, smaller structures.

Mr. BAIRD. Within that, though, what will be the impact of the President's proposed budget on the programs you just described?

Mr. LANCASTER. The watershed fund prevention operations is the program that we would provide some assistance in constructing the facilities. Under the watershed program, watershed survey and planning program, we go out there and we make determinations on what needs to be done. We are currently doing that under our rapid watershed assessment, so we can better target our other programs. So that work is occurring.

Without the watershed flood prevention operations program, there is no need for that additional survey program. So I think really we are talking about watershed flood and preventions operations program. And again, Mr. Chairman, I believe that few of our other programs can more effectively address land treatment and other needs in those communities. We are always available to provide technical assistance to landowners or sponsors as they are looking to address the water quality, water quantity, flood mitigation efforts.

Mr. BAIRD. I appreciate that. I want to just for the record say that it occasionally happens that an Administration will just zero out programs and say that well, we just expect the local folks to take up a greater burden in this, which is really shifting the tax burden to the local communities.

Before I conclude, again, Mr. Grumbles, I appreciate EPA's efforts on the Puget Sound and I want to continue to work with you on that. The partnership is very exciting in a critical and beautiful part of this Country.

Mr. Boustany?

Mr. BOUSTANY. Thank you, Mr. Chairman.

Let me follow up on Mr. Baird's question, Mr. Lancaster. What is the current backlog of authorized small watershed projects?

Mr. LANCASTER. Based on the work we do with the watershed survey and planning, I think there is $1.4 billion in a backlog for structural practices. Many of those, again, you can address through land treatments or other practices. And many of those, I think, there is still determination on whether or not those are high priority projects. With limited funding within our discretionary budget, we are going to target it towards technical assistance for our programs, as well as our Farm Bill implementation, where we are directly helping landowners reach their resource concerns and address those concerns.

Mr. BOUSTANY. Thank you.

Mr. Grumbles, EPA's gap analysis assumes that municipalities will borrow at lower than market rates, is that correct?

Mr. GRUMBLES. That is correct.

Mr. BOUSTANY. So can you give an indication if they have to borrow at market rates, what effect that is going to have on the overall figure?

Mr. GRUMBLES. I think that the key to answering that question and to putting together all the different pieces in the puzzle to narrowing the gap, which is what we are also committed to, is doing a couple of things. One is working with utilities and communities to provide tools to help them set their own rates, but rates that reflect the full value of the service that is provided.

So we think that that will help in terms of setting rates to help provide the capital and the long-term O&M funding for narrowing the gap, which we estimate at, if you assume that the rates will increase, or revenues will increase, not only at normal inflation rates, but 3 percent increase, we believe the gap is about $45 billion over the next 20 years. Actually, that is the Drinking Water SRF. The Clean Water gap is about $21 billion over the next 20 years.

We think the key is both working with communities to set rates to have asset management plans, to set rates that reflect the full value of the service provided, and also to bring innovative tools, new tools to the table, such as these water enterprise bonds, so that there will be public-private partnerships if the community wants to go that route. But we think that is the key to sustainability and to help narrow that water infrastructure gap.

Mr. BOUSTANY. Thanks. I appreciate your answer. I am also pleased, in your testimony, about your comments on private activity bonds, lifting the cap. I think we are going to have to look at ways, as we go into the future, ways to look at alternative financing mechanisms. I know in our recent markup, we have some provisions for the GAO to study that and give a report back to the Committee. I appreciate it. Thank you.

Ms. Bodine, what are the sources of funding for the Superfund program beyond annual appropriations?

Ms. BODINE. We also have funding from PRP funding that is put into special accounts. We reach settlements with responsible parties, collect their money and put it in a special account, and we can draw down from that. At sites that are fund-lead, we have State cost share. There is a 10 percent State cost share. That is money that we can use. And as I mentioned in my testimony, we also are using de-obligations where, in the past we have put too much money into contracts, the project is done, there is money just sitting there idle, left over, and we have been able to use that money as well. We have a variety of sources.

Mr. BOUSTANY. It is my understanding that even though the appropriation level has gone down somewhat annually for the program, that the overall figures remain fairly constant?

Ms. BODINE. It is relatively steady. I think I supplied staff with data on that. But yes, it has maintained relatively stead.

Mr. BOUSTANY. Thank you. That is all I have.

Mr. BAIRD. Mrs. Napolitano.

Mrs. NAPOLITANO. Thank you, Mr. Chair.

Just to the EPA, I have worked for years with one of the best representatives you have on the West Coast, your regional director, Wayne Nastry. My compliments to you for having him there.

Some of the issues that I have are concerning the brownfields, because we have beaucoup in California, as you well know. Why are you asking for less funds? I am sure we don't have less. There

are going to be more, because you haven't even scratched the surface in some of the areas, and I can tell you, sitting on the Water Subcommittee, they will be there. Could you answer that, either one of you?

Ms. BODINE. The Brownfields program has steady funding. It does not have less funding. We have actually been able to increase, within that account, the amount of money that we are providing to local governments and to States for the cleanup grants, for the assessment grants. We have been able to do that by shifting some funding away from some headquarters contracts and away from some of our interagency agreements, so we could actually increase———

Mrs. NAPOLITANO. I am sorry. That is double talk.

What I am asking is, there is $110.7 million, or 55 percent less than the authorized amount, the lowest Presidential request for brownfield cleanup funding since the program was created in 2002.

Ms. BODINE. The request is consistent with the amount of Congressional funding that has been made available. The authorization was in 2002. For the first several years of the program, we had asked for $110 million out of the STAG account to help pay for these grants, and consistently got $89 million, $90 million. After going out, making a request at the high levels and being rejected, we several years ago lowered our request to be consistent with what Congress was willing to provide. Since then, the requests have all been steady and the funding has been steady.

Mrs. NAPOLITANO. I won't go into my personal experiences, but I ask for more to get what I need.

The projected public health implications of the year's decrease in the SRF funding, what documentation or analysis have you or the Office of Water done to determine the public health effects?

Mr. GRUMBLES. Congresswoman, we think that one of the greatest success stories under the Clean Water Act is the Clean Water State Revolving Fund. That is why we are committed to continuing to provide through 2011 a total of $6.8 billion between, this President committed between 2004 and 2011 to provide $6.8 billion, plus bringing innovative tools and a focus on sustainability to the table, so that this Clean Water SRF will have a revolving rate of $3.4 billion a year, well into the future. We think investing in clean water infrastructure at all levels of government, and pursuing full value pricing, so that the ratepayers are providing the funds to reflect the true value of the services that the infrastructure systems provide, will provide enormous environmental and public health benefits. That is why we are committed to continuing to invest in the Clean Water SRFs and to build greater sustainability.

Mrs. NAPOLITANO. OK, you can play with the figures all you want, but it is still less than what we require. Or at least, studies have not been shown why this is such a major budgetary decision.

I will go into the next one, because my time is running low. The question into the U.S. Mexico border program, I am very concerned, because I work on the Colorado River issue as well as the Rio Grande issue in my committee. And I am concerned, you have a $300 million funding for border water infrastructure and remaining unspent. Is this typical EPA funding? There is hundreds of millions of dollars remaining untouched while untreated sewage and

wastewater, industrial wastewater, comes from Mexico into the U.S. What are you doing about it and why are we not using that money to be able to address that?

Mr. GRUMBLES. Congresswoman, we are committed to continuing to deliver environmental results while meeting a balanced budget. When it comes to the many needs along the Mexican border, whether it is wastewater needs or drinking water needs, we are focused on several items. One, through the border environment infrastructure fund, that is a key program. Now, with respect to that program, what we are focused on in the President's 2008 budget is on accelerating the delivery of projects that are already in the pipeline.

With respect to some of the coastal issues, we think that the key is not only infrastructure investment, but to increase the science of coastal water quality monitoring, to provide additional funding———

Mrs. NAPOLITANO. You are not answering my question, sir. I am concerned about the border and the effect it has on the people on the United States side that have to put up with this.

Mr. GRUMBLES. I would say that it is also a priority for the U.S. EPA to work with our partners on both sides of the border.

Mrs. NAPOLITANO. Thank you. I would like later, I will submit some questions and I would like to talk to you later. Thank you.

Mr. BAIRD. Mr. Hall.

Mr. HALL. Thank you, Mr. Chairman.

Thank you all for being here. I am sure we all feel that your work is among the most important that Government does, and indeed, is part of national security, water security, that being. And I wanted to start by asking Mr. Grumbles about the State Revolving Loan Fund. This week I was proud to join my colleagues on the Committee to report out reauthorization of the Clean Water State Revolving Loan Fund. The need is clear, in New York alone EPA identified $20 billion in need. And I am stunned that with such a clearly defined need, EPA has once again shorted the funding for clean water. The reduction in the proposed budget from the CR passed by the House is almost $400 million, a $44 million cut for New York.

This budget says to our States and our communities that they either have to go into their own pockets, which they most likely can't do, or be forced to tolerate unclean water. What is the justification for this?

Mr. GRUMBLES. Congressman, the justification is that we are committed to delivering environmental results, while meeting a balanced budget, and that the President's plan for the Clean Water SRF is to provide over that period of time, between 2004 and 20011, a continued commitment. I certainly recognize that there are other constituencies or other groups, there are members of this Committee who are urging a greater level of funding from the Federal Government for the State Revolving Funds. Our approach is that this is a key opportunity, a time to advance a new wave of innovative financing and infrastructure assistance, to continue to provide funding for the SRF, but to increase the leveraging potential of that State Revolving Fund mechanism, to get Congress to pass a water enterprise bond, which will bring in, we hope, billions

of dollars in additional funding, private activity for public service bonds.

But we are not content with the status quo. We are focused on developing new tools and working with our State and local and private sector partners to narrow that gap. But it is certainly not going to be narrowed solely based on the revolving loan funds and the Federal grants for purposes of those funds. We appreciate the work of Congress to reduce the number of earmarks. I can tell you as a national water program manager that there are over 800 backlogged, earmarked projects that haven't gone through the system yet. We go through the NEPA analysis and other review. It is another example of, we think, working with Congress. The key to truly narrowing that gap for infrastructure is a combination of the State revolving funds, their long-term sustainability, increased leveraging and also new tools, bringing in the private sector for public works projects.

Mr. HALL. Thank you. I always get a little bit nervous when I hear about yet another area of Government responsibility that we thought was sort of essentially important public protection being farmed out to private investment. But I will move on to the Superfund sites, like the Hopewell Precision contamination area in my district, which has TCE leaked into the local water supplies. What impact will the reductions have on the National Priority Sites like Hopewell Precision? This is to Ms. Bodine. EPA has been dragging its feet on updating its human health standard for TCE. Does this budget include funding to update that standard and to undertake the remediation necessary to meet a new standard? And if not, why?

Mr. BODINE. First of all, certainly we are very actively working on the Hopewell Precision site in your district, in addressing the vapor intrusion issues that you are talking about. With respect to the TCE standard, the Office of Research and Development is working on that issue. But while they are working on that, that doesn't stop the Superfund program from proceeding with cleanups. Even though we don't have a specific number for the vapor pathway, if the contamination is in water, we do have an MCL. But we don't have one for the inhalation pathway.

But because we use conservative screening levels in making a decision about whether or not we need to remediate a home, we are able to proceed. Because of the technology, then, if the conservative screening level is met, then the technology that we would employ to solve the problem already takes down the TCE levels to a very low level. So the fact that we don't have a health-based action level isn't stopping us from proceeding with cleanup at all. And the technology we use, again, achieves a very low level. We are proceeding with these sites all over the country, as well as in New York.

Mr. HALL. Thank you very much. Thank you, Mr. Chairman.

Mr. BAIRD. Thank you, Mr. Hall.

Just a couple of final comments or questions. Mr. Grumbles, these water enterprise bonds, this Committee just passed last week, I think it was, or the week before, as you know, you testified regarding the State Revolving Loan Fund. One of the contentious issues which was resolved through the democratic process was Davis-Bacon applicability in SRF funds. What would be your opin-

ion about whether Davis-Bacon and other Federal rules apply through water enterprise bonds, if those are private capital versus public capital?

Mr. GRUMBLES. Congressman, I need to get back to you on that. The issue of Davis-Bacon applicability to private activity bonds for us, the reason we are so enthused about removing that State volume cap is we think it will provide communities options and choices to come up with ways to fund public works projects. I don't think it speaks directly to Davis-Bacon, but we certainly understand the importance of the question and commit to get back to you on that.

Mr. BAIRD. I hope our Committee will get back to you on that as well, possibly statutorily if necessary. I appreciate that.

I just want to put a marker down. You have articulated and others have on the panel today that the shortfall in infrastructure funding, whether it is water, today it is water, yesterday I think or the day before we had a hearing on highway shortfalls. We know aviation has a shortfall. We know rail does. Engineering societies suggest we have a $1.6 trillion infrastructure deficit, $1.6 trillion dollars. That is significant. And it is in addition to our $8.7 trillion fiscal debt.

One of the things I think we might consider would be where we can find some money to fill that gap. We also separately, many of us believe we ought to set Social Security trust funds in a lockbox. As you know, they are currently borrowed by the general fund, which theoretically pays revenue back, but it is all a paper transaction, and basically an IOI, not even an IOU.

I think there is merit to exploring the possibility of investing our Social Security trust fund surplus in an infrastructure development bank. Currently, as you know, many of the private-public partnerships are being funded by Macquarie, which is largely funded by Australian based retirement funds.

I find it rather ironic that Australian retirees are going to build U.S. infrastructure and then U.S. citizens are going to pay the Australian retirees back over time for the privilege of having used their money, when we have, in the next five years, $1.2 trillion of Social Security trust funds that are going to be borrowed by our own general fund, with zero real dollar revenue coming back. I would much rather us look at investing our trust fund surpluses today toward infrastructure development to create jobs to sustain our economy and then when the time comes, to draw down on those funds to pay back the Social Security retirees. We have it available through this bond structure, this infrastructure bank.

So I just put that out there. I don't know if the Administration is interested, and there are doubtless pros and cons that smarter people than I would know. But it is sort of common sense to me. I would rather that our retirees are getting paid back than others.

So I want to thank all our panelists today and those who joined us today and the members as well for their participation. Again, some members of the Subcommittee may have follow-up questions for the record. We would expect a timely response to any questions forwarded to you.

Thank you all for being here. That will conclude this hearing.

[Whereupon, at 1:05 p.m., the subcommittee was adjourned.]

Rep. Michael A. Arcuri (NY-24)

Subcommittee on Water Resources and Environment hearing:
"Agency Budgets and Priorities for FY 2008"

Opening Remarks

February 14, 2007

Thank you, Madame Chair.

I want to thank our witnesses for coming before the subcommittee to provide us with a detailed explanation of the President's Fiscal Year 2008 budget request.

The President's budget request is out of touch with the needs of the American people. This budget proposal cuts funding to programs that provide critical services across the country.

In this budget request, the President proposes decreasing overall funding for the Army Corps of Engineers by $459 million less than the level prescribed in the House-passed Continuing Resolution two weeks ago.

Each year, heavy rains and subsequent flooding have a devastating impact on many Upstate New York communities in my district. Floods that are only supposed to occur once ever 50 years are occurring far too regularly.

For example, the city of Oneonta which I represent, experienced very damaging flooding last year due of heavy rains. Consequently, Oneonta and surrounding local economies are now bearing the burden of this damage in part because funding for preventative measures, like those overseen by the Army Corps, did not receive the adequate funding. Perhaps, if the Army Corps had the necessary funding and had been able to assist Oneonta, the devastating effect of these floods may have been minimized. The floods could have been prevented if the city had been afforded sufficient resources to assist them in putting preventative measures in place beforehand – that certainly is the view of the local officials.

The President's budget request also proposes taking a step back in addressing America's demand for clean water.

The President's budget also proposes an almost $200 million cut to the Clean Water Revolving Fund, and almost a $400 million total cut to wastewater infrastructure when compared to the sum in the Continuing Resolution the House approved last week. The State of New York would receive a $43 million cut in Clean Water Revolving Funds under this budget request. This is not an option. A decrease of this magnitude would directly impact the state's ability to repair and modernize our aging water infrastructure. These critical funds provide our local communities with the assistance they need to help with repairs and upgrades to damaged water treatment facilities or aging sewer systems.

The Administration's proposal to lift caps on private-activity issued bonds is not a silver bullet and it does not justify or soften the effects of slashing funding for the Clean Water State Revolving Fund by twenty-two and a half percent. I am a believer that public-private partnerships can work in the short term, but I still remain doubtful that private investment will address the long-term sustainable water infrastructure needs of communities around the country.

Thank you and I yield back the balance of my time.

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STATEMENT OF HON. RICHARD BAKER

HEARING ON

"Agency Budgets and Priorities for FY 2008"

WATER RESOURCES & ENVIRONMENT SUBCOMMITTEE

February 14, 2007

- Let me begin by saying that I support the President's efforts to control federal spending; however, the agency programs that we are examining today are truly investments in America. These are important programs that benefit our economy and improve the quality of life for our citizens.

- While I believe we must be diligent in our oversight of these agencies to be sure that programs are run effectively and efficiently, I do not support cutting programs that have a proven record of providing economic benefits.

- The Administration's budget proposal for FY 2008 continues a long trend of under-investing in water infrastructure. As a result, the general condition of our flood protection and navigation infrastructure has declined.

- Investing in flood damage reduction projects protects the people and businesses in cities and towns all over the nation. It makes good economic sense to protect existing development rather than have to pay for the losses and cleanup that come from hurricanes or floods.

- In the global economy, the nation's farmers and businesses must compete with their counterparts overseas for customers all over the world. The importance of modern waterways and ports has never been more critical to the nation's economic well-being as it is right now.

- Yet the Administration's budget cuts the Corps of Engineers civil works program by nearly 9 percent compared to what the House-passed continuing resolution for FY 2007 would provide. On-going construction projects are being funded at only 55 percent of the amount Corps could actually spend. If we follow the

Administration's lead, projects will take longer to complete, cost more, and have the benefits delayed.

- I am pleased to see that the budget request does show an increase over previous budget requests for the Corps' Operation and Maintenance Account. After many years of inadequate funding, resulting in deferred maintenance, we are at least moving in the right direction. However, the funding level is still too low. The chronic problem of deferred maintenance is impacting the navigability of many of our waterways and causing ships to enter and leave certain ports only partially loaded or, in some cases, divert to foreign ports. This has a huge impact on the reliability of this important mode of transportation.

- The small watershed program of the Natural Resources Conservation Service provides small, cost efficient projects that protect our water and our land in rural America. Under the Administration's budget, this program would receive no funding.

- The Saint Lawrence Seaway Development Corporation is a transportation agency that manages the U.S. portion of the Saint Lawrence Seaway. While the funding request for FY 2008 may address the immediate operation and maintenance needs, I am concerned about the long-term viability of the Seaway if the Corporation does not have the funds to invest in major rehabilitation of this vital link between the cities of the Great Lakes and the global marketplace.

- The Tennessee Valley Authority does not rely on appropriations since it is self-financing. TVA derives all of its funding from the revenues from the 8 million people in 7 states that it supplies with electricity.

- There is a new expanded Board at TVA, and they are busily preparing a new Strategic Plan. I, like many others in the Congress, am concerned about TVA's long-term financial health and I am looking to the new Board to provide some assurances that they can reduce the Authority's debt and strengthen the economy in the Tennessee Valley.

- We have invited back our two EPA witnesses from last weeks Full Committee hearing since our abbreviated hearing did not allow them time to testify. I thank them for making the trip back here a second time.

- I am disappointed that the administration continues to inadequately fund the Clean Water State Revolving Fund program. This is a highly effective program that provides low interest loans to communities so that they can construct and improve their wastewater treatment infrastructure. For every federal dollar invested, more than two dollars is made available for water quality improvement.

- The Superfund and Brownfields programs are budgeted at a flat rate compared to previous funding levels. These are important programs that make contaminated areas fit for redevelopment. Many of the smaller and easier cleanup projects have already been done, so the remaining work tends to be more complex and more expensive to complete.

- I thank all our witnesses for being here and I look forward to your testimony.

CORRECTED

STATEMENT OF
SUSAN PARKER BODINE
ASSISTANT ADMINISTRATOR
OFFICE OF SOLID WASTE AND EMERGENCY RESPONSE
U.S. ENVIRONMENTAL PROTECTION AGENCY
BEFORE THE
SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT
U.S. HOUSE OF REPRESENTATIVES
FEBRUARY 14, 2007

Madam Chairwoman and Members of the Subcommittee, I am Susan Parker Bodine, Assistant Administrator of the Office of Solid Waste and Emergency Response (OSWER), U.S. Environmental Protection Agency (EPA). Also appearing today is Mr. Ben Grumbles, Assistant Administrator for EPA's Office of Water. We are pleased to be here to discuss President Bush's budget request for EPA and our views on Clean Water Act programs, Superfund, brownfields, and other programs that fall within the Agency's Offices of Water and Solid Waste and Emergency Response.

The President's budget provides the necessary funds for EPA to carry out our mission efficiently and effectively - to protect human health and safeguard the environment. The fiscal year (FY) 2008 budget request is $7.2 billion, which maintains steady funding for the brownfields program, maintains funding for continued Superfund cleanup progress, and continues an emphasis on priority programs of our homeland security and emergency response efforts.

The President's 2008 budget for EPA reflects the need for controlling spending while increasing environmental protection, advancing economic competitiveness and strengthening the security of our homeland.

Superfund

The Superfund program protects human health and the environment by requiring cleanup of hazardous waste sites and short-term actions to mitigate immediate threats to human health. This program also works with both public and private partners to promote reuse and redevelopment of Superfund sites.

The President's budget provides $1.245 billion for the Superfund program to continue progress cleaning up hazardous waste sites. As of the end of FY 2006, cleanup construction has been completed at 1,006 National Priorities List (NPL) sites.

Before or during long-term remedial action, the Superfund program often completes short-term removal actions to mitigate immediate health threats at sites prior to completion of investigations and the start of long-term cleanup construction. For example, where EPA has determined that existing water supplies were unsafe due to contamination, we provided alternative sources of drinking water to more than 2 million people near these sites. Similarly, through removal actions, the Superfund program controls exposure to hazardous substances so human health is protected while long-term cleanup is underway. The Superfund removal and emergency response program conducted more than 290 emergency response and removal cleanup actions in FY 2006, and, to date has completed nearly 8,900 removals at hazardous waste sites to reduce the immediate threat to human health and the environment.

Protecting human health and the environment in the long-term is an important goal of the Superfund program. EPA's construction completion measure was developed more than a decade ago to measure interim progress in the Superfund program. While it continues to be a measure by which to assess program progress, construction completion does not mark the achievement of long-term protection. As the Superfund program has continued to mature and evolve, EPA has

looked for additional ways to assess program progress and help keep the public informed about site cleanup milestones.

To address long-term progress, beginning in FY 2007, the program adopted a new measure to capture site progress beyond the construction completion milestone: Site-Wide Ready for Anticipated Use. This measure will track the number of NPL sites where the remedy is constructed (construction complete) and all of the controls are in place to ensure that the land is protective for reasonably anticipated uses over the long term. These anticipated uses for which the land is protective are outlined in the site Record of Decision (ROD). EPA's FY 2007 goal is to make 30 Superfund sites ready for anticipated use and we expect to achieve that goal.

Finally, EPA has continued its effort to efficiently utilize every dollar and resource available to clean up contaminated sites and to protect human health. In FY 2006, EPA obligated $390 million of appropriated, state cost-share, and responsible party funding to conduct ongoing cleanup construction and post-construction work at Superfund sites which includes nearly $45 million to begin construction at 18 new Superfund projects. However, the average size and complexity of remaining sites are much greater than for sites that have already reached construction completion. Sites that have reached construction completion have an average of 1.8 operable units, while sites not yet completed have an average of 4.3 operable units. Based upon the construction schedules at these larger, complex sites, EPA expects to complete construction of all remedies at 24 sites in FY 2007 and 30 sites in FY 2008. EPA expects to complete construction at 165 sites during the FY 2007 to FY 2011 time period, the goal established in the Agency's FY 2006 to FY 2011 Strategic Plan.

Homeland Security

EPA's Homeland Security Emergency Preparedness and Response program will continue to develop and maintain an Agency-wide capability to respond to incidents of national significance with emphasis on those that may involve Weapons of Mass Destruction (WMD). EPA is the lead federal agency under the National Response Plan for Emergency Support Function (ESF) #10, which addresses Oil and Hazardous Materials, and works with other agencies to provide support for a number of other Emergency Support Functions, including ESF #3, which addresses Public Works and Engineering.

The FY 2008 President's budget provides $6 million to enable EPA to enhance Federal and state laboratory systems to support responses to national security incidents. This provides necessary funding for the Homeland Security Environmental Lab Response Network (eLRN) initiative to coordinate among existing laboratory networks and to maintain a laboratory chemical warfare agent quality assurance and calibration surety program at the Federal and state levels. EPA's lab activities will continue to address the gap in providing environmental analyses of chemical, biological and radiological agents associated with WMD.

Brownfields and Land Revitalization

Brownfields cleanup and redevelopment continues to be one of the Administration's top environmental priorities. The President's FY 2008 budget provides $162.2 million to fund brownfields program assessment, revolving loan fund, and cleanup grants. EPA is also shifting $3.5 million from headquarters contracts and interagency agreements to increase the funding available for site assessment and cleanup grants to state and local governments. It is estimated

that FY 2008 funding will produce 1,000 brownfields property assessments, and leverage $900 million in cleanup and redevelopment funding.

EPA will continue its land revitalization initiative which includes all of EPA's cleanup programs as well as partners at all levels of government and in the private and non-profit sectors. The goal of land revitalization is to restore our nation's contaminated land resources and enable America's communities to safely return these properties to beneficial economic, ecological, and societal uses. EPA is ensuring that cleanup programs protect public health, welfare, and the environment; and also is ensuring that the anticipated future uses of these lands are fully considered in cleanup decisions.

Experience has taught us that one of the best ways to clean up contaminated sites and to address blighted properties in communities is to expressly consider the future uses of this land. The country has accepted the economic and ecological importance of recycling various consumer products – and our understanding of sound resource management must now also embrace the recycling of contaminated properties.

Oil Spill Program

EPA's oil spill prevention program requires protection of inland waterways through oil spill prevention, preparedness, and enforcement activities associated with the more than 600,000 non-transportation related oil storage facilities that EPA regulates.

The President's budget request provides $13.5 million for the OSWER's portion of EPA's oil spill program. Our oil spill program focuses on preventing oil spills from occurring, reduces the risk of hazardous exposure to people and the environment, and responds to spills when necessary. EPA and the U.S. Coast Guard evaluate thousands of spills annually to

determine if assistance is required. On average, EPA either manages the oil spill response or oversees response efforts of private parties at approximately 250 to 300 sites per year.

Conclusion

EPA will continue to protect human health and the environment by requiring responsible parties to clean up hazardous waste sites and looking for ways to improve Superfund and brownfields program efficiency and effectiveness. I look forward to continuing to work with the Committee to address the Superfund and brownfields programs, and other programs entrusted to the Office of Solid Waste and Emergency Response. The President's budget request for EPA will help ensure that we are able to accomplish the Agency's important mission - - to protect human health and the environment.

OPENING STATEMENT OF
THE HONORABLE RUSS CARNAHAN (M0-3)
WATER RESOURCES AND ENVIRONMENT SUBCOMMITTEE
TRANSPORTATION AND INFRASTRUCTURE COMMITTEE
U.S. HOUSE OF REPRESENTATIVES

Hearing on
Agency Budgets and Priorities for FY 2008

Wednesday, February, 14, 2007, 10:00 AM
2167 Rayburn House Office Building

Chairwoman Johnson and Ranking Member Baker, thank you for holding this important hearing on the Administration's proposed FY2008 budget for various agencies under the jurisdiction of this subcommittee. I would also like to thank our witnesses for joining us.

Today, I would like to focus my comments on the Army Corps of Engineers' FY2008 budget request. The Corps has asked for $4.871 billion, which is $459 million (-8.6%) less than expected FY07 levels. I am deeply concerned that both the Construction and Investigations account are slated to be reduced by 35% and 45% respectively. Under this proposal, the St. Louis Floodwall is among many existing projects that will not receive construction funds. It goes without saying that the St. Louis Floodwall provides essential protection to my district. The Great Flood of 1993 demonstrated that we can not ignore the vast destruction which the Mississippi River can cause. I understand the Corps' current policy of "no new construction", however I am dismayed that the Floodwall is considered as new construction.

I look forward to working with the Corps to correct this issue, and ensure that proper attention is devoted to the St. Louis Floodwall.

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STATEMENT OF
THE HONORABLE JERRY F. COSTELLO
SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT
HEARING ON THE ADMINISTRATION'S BUDGET AND PRIORITIES FOR FISCAL YEAR 2008
WEDNESDAY FEBRUARY 14, 2007

Thank you, Madame Chairwoman, for holding today's hearing on the Administration's budget and priorities for fiscal year 2008. The witnesses before the Subcommittee today will have a difficult time convincing me that this budget adequately meets the Nation's needs for investment in protecting, maintaining and improving our nation's waterways.

The United States transportation system is the envy of the world. We have an extensive system of highways, ports, locks and dams, and airports. Yet we have neglected to upgrade and modernize our infrastructure over the years.

Our nation's waterways contain outdated and antiquated locks and dams that, unless rehabilitated or improved, will continue to delay the movement of coal, grain, and other bulk products.

Instead of the Bush Administration putting forth the necessary funds to modernize and properly maintain our aging infrastructure, the Corps of

Engineers' budget reflects a reduction of $459 million from the appropriations expected in FY2007. The Administration continues to under fund much needed construction of critical water infrastructure as well as properly fund general investigation which lead to new projects.

The proposed funding in FY08 for new studies is 44.6 percent below the FY07 proposed level, jeopardizing the continued development of justified projects that protect human life and property, improve navigation, and restore environmental areas.

Further, the proposed funding for construction is 34.8 percent below the proposed FY07 levels, which will increase the costs of completing projects and will delay the national economic and ecosystem restoration benefits.

Finally, the proposed Operations and Maintenance funding is an increase in funding from the FY07 proposed level. This increase is a small step toward improving our operations for our water infrastructure. I do have concerns with the administration again proposing to shift

several construction general responsibilities to the O&M account and the affects that has on projects in my district.

Sustained limited funding, as seen under the Bush Administration, limits navigation, flood damage reduction benefits, and environmental benefits.

In my district alone, dredging and sediment removal cannot be done at various locations, including the Kaskaskia River; structural and mechanical repairs cannot be made at the Melvin Price Lock and Dam; and relief walls cannot be built for the Wood River Levee.

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

I look forward to today's testimony.

Statement of Congressman Wayne T. Gilchrest
Water Resources Subcommittee
Army Corps of Engineers Budget Hearing
February 13, 2007

Comments and Questions on New Shellfish Permitting Requirements

Shellfish cultivation, an environmentally friendly and ecologically beneficial activity, has taken place in the United States for centuries, some by the same families that began small operations decades ago. Historically, the Army Corps of Engineers has not required permits for these activities. Unfortunately, the Corps authority to regulate shellfish growing activities has recently become a significant issue to shellfish farmers all across the nation. In late 2006, ACOE decided that their regulatory authority under the Clean Water Act and/or the Rivers and Harbors Act extends to virtually all shellfish cultivation activities and the agency began the process of formalizing a new policy for permitting shellfish farming. Soon, a new Nationwide Permit D, which is currently in the final stages of administrative, will cover all shellfish farming activity.

Despite continued concerns with the agency's authority, the shellfish community has commenced efforts to work with Corps to perfect the draft Nationwide Permit D in an effort to streamline this pending regulatory process. Unfortunately, the cost of obtaining new permits and completing the related consultations, in terms of both time and money, threaten to cripple the industry for permits of either national or regional scope.

The root of this new permit stems from a dispute over whether shellfish should be considered pollutants. Due to a recent series of court decisions and rulings affecting operations on the West Coast, the Corps has decided that the planting of shellfish seed on cultch (the shell material on which oyster larvae plant and grow) on the estuary bottoms qualifies as "fill" under Section 404 of the Clean Water Act. This decision by the Corps represents a reversal in historic agency policy with monumental impacts on the nation's shellfish industry. Soon, shellfish growers on all coasts will be forced to obtain new federal permits and undergo consultations under the Sustainable Fisheries Act and Endangered Species Act. This considerable regulatory burden will be added to state and local permits currently required.

In November 2006, shellfish growers from all over the country participated in the public comment period for NWP D. In addition, growers have spent countless hours in Washington, D.C. and on Capitol Hill educating decision makers. It was not the intent of Congress to regulate shellfish cultivation activities under the Rivers and Harbors Act or the Clean Water Act in the first place. Indeed, one of the fundamental goals of the Clean Water Act is to increase the propagation of shellfish, the very activity in which shellfish farmers are engaged. Ideally, the Corps would issue a consistent national policy making clear that the vast majority of shellfish farming activities are adequately covered under the current regulatory regime and no additional permits should be necessary. Such a policy would be consistent with the language of the Clean Water Act and Rivers and

Harbors Act, the Corps' historic interpretation of those Acts, and the country's strongly expressed interest in promoting a vibrant shellfish farming industry. Should the Corps finalize the pending Nationwide Permit D in a manner that is unworkable for the seafood community, Congress may have to take drastic steps to clarify that molluscan shellfish are not pollutants and, as such, no new permitting requirements are necessary.

This can be an extremely costly process to go through and could put many shellfish farmers out of business – especially smaller family farms. We are trying desperately to replenish shellfish in the Chesapeake Bay which would help us to save the bay. I would have to see any efforts to slow down or halt those activities – including the Chesapeake Bay Oyster Recovery Program that the Baltimore District of the Corps is currently undertaking and assisting with – which is a wonderful program that I support wholeheartedly.

First, is there really a need for this rule and what is that need? Secondly, if the new permitting criteria is necessary, what will the Corps be doing to work with the industry to come up with a rule that will be not be to time consuming or cost prohibitive to promote, not restrict shellfish farming without placing an undue regulatory burden on the farmers?

CORRECTED

TESTIMONY OF
BENJAMIN H. GRUMBLES
ASSISTANT ADMINISTRATOR
U.S. ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF WATER
BEFORE THE
SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

FEBRUARY 14, 2007

Madame Chair and Members of the Subcommittee, I am Benjamin H. Grumbles, Assistant Administrator for Water at the United States Environmental Protection Agency. Thank you for the opportunity to discuss the President's Fiscal Year 2008 budget request for EPA's National Water Program. The request is over $2.7 billion or 37 percent of the Agency's overall budget, and will allow us, along with our State, Tribal and local partners, to make continued progress in ensuring America's waters are clean, safe and secure.

Over the past year, the Office of Water has made considerable progress in enhancing water quality through the improvement of water monitoring; advancing sustainability in water infrastructure; and restoring impaired waters and watersheds across the country by implementing cleanups and promoting innovative, cost-effective practices such as water quality trading and permitting on a watershed basis. EPA is committed to sustaining our core programs in order to continue achieving environmental progress. This budget will further help to:

- continue progress in restoring impaired watersheds,
- keep beaches open and safe for swimming,
- increase population served by systems providing safe drinking water,

- continue to improve the health of the country's major coastal ecosystems, including implementing the President's Ocean Action Plan, and
- achieve a net increase of wetlands.

Sustainable Infrastructure

Clean and Safe Water are key ingredients to keeping people healthy and our economy strong. To ensure that we can provide and maintain clean and safe water to the public we need sustainable approaches to our water infrastructure. Over the past 20 years, communities have spent more than $1 trillion dollars on drinking water treatment and supply and on wastewater treatment and disposal. However, the infrastructure that provides us with drinking water and treats our wastewater is aging. Much of it was constructed before 1970 and will be reaching the end of its useful life in the next 20-40 years. In our efforts to overcome the challenge related to the aging infrastructure, this budget request continues the Administration's commitments to the Clean Water and Safe Drinking Water State Revolving Funds (SRFs). The President's budget request of $688 million for the CWSRF continues to reinforce this Federal commitment to provide $6.8 billion total over 2004-2011 so that the CWSRFs will provide an average $3.4 billion per year in financial assistance over the long term after Federal funding ends. The President's Budget also maintains the federal commitment to the Drinking Water SRF, providing $842 million, and reinforces the Agency's commitment to fund the DWSRF through 2018 to achieve a revolving level of $1.2 billion. This continued federal investment, as well as state and local funding, and our aggressive promotion of

sustainability and full-cost pricing will lead the way to cleaner and safer water for decades to come.

WaterSense Program

The WaterSense program is a voluntary public-private sector partnership program which seeks to reduce water use and protect the nation's water supply by promoting water efficiency and enhancing the market for water efficient products, programs and practices. The WaterSense program seeks to help consumers identify water-efficient products and programs by identifying those that meet water efficiency and performance criteria. In the future WaterSense will partner with manufacturers, retailers and utilities to bring WaterSense products to the marketplace and make it easy to purchase high performing, water efficient products. Managing water is a growing concern in the United States as communities across the country are starting to face challenges regarding water supply and water infrastructure. The FY 2008 President's Budget request will allow EPA, through the WaterSense program, to protect the future of our nation's water by promoting water efficiency and enhancing the market for water efficient products, programs and practices.

Water Bond Initiative

Included in the President's Budget is a new proposal to exempt Private Activity Bonds (PABs) used to finance drinking water and wastewater infrastructure from the private activity bond unified state volume cap. PABs are tax-exempt bonds issued by a State or local government, the proceeds of which are used by another entity for a public

purpose or by the government entity itself for certain public-private partnerships. By removing drinking water and wastewater bonds from the volume cap, this proposal will provide States and communities greater access to PABs to help finance their water infrastructure needs and increase capital investment in the Nation's water infrastructure.

To ensure the long-term financial health and solvency of these drinking water and wastewater systems, communities using these bonds must have demonstrated a process that will move towards full-cost pricing for services within five years of issuing the Private Activity Bonds. This will help water systems become self-financing and minimize the need for future subsidies.

Water Security

Promoting the security of the nation's water infrastructure is one of the most significant undertakings of the EPA in a post-September 11th world. The potential catastrophic capacity of a terrorist attack or a natural event to water or wastewater systems compels us to aggressively advance prevention, deterrence, response and recovery actions, and prepare accordingly. With $25 million in the FY 2008 President's Budget request, EPA will continue to support the Water Security Initiative pilot program and water sector-specific agency responsibilities to facilitate and support protection of the nation's critical water infrastructure. In FY 2008, the Agency will maintain the existing Water Security Initiative pilot and begin the additional pilots that are intended to demonstrate the concept of an effective contamination warning system. All of these efforts support the Agency's responsibilities and commitments under Homeland Security

Presidential Directives 7 and 9 the National Infrastructure Protection Plan, as defined within the Water Sector Specific Plan.

Wetlands

In 2004, President Bush established a national goal to move beyond "no net loss" of wetlands and to attain an overall increase in the quality and quantity of wetlands in America. The President established a goal to increase, improve and protect three million acres of wetlands by 2009. Since 2004, the EPA, along with the Corps, the U.S. Department of Agriculture, and the Department of Interior have restored, created, protected or improved 1,797,000 acres of wetlands.

To continue in this effort to promote wetlands conservation, the President's 2008 Budget requests a $22 million commitment to fulfill EPA's role in administering the 404 regulatory program and helping to reduce the loss and improve the health of wetlands nationwide. This program, along with EPA's request for $17 million for its competitive wetlands grant program and other ongoing State, local, tribal, and private restoration and protection activities, will continue to prevent the destruction of hundreds of thousands of acres of wetlands and the degradation of thousands of miles of rivers and streams.

Mexico Border

The United States and Mexico share more than 2,000 miles of common border. The increasing population in this border region has overwhelmed drinking water supply and wastewater treatment facilities. In FY 2008, the President's Budget requests $10 million to continue to support the infrastructure that will connect and serve the homes of

the border area residents with safe drinking water and wastewater treatment. The $10 million investment will leverage funding to provide approximately 3-5 projects for clean and safe water serving an estimated 30,000 people. The Agency will also continue to support the protection of public health at border area beaches and the facilitation of collection and exchange of environmental data necessary for effective water management.

Chesapeake Bay

The Chesapeake Bay is the largest estuary in the United States and a water resource of tremendous ecological and economic importance. The greatest success in the last five years has been the water quality initiative which has resulted in new water quality standards for the Bay, the adoption of nutrient and sediment allocations for all parts of the watershed that meet new standards, and tributary-specific pollution reduction and habitat restoration plans. To continue to carry out these functions, the FY 2008 President's Budget requests $29 million in FY 2008, an increase of over $2 million from the previous President's Budget request, for the Chesapeake Bay.

Great Lakes

The Great Lakes are the largest system of surface freshwater on earth, containing 20 percent of the world's surface freshwater and accounting for 84 percent of the surface freshwater in the United States. The goal of the Agency's Great Lakes Program is to restore and maintain the chemical, physical and biological integrity of the Great Lakes Basin Ecosystem. The President's FY 2008 budget commits $57 million towards

continuing efforts by EPA's Great Lakes program, including $35 million for the Great Lakes Legacy Act. Through the Great Lakes Legacy Act, the Agency will focus on working with partners to clean up contaminated sediments and de-list 8 Areas of Concern (AOCs) by 2010. EPA, as chair of the Great Lakes Interagency Task Force, will continue working with State, local, and Tribal partners to protect and restore the Great Lakes, using the Great Lakes Regional Collaboration Strategy as a guide. EPA also will continue to work towards reducing PCB concentrations in lake trout and walleye and keeping Great Lakes beaches open and safe for swimming during the beach season.

Conclusion

The FY 2008 President's Budget request emphasizes our firm resolve towards improving our nation's waters and protecting human health. Given the importance of partnerships in many of our efforts, we believe a partnership with Congress and others will promote significant progress in ensuring clean, safe, and secure water for our nation. I look forward to working with this Subcommittee to accomplish these important national goals. This concludes my prepared comments. I will be happy to respond to any questions you may have at this time.

WRITTEN STATEMENT OF
COLLISTER JOHNSON, JR., ADMINISTRATOR
SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

BEFORE THE
SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
U.S. HOUSE OF REPRESENTATIVES

FEBRUARY 14, 2007

The U.S. Saint Lawrence Seaway Development Corporation (SLSDC or Corporation) is a wholly owned government corporation and an operating administration of the U.S. Department of Transportation (DOT) responsible for the operations and maintenance of the U.S. portion of the St. Lawrence Seaway between Montreal and Lake Erie. This responsibility includes maintaining and operating the two U.S. Seaway locks located in Massena, N.Y., and vessel traffic control in areas of the St. Lawrence River and Lake Ontario. In addition, the SLSDC performs trade development functions designed to enhance awareness and use of the Great Lakes St. Lawrence Seaway System. The SLSDC has total assets of $160 million (cost basis), which includes locks, navigation equipment, buildings, and other equipment and supplies necessary for the operation of the Seaway.

For nearly 50 years, the binational St. Lawrence Seaway has served as a vital transportation corridor for the international movement of bulk and general cargoes such as steel, iron ore, grain, and coal, serving a North American region that makes up one quarter of the U.S. population and nearly half of the Canadian population. Maritime commerce on the Great Lakes Seaway System is a critical transportation link for the continent's agricultural and industrial heartland, annually generating more than 150,000 U.S. jobs, $4.3 billion in personal income, $3.4 billion in transportation-related business revenue, and $1.3 billion in federal, state, and local taxes.

The binational waterway is expected to become an even more important commercial transportation route over the next decade as the U.S. and Canadian governments seek ways to ease highway and rail congestion, especially along North America's East and West Coasts and Midwest region. In the past few years, the St. Lawrence Seaway has enjoyed significant growth in new business as the waterway has become a viable alternative for shippers looking to avoid port, highway, and rail congestion. Each Seaway maximum size vessel carries roughly 25,000 metric tons, the equivalent of 870 semi-trucks. As congestion-related initiatives such as Short Sea Shipping continue to develop, the St. Lawrence Seaway will further improve its position as a competitive alternative for shipments to and from the Midwest.

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

The SLSDC's principal performance goal is to provide a safe, secure, reliable, and efficient U.S. portion of the St. Lawrence Seaway to its commercial users. Since opening in 1959, more than 2.4 billion metric tons of cargo has been transported through the combined sections of the St. Lawrence Seaway (Montreal-Lake Ontario and Welland Canal) with an estimated value of more than $400 billion. During the 2006 navigation season alone, 47.2 million metric tons of cargo, mostly grain, iron ore, steel and other bulk, passed through the Seaway, representing a cargo value of $7.7 billion.

FISCAL YEAR (FY) 2008 BUDGET ESTIMATE

The Saint Lawrence Seaway Development Corporation's (SLSDC) budget request for Fiscal Year (FY) 2008 is $17,392,000, derived from the Harbor Maintenance Trust Fund (HMTF). This appropriations request, coupled with the SLSDC's estimated non-federal revenues ($900,000), will allow the agency to fund its 157 Full-Time Equivalent (FTE) staff and continue its operational and maintenance programs for the U.S. portion of the St. Lawrence Seaway between Montreal and Lake Erie.

The budget request includes a non-capital maintenance / special projects program of $2,070,000, a net increase of $385,000 above the FY 2007 request level, and a capital plan budget of $740,000, a decrease of $1.1 million below the FY 2007 request level.

The SLSDC's total FY 2008 request is $47,000 above the FY 2007 President's Budget request level. Within the net increase, there are several baseline and program changes:

- $660,000 increase in net personnel compensation and benefits;
- $385,000 increase in maintenance-related special projects;
- $74,000 increase in inflationary adjustments;
- $16,000 increase in DOT Working Capital Fund projections;
- $15,000 increase in Homeland Security Presidential Directive (HSPD-12) security-related improvements;
- $1,100,000 decrease in capital replacements and improvements; and a
- $3,000 decrease in GSA rent estimates for the Washington office.

The SLSDC's request directly supports four of the five President's Management Agenda initiatives (the SLSDC is exempt from competitive sourcing as a government corporation) as well as the Department's strategic goals of Global Connectivity (efficient cargo movement) and Security, Preparedness and Response (supplemental goal of Seaway readiness). Additionally, the request addresses the SLSDC's internal strategic and performance goals. These internal goals include improving safety and security; protecting the environment; increased transportation capacity and more efficient movement of goods; trade development; and management accountability. The request, separated by Department strategic goals and performance measures, includes $17,182,000 directed at maritime navigation programs and personnel, and $210,000 towards the SLSDC's security and infrastructure protection activities.

The FY 2008 request reflects the Administration's commitment to providing the global commercial users of the St. Lawrence Seaway with a safe, secure, efficient, and reliable transportation route. The SLSDC's principal performance measure, both in its internal strategic plan as well as the Department's annual performance plan, is to ensure that the U.S. portion of the St. Lawrence Seaway, including the two U.S. locks, is available to its customers 99 percent of the navigation season. During the 2006 navigation season, the SLSDC reported a 99.1 percent system availability rate for the U.S. portion of the Seaway (99.0 percent during FY 2006).

MAJOR PROGRAMS AND ACTIVITIES

Non-Capital Maintenance / Special Projects

For FY 2008, the SLSDC is proposing a non-capital maintenance / special projects program of $2,070,000 to fund two key maintenance projects – concrete replacement at the U.S. locks and dredging in the U.S. portion of the Seaway.

In January 2006, the SLSDC began the first year of work on a four-year, $6 million concrete replacement project at the two U.S. Seaway locks. The SLSDC is using a contractor to perform the concrete replacement with SLSDC personnel providing lock covering work and stairway construction. The $1.5 million requested for concrete replacement in FY 2008 is included in the agency's non-capital maintenance base level funding and will fund work to be completed in January – March 2009, following the completion of the 2008 navigation season.

The other major maintenance project for FY 2008 is to dredge approximately 750 cubic yards of river bottom material from high spots in the navigation channel in U.S. waters east of Snell Lock ($570,000). These high spots could impact the drafts of vessels transiting the Seaway during periods of low water. The Corporation has been working with the U.S. Army Corps of Engineers and the N.Y. State Department of Environmental Conservation to secure permits to complete this work.

Capital Equipment and Infrastructure Projects

The SLSDC's FY 2008 capital plan budget of $740,000 will fund several capital-related projects including: replacement of a 20-ton capacity hydraulic crane utilized for lock and facility

maintenance activities that include handling both materials and personnel ($250,000); repair of paved areas along the approach walls at the locks that are used by SLSDC personnel and vessel crew members for tying up vessels during transits ($100,000); and Automatic Identification System (AIS) / Traffic Management System (TMS) improvements ($95,000).

The decrease in the capital plan request as compared to the FY 2007 request is due to both the completion of several one-year projects in FY 2007 and the SLSDC's decision to defer the second year mechanical upgrade to the lock valve operating equipment. This multi-year project, proposed to start in FY 2007, will convert the existing electro-mechanical culvert valve operating machinery with hydraulic equipment. Plans were to replace the machinery for two valves each year over a four-year period until the machinery for all eight valves at the two U.S. locks have been replaced. These valves are used to fill and empty the locks. The SLSDC will use the off year in FY 2008 to inspect and evaluate the first two valve hydraulic systems replaced in FY 2007. This additional time would allow the SLSDC to make additional modifications, as necessary, for the remaining six valve hydraulic systems to be replaced starting in FY 2009.

Great Lakes St. Lawrence Seaway Study

In mid 2007, the U.S. Army Corps of Engineers (USACE) is expected to release its final report on recommendations for the future viability of the Great Lakes St. Lawrence Seaway System, including an engineering analysis that will provide the two Seaway entities and U.S. and Canadian policymakers with a detailed framework for projects and costs required to keep the current Seaway lock infrastructure in excellent working condition for the next 50 years.

The Great Lakes St. Lawrence Seaway Study will detail the condition of the various "perpetual assets" of the Seaway, which, for the most part, were acquired in the late 1950s and early 1960s. Many of these assets are showing signs of wear and are in need of technological upgrades. In many cases, both U.S. and Canadian Seaway infrastructure assets, including locks, bridges, and tunnels, have not been renewed at a level sufficient to perpetuate the assets.

The report will also highlight the improvement on the part of the Canadian Seaway Corporation and Transport Canada over the last decade in restructuring its long-term capital planning and commitment to reinvesting in the Canadian portion of the Seaway. Among other reforms, Canada separated SLSMC's capital budget from its operating and maintenance budget. The SLSMC now negotiates five-year capital budgets with Transport Canada, which retained ownership of the assets, and the Government of Canada pays for this capital investment out of general treasury funds. In this way, the SLSMC is able to plan rationally for its long term capital needs.

On May 1, 2003, DOT and Transport Canada signed a Memorandum of Cooperation for the two federal entities to carry out the study. The MOC initiated this current phase of the study, and expressed the intention of Transport Canada and DOT to enhance their joint collaboration and cooperation and further the long-term viability of the Great Lakes Seaway System as a safe, viable, reliable, and efficient transportation route. By its obligations under international agreement and long-standing custom, the SLSDC is to be an equal partner with the SLSMC with respect to the operation and management of the Seaway.

The study is being directed by a Steering Committee comprised of DOT, SLSDC, Transport Canada, the USACE, and the SLSMC. The Steering Committee also includes Environment Canada and the U.S. Fish and Wildlife Service. DOT and Transport Canada are the co-chairs of the committee.

Foreign-Flag Vessel Inspections and Ballast Water Exams

In FY 2008, the SLSDC will continue to perform its Enhanced Seaway Inspection (ESI) program, inspecting all ocean vessels for safety and environmental protection issues in Montreal, Quebec, before they enter U.S. waters. Inspections performed in Montreal eliminate duplicative inspections, allow for a seamless and efficient transit of the Seaway, and provide a better location for repair resources, if required. The SLSDC and the U.S. Coast Guard (USCG), in conjunction with Transport Canada and the SLSMC, signed a Memorandum of Understanding in March 1997 to develop the program of coordinated vessel inspection and enforcement activities to expedite the safe transit of shipping through the Great Lakes Seaway System.

During the 2006 navigation season, the SLSDC achieved its internal performance goal of inspecting all ocean vessels with 252 inspections completed, all performed by SLSDC marine inspectors. The enhanced vessel inspection program exemplifies the Department of Transportation's goal of partnering for excellence.

The ballast water exchange program continues to be an important function of the ship inspection program. These inspections are carried out concurrently with the ESIs, by SLSDC personnel in Montreal and by USCG and Corporation staff at Snell Lock in Massena. These programs support the Oil Pollution Act of 1990 and the Non-Indigenous Aquatic Nuisance Prevention and Control Act of 1990. During the 2006 season, Seaway marine inspectors conducted 82 ballast water inspections in conjunction with the ESI program, and performed an additional 57 ballast water exams for subsequent trip vessels at the U.S. Seaway locks in Massena, N.Y.

Environmental Initiatives

Nationwide, considerable concern has been expressed regarding the introduction and spread of aquatic invasive species. The SLSDC is involved in several initiatives to combat the spread of invasive species in the Great Lakes Saint Lawrence Seaway System.

One such effort is the Great Ships Initiative (GSI) which is focusing resources and expertise on producing solutions to the problem of ship-mediated invasive species in the Great Lakes. Announced on July 12, 2006, the GSI program is an industry-led cooperative effort initiated by the Northeast-Midwest Institute, in collaboration with the American Great Lakes Ports Association. It will operate on two fronts: 1) activating a set of "technology incubators" to accelerate the identification and verification of treatment alternatives to stop organism introductions by ocean-going ships; and 2) monitoring Great Lakes ports and harbors for new introductions of invasive species by ships.

The SLSDC is also involved in the "Green Marine" program, a marine industry partnership program aimed at demonstrating and communicating the maritime industry's commitment to addressing a number of key environmental issues. The objective of the Green Marine program is to build and maintain strong relations with key stakeholders and develop a greater awareness of the maritime industry's activities, benefits and challenges. To accomplish this, activities will be directed towards strengthening the industry's environmental standards and performance through a process of continuous improvement, helping the maritime industry to speak with one voice, and strengthening industry involvement in regulatory processes and improving regulatory outcomes.

The SLSDC also serves on the advisory board of the Great Lakes Maritime Research Institute (GLMRI), a National Maritime Enhancement Institute established in 2004. The GLMRI's mission is to conduct research to support the advancement of the Great Lakes marine transportation system. The GLMRI, a consortium between the University of Wisconsin-Superior and the University of Minnesota-Duluth, will conduct research and publish findings on maritime issues including aquatic invasive species, as outlined in the Coast Guard and Maritime Transportation Act of 2004.

In addition, the SLSDC plays a key role on the Great Lakes Regional Waterways Management Forum, a group of U.S. and Canadian federal representatives who work cooperatively to identify and resolve waterways management issues that involve the Great Lakes region. The Forum specifically reviews issues that cross multiple jurisdictional zones and/or involve international issues and is tasked with developing operational solutions that improve the use and effectiveness of the Great Lakes. Over the past few years, the SLSDC has played an active role on the Forum's ballast water working group. The ballast water working group was developed to harmonize efforts between the USCG, Transport Canada, and the two Seaway Corporations to coordinate and exchange compliance and research efforts for reducing aquatic nuisance species invasions via ballast water in the Great Lakes.

Trade Development Activities

In addition to its operations and maintenance activities, the SLSDC also serves the various stakeholder groups in the Great Lakes St. Lawrence Seaway System with an aggressive trade development program. Started in 1985, the SLSDC trade development program aims to reach out to current and prospective customers and markets to assist in the growth of trade through the Great Lakes Seaway System.

Most recently, the SLSDC has been working with several entrepreneurs interested in starting cross-lake ferry service between U.S. and Canadian ports to improve transportation efficiencies and mitigate congestion delays, especially in the Detroit and Buffalo regions. The SLSDC has initiated several meetings with DOT and other federal entities to discuss the various regulatory changes needed to make the cross-lake Short Sea Shipping initiative a reality.

The SLSDC collaborates with the Canadian SLSMC on most business development and promotional initiatives. For example, in 2001 the two Seaway agencies unveiled a single, unified binational Internet web site (www.greatlakes-seaway.com) to help promote the Seaway System and highlight the advantages of shipping through the system. Since the site's unveiling

in February 2001, the site has recorded more than 9.4 million page hits from visitors from more than 150 countries with significant increases in usage each year. In 2006 alone, the site set an annual record with 2.6 million page hits.

In FY 2008, the two Seaway Corporations will host a Seaway Trade Mission to Brazil. Brazil currently ranks third for overall Great Lakes Seaway System tonnages, accounting for approximately one million tons annually. The Seaway Trade Mission program last visited Brazil in 1995.

During the mission, the delegation will host formal presentations with ship owners, operators, cargo representatives, and government and maritime officials from both countries. The two Seaway Corporations will facilitate one-on-one meetings and tour some of South America's largest ports and cargo facilities.

Security Activities

The FY 2008 request for the SLSDC security activities is $210,000, a reduction of $40,000 compared with the FY 2007 request level. The reduction is due to the expected reduction in costs for a multi-year capital-related project included in the FY 2007 President's Budget request. SLSDC staff will continue to aggressively pursue the objectives of its security program, which includes greater protection of SLSDC facilities, improved measures for employee and visitor entry into facilities, and planned contingencies for facilities/infrastructure in the event of a heightened security alert. The SLSDC will also continue to work collaboratively with local, state, and federal security and intelligence agencies as situations arise.

A new program included in the SLSDC's Security request relates to Homeland Security Presidential Directive (HSPD) 12, as part of the Department's efforts to implement a common identification card with smart card technologies. This initiative will be led by the Office of the Secretary and SLSDC's related costs are estimated at $15,000.

2006 NAVIGATION SEASON OVERVIEW

Significant increases in the St. Lawrence Seaway's traditional cargoes — grain and steel — during the 2006 navigation season resulted in 47.2 million metric tons of cargo moving through the binational waterway, its highest overall tonnage level since 1999. The increase of 3.9 million metric tons represented a 9 percent increase compared to the 2005 season.

Lower prices for imported steel products, drought conditions in Australia's agricultural region, and increased highway, rail, and border crossing congestion in North America were all factors in the Seaway posting its second busiest shipping year in 20 years. Vessel transits in 2006 were 4,613, the second highest amount since 1984. However, low water level conditions in several Upper Great Lakes required cargo vessels to carry lighter loads than normal.

Grain exports totaled 11.5 million metric tons (18 percent increase), serving both traditional markets and those impacted by a lack of sufficient Australian grain exports. General cargoes were also up significantly (4.6 million metric tons, up 40 percent), led by imports of manufactured iron and steel and steel slabs.

In addition to increases in the Seaway's "bread-and-butter" commodities of grain and steel, the binational waterway also enjoyed increases in several new and diversified cargoes, including imports of wind turbine components for several U.S. Great Lakes communities and mining-petroleum machinery destined for Canada's tar oil sands mega project in the Western province of Alberta.

Celebrating its 48th navigation season in 2006, the St. Lawrence Seaway also established a new record for the longest shipping season. With the waterway's opening on March 23 and the passage of the *Kathryn Spirit* on December 30, the Seaway recorded a 283-day season, exceeding by two days the previous record set in 2004.

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

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Tom Kilgore, President and Chief Executive Officer

Tennessee Valley Authority

February 14, 2007

Testimony of
Tom Kilgore
President and Chief Executive Officer, Tennessee Valley Authority,
before the
House Transportation and Infrastructure Committee
Subcommittee on Water Resources and Environment
February 14, 2007

Opening Statement

Chairwoman Johnson, Ranking Member Baker, and members of the Committee, I am honored to appear before you to discuss TVA's programs and priorities for the future.

2006 was a challenging year for TVA. Unusual weather, equipment failures, and increases in the price of fuel and purchased power gave the people of TVA many opportunities to think fast, work hard, and rise to the challenges we faced.

This also was a year of great change for TVA. Seven new Board members took the oath of office, implementing the new governance structure established by Congress. The new Board elected Bill Sansom as Chairman and later appointed me President and Chief Executive Officer.

I first joined TVA about two years ago as Chief Operating Officer, but TVA and its mission have been part of my life a lot longer than that. Like Congressman Duncan, Congressman Shuler, and the members of the TVA Board, I have deep roots in the Tennessee Valley region. I grew up in a small town in north Alabama, not far from where TVA has its Chattanooga operations center. One of my first jobs in college was on a TVA fossil plant testing crew, and that marked the beginning of my career in the electric utility industry.

Before joining TVA, I was the President and Chief Executive Officer of Progress Energy Ventures, where I was responsible for non-regulated, wholesale energy operations. Before that, I was President and CEO of Oglethorpe Power Corporation in Georgia, the nation's largest electricity generation and transmission cooperative. Prior to that, I worked in generation operations at Arkansas Power and Light.

About TVA

As you know, TVA is a United States government corporation and the nation's largest public power supplier. TVA is financially self-supporting and no longer receives federal appropriations. We pay our own way using power revenues to buy fuel, pay wages, service our debt, maintain assets, and fund our stewardship and economic development activities.

In partnership with 158 wholesale distributors, TVA provides reliable, affordable electricity to 8.7 million people and 650,000 businesses in Tennessee and six other southeastern states. TVA also provides power directly to more than 60 large industrial customers and federal installations.

TVA has stewardship responsibilities for the Tennessee Valley region's natural resources, including the nation's fifth-largest river system. TVA also is a catalyst for economic development and job creation throughout its 80,000-square-mile service area.

These three areas – energy, environment, and economic development – are the core of TVA's mission of service to the people of the Tennessee Valley region and our nation. Today, I'd like to discuss TVA's recent contributions and achievements in each of these areas and TVA's priorities for the future.

Reliable, Affordable Power

Electricity fuels the economic engine of the Tennessee Valley, and powering this engine is a responsibility that TVA and its public power partners take very seriously. During the past seven decades, TVA has developed a strong and diverse mix of generating assets that includes 11 coal-fired plants, three nuclear plants, 29 hydro-electric plants, and one pumped-storage facility. TVA also has a growing fleet of combustion-turbine units and is a leader in providing renewable energy alternatives through its award-winning Green Power Switch program.

TVA sold nearly 176 billion kilowatt-hours of electricity in 2006, earning revenue of more than $9.1 billion. Along the way, TVA met eight monthly records for peak power demand, including an all-time peak demand of more than 32,000 megawatts last July. On that record-setting day, all five TVA nuclear units were online and 58 of 59 TVA fossil units were in service.

TVA's fossil system generated the second-highest amount of power in TVA history during 2006, and 13 TVA coal plants set records for continuous operation. One unit at our Shawnee facility in Kentucky became the nation's longest continuously operating coal plant. TVA's Sequoyah Nuclear Plant produced more electricity in 2006 than any previous fiscal year. It was a banner year for TVA's 17,000-mile transmission system, too, which served customers with 99.999 percent reliability for the seventh year in a row.

Power demand in our region continues to grow, and the TVA power system is growing with it. In 2006, the TVA Board approved the purchase of two natural-gas combustion turbine generating facilities that will add significant peaking capacity to our system. TVA also is on schedule to soon restart Unit 1 at our Browns Ferry Nuclear Plant in Athens, Alabama. Even though it is a restart, Browns Ferry Unit 1 will be the first U.S. nuclear unit brought online in the 21st century, providing enough safe, clean, zero-emission power to meet the needs of some 650,000 homes.

Anticipating further growth in energy demand, the TVA Board has ordered a study of the cost and feasibility of completing the second unit at TVA's Watts Bar Nuclear Plant near Spring City, Tennessee. TVA also continues to participate in the 10-company NuStart Energy Development consortium. NuStart is developing applications for licensing of two advanced nuclear power reactors, one of which could be built at TVA's Bellefonte site in north Alabama.

As we explore alternatives for the cleanest, most cost-effective energy resources in the future, the people of TVA are making the most of assets we already have and implementing new technologies that make our power system more efficient and reliable.

TVA's hydro modernization program is helping us squeeze more power from every drop of water enabling us to add about 10 percent to our hydro generating capabilities. Other

TVA innovations and advances earned industry honors in 2006, including the SuperVar technology that TVA and American Superconductor developed to help absorb power fluctuations caused by large changes in demand.

Environmental Stewardship

The Tennessee River system is an important national and regional resource that has long been a key focus of TVA's mission. The environmental component of TVA's mission requires that TVA manage the Tennessee River and its tributaries as an integrated unit to provide multiple public benefits that include year-round navigation, reduced flooding, economical electricity, recreation opportunities, improved water quality, and a reliable supply of water to cool power plants and meet municipal and industrial needs.

As part of this integrated approach to resource management, TVA operates its 34 flood-control dams as a unified system to prevent, on average, an estimated $231 million in flood damage per year. TVA's management of the river also enables the transportation of some 50 million tons of cargo annually, saving industries about $550 million in freight charges compared with shipping by other means.

Despite low rainfall throughout much of 2006, TVA successfully managed the river system to meet water quality and water supply needs in months when rainfall was the second-lowest in 117 years. TVA also supported community coalitions to improve water quality at 34 locations and stabilized more than six miles of critically eroding shoreline.

TVA joined partnerships to improve wildlife, add hiking trails, and provide other stewardship enhancements for Valley communities, including surveys of sport fish population on 31 reservoirs. And TVA's seven watershed teams, assisted by 3,500 citizen volunteers, collected more than 123 tons of trash and debris from reservoirs and streams in the Tennessee Valley.

TVA manages not only the water in our reservoirs, but also the 293,000 acres of public lands adjoining them. In 2006, the TVA Board adopted a new policy that restricts the sale of these lands for residential development while providing standards for the consideration of industrial and commercial development proposals.

Air quality is another important component of TVA's environmental mission, and in 2006 TVA invested $182 million as part of an ongoing $5.8 billion clean air program. This investment has enabled TVA to reduce sulfur-dioxide emissions 80 percent since 1977. Nitrogen-oxide emissions during the summer ozone season have been reduced 81 percent since 1995. Today our region's air is cleaner than it has been in many years, and air quality continues to improve.

Renewable energy plays an important role in keeping our air clean. In 2006, TVA exceeded its goal of providing 32,000 blocks of renewable energy as part of its Green Power Switch program. Each block represents 150-kilowatt hours, which is more than 10 percent of a typical family's monthly power consumption. With the addition of 15 new wind turbines in 2005, TVA has enough green power capacity to meet expected demand for the next five years.

Economic Development

Economic development is the third component of TVA's mission through which we build state and local partnerships that foster prosperity for business, industries, and families.

In 2006, TVA invested about $40 million in economic development efforts to support the expansion of businesses and industries in the Tennessee Valley. These investments helped attract or keep some 53,000 jobs in the region and leveraged $4.2 billion in capital investment from other sources.

TVA administers Appalachian Regional Commission grants that support economic and social development in the ARC region. TVA also provided a broad portfolio of other services and financial resources in 2006, including more than 600 community development and technical assistance projects to foster economic growth in Valley communities. In addition, TVA and its employees volunteered more than 26,000 hours of their personal time and made more than $5.2 million in charitable contributions in communities throughout the region.

TVA provided $376 million in tax-equivalent payments to state and local governments in 2006 based on our power sales and the value of TVA power properties in Tennessee Valley communities. In the past five years, these payments have provided more than $1.7 billion in funding for local education and other vital needs.

TVA supports economic prosperity in the communities we serve in other ways. Last year, TVA purchased $2.4 billion in goods, fuel, and services from businesses and industries in the Tennessee Valley region. TVA launched a program that helps communities identify and recruit new industries. Additionally, several new Tennessee Valley megasites suitable for automobile manufacturing plants were independently certified. Eight megasites have been certified since the program began in 2004.

TVA's economic development efforts to attract jobs to the Tennessee Valley were ranked No. 1 among utilities in *Business Facilities* magazine's 2006 report card on economic development. *Site Selection* magazine named TVA one of the "Top Utilities of the Year" for outstanding economic development initiatives. TVA's economic development web site and site selection web sites won top honors at the International Economic Development Council's annual awards competition.

Improving the Balance Sheet

TVA is fulfilling its unique responsibilities in energy, the environment, and economic development while being fiscally responsible and improving its financial health. TVA remains committed to reducing its existing Total Financing Obligations – or TFOs – which include existing statutory debt and alternative financing mechanisms, such as lease-leasebacks and prepayment agreements. TVA is committed to ensuring that our debt does not outlast the value of our assets.

In what was a very challenging year for TVA, financially and operationally, TVA met its debt reduction target, reducing TFOs by $341 million, which was $40 million more than the previous year. This year we expect to pay $529 million in TFO reduction. In the past decade, TVA has reduced TFOs by nearly $2.5 billion and reduced the amount of each revenue dollar used to pay interest and other financing expenses from 34 cents to 14 cents.

Other Financial Matters

As I mentioned earlier, TVA's power program is entirely self-financing and does not receive federal appropriations. Beginning in fiscal year 2000, TVA has paid for its non-power operations entirely from power revenues, user fees, and sources other than appropriations. Subject to TVA Board approval, TVA expects to spend about $85 million on water and land stewardship activities in fiscal year 2008.

Dramatic increases in the cost of fuel and purchased power forced TVA and many other utilities to raise rates in 2005 and 2006. TVA implemented a 7.52 percent increase in October 2005 and another 9.95 percent in April 2006. The TVA Board then reduced rates by 4.5 percent after developing a fuel-cost adjustment mechanism that will automatically adjust rates as fuel and purchased-power costs rise and fall.

This year, TVA began filing financial reports with the Securities and Exchange Commission in accordance with the Consolidated Appropriations Act of 2005. We also began complying with portions of the Sarbanes-Oxley Act that provide an appropriate level of disclosure and transparency for TVA stakeholders.

Looking Forward

The new TVA Board and governance structure have brought a fresh approach to TVA. With their strong business backgrounds, new Board members have gotten quickly up to speed and are using their wealth of experience to guide TVA's wide-ranging business.

The years ahead will be challenging for TVA. Electric power demand in our region is creating the need for about 600 megawatts of additional generating capacity each year. TVA is evaluating the most cost-effective ways to acquire this capacity while being fiscally responsible, keeping our balance sheet strong, and without increasing our environmental footprint. Browns Ferry Unit 1 is an important step in this direction, and it will be a valuable contributor to our clean air strategy.

These and other challenges are among those being addressed in a new Strategic Plan that the TVA Board requested. That plan is being developed, and the final plan will be in place to guide business planning for fiscal year 2008.

Conclusion

While much has changed and will continue to change at TVA, it is important to note what is not changing at TVA, and that is TVA's dedication to improving its financial health, maintaining fiscal responsibility, and staying true to our mission for improving the quality of life of the people we serve.

We look forward to continuing our close partnership with this Committee and the entire Congress, the Administration, and all our stakeholders to ensure that we accomplish these goals.

Thank you for the opportunity to appear before you, and I look forward to answering your questions.

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

February 14, 2007

Chairwoman and Members of the Subcommittee:

Thank you for the opportunity to appear before the Subcommittee to discuss water resource program activities of the Natural Resources Conservation Service (NRCS). Our mission at NRCS is to help people help the land. Through the water resource programs that NRCS administers, our employees work in partnership with local leaders to improve the overall function and health of our Nation's watersheds. Our objective is to improve local communities' access to clean, safe, and reliable water resources, while providing protection from floods and mitigating the effects of natural disasters.

In my remarks today, I will describe our ongoing work in this area, and discuss our budget and priorities for fiscal year (FY) 2008. I will specifically address four programs: 1) Watershed Surveys and Planning, 2) Watershed and Flood Prevention Operations, 3) Emergency Watershed Protection, and 4) Watershed Rehabilitation.

The Watershed Protection and Flood Prevention Act of 1954 (Public Law 83-566), which established the Agency's water resource programs and the Flood Control Act of 1944 (Public Law 78-534) have provided NRCS the authority to complete work on 2,000 watershed projects nationwide, through helping local communities construct 11,000 flood control dams.

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

The local sponsoring organization submits an application for Federal assistance, assures public participation, makes project planning and implementation decisions, obtains land rights and permits, provides local cost-share funds, carries out all phases of the project installation according to policy and has responsibility for all operations and maintenance of the projects.

Fiscal Year 2008 Budget Proposal

The President's FY 2008 budget recommends eliminating funding for most of NRCS Watershed Program activities on the basis that these programs are nearly 100 percent earmarked and could be better used to address higher priority programs. The program funds local, in many cases privately-owned, flood prevention and water improvement projects that are not federal priorities. In addition, an Office of Management and Budget analysis in the 2004 budget found that the program was the least cost effective federal flood damage reduction program

The elimination and reduction of funding for these programs, which are heavily earmarked, reflects the realignment of the Administration's priorities to direct funding to the highest priority activities of national interest.

Water Resource Programs

Highlights of the Watershed and Flood Prevention Operations, Watershed Survey and Planning, Emergency Watershed Protection, and Watershed Rehabilitation programs are as follows:

Watershed and Flood Prevention Operations

The Flood Control Act of 1944 (P.L. 78-534) authorizes the Secretary of Agriculture to install watershed improvement measures to reduce flood, sedimentation, and erosion damages; further the conservation, development, utilization, and disposal of water; and foster conservation and proper utilization of land. Flood prevention work is authorized in the 11 watersheds designated in the Flood Control Act.

The Watershed Protection and Flood Prevention Act of 1954 (P.L. 83-566) provides for cooperation between the Federal Government and the States and their political subdivisions in a program to prevent erosion, floodwater, and sediment damages; to further the conservation, development, utilization, and disposal of water; and to further the conservation and proper utilization of land in authorized watersheds.

The P.L. 78-534 and P.L. 83-566 programs have similar authorities. The planning criteria, economic justifications, local sponsorship requirements, cost-sharing criteria, structural limitations, and other policies and procedures used in P.L. 78-534 projects generally parallel those used in P.L. 83-566 projects.

The FY 2008 President's Budget for Flood Prevention Operations, P.L. 78- 534, and Watershed Operations, P.L. 83-566 proposes to eliminate funds for these two programs and redirect them to other higher priority programs. Because benefits from P.L. 78-534 and P.L. 83-566 projects are highly localized, local sponsoring organization and

state and local governments are expected to assume a greater role in completing projects and addressing water resource problems.

In addition, for the last several years, NRCS has been managing a watershed program over which it had little control. We have been administering a program that is nearly 100 percent earmarked and that poses some serious management challenges. This has created problems in setting and addressing national priorities that will garner the greatest environmental benefit; providing the high-quality technically trained interdisciplinary staff in the proper locations; and in strategically improving the health of critical watersheds. In addition, there is some duplication between the water resource programs and Farm Bill conservation programs. As an Agency, we can currently provide land treatment assistance with the Watershed Protection and Flood Prevention Operations Program, the Conservation Technical Assistance Program, and through the Environmental Quality Incentives Program.

Watershed Surveys and Planning

The Watershed Surveys and Planning account helps communities and local sponsors assess natural resource issues and develop coordinated watershed plans that will conserve and utilize their natural resources, solve local natural resource and related economic problems, avoid and mitigate hazards related to flooding, and provide for advanced planning for local resource development. This includes Floodplain Management Studies, Cooperative River Basin Studies, Flood Insurance Studies, Watershed Inventory and Analysis, and other types of studies, as well as P.L. 83-566 Watershed Plans. Over 65 percent of these plans are used to guide local planning efforts; the other 35 percent guide experts and sponsors in the implementation of watershed projects to solve natural resource problems.

The President's budget for FY 2008 proposes to eliminate funds for this program and redirect them to other higher priority programs. With the elimination of Watershed and Flood Prevention Operations, continuation of the planning component is no longer necessary. Local sponsoring organizations, as well as State and local governments, are expected to assume a more active leadership role in identifying water resource problems and their solutions.

Emergency Watershed Protection

The purpose of the Emergency Watershed Protection (EWP) program is to undertake emergency measures, including the purchase of floodplain easements, for runoff retardation and soil erosion prevention to safeguard lives and property from natural disasters. The typical process for delivery of this program starts with the local sponsor requesting assistance for a disaster recovery effort. NRCS then conducts a damage assessment to identify if the project is eligible and develop an estimated cost. Typical work under this program ranges from debris removal from clogged streams caused by flooding; installing conservation measures, like reseeding native grasses, to prevent soil

erosion on hillsides after a fire; or replanting and reshaping streambanks due to erosion caused by flooding. The FY 2006 Supplemental Appropriations provided an additional $350.9 million for the EWP program recovery efforts from Hurricanes Katrina, Rita, Wilma and Dennis. At the request from communities across the Gulf region recovering from the 2005 Hurricanes, NRCS has committed the $350.9 million and obligated nearly $200 million in recovery work under the EWP program.

In January 2007, $42.5 million was provided through EWP to assist with natural disaster recovery efforts in 13 States that occurred between December 2005 and June 2006. The funds will provide critical assistance and continue the federal partnership for environmental restoration projects on private lands damaged by natural disasters. This funding will also help restore agricultural and community infrastructure disrupted by flooding, severe stream bank erosion and debris deposits.

The FY 2008 President's Budget does not propose funding this program. Historically, Congress has elected to fund this program through emergency supplemental appropriations as disasters occur.

Watershed Rehabilitation

In November 2000, P.L. 83-566 was amended by P.L. 106-742 "The Watershed Rehabilitation Amendments of 2000," which authorized NRCS to assist communities to address public health and safety concerns and environmental impacts of aging dams.

Through the Watershed Rehabilitation Program, NRCS provides technical and financial assistance to communities to perform rehabilitation work on aging flood control infrastructure. NRCS identifies dams that are both most at-risk of failure and pose the greatest risk to public safety and property. Since 1948, over 11,000 flood control dams have been built in the 2,000 project areas across America.

Since enactment of the "Watershed Rehabilitation Amendments of 2000" and subsequent amendments in the 2002 Farm Bill, NRCS has 113 dams that have rehabilitation plans authorized and the projects are completed or implementation of the plans is underway. NRCS is actively helping local communities rehabilitate aging dams, with the average dam rehabilitation cost roughly at $1.5 million.

An example of the many successful rehabilitation projects is:

- South River Watershed Rehabilitation Project in Augusta County Virginia. NRCS authorized federal assistance for the rehabilitation of three dams in Virginia at an estimated cost of $4.1 million. The work performed on these dams will continue to serve Virginia residents safely for the next 50 years.

  The projects include Robinson Hollow Dam, Thomas Branch Dam and Inch Branch Dam in the South River Watershed in Augusta County, Virginia. The

Robinson Hollow and Inch Branch Dams were built in 1956 and the Thomas Branch Dam was built in 1957. The rehabilitation of these dams will reduce the threat to more than 1,300 people who live in 263 homes downstream from the dams, as well as provide continued protection of 29 roads, 13 bridges and 10 business structures. The projects will provide $179,000 in monetary benefits each year for the next 50 years. The Federal Government will pay 65 percent of the total cost of the projects. Locally, the project is being sponsored by the Headwaters Soil and Water Conservation District, the Augusta County Board of Supervisors and the City of Waynesboro.

The President's budget funding request for FY 2008 includes $5.8 million for Watershed Rehabilitation technical assistance activities involving aging dams. This will address and focus on critical dams with a high risk for loss of life and property and the greatest potential for damage.

This is a significant decrease from prior years and reflects the Administration's position that the maintenance, repair, and operation of these dams are primarily local responsibilities because program benefits are highly localized.

Summary

In summary, the U.S. Department of Agriculture has accomplished much through the water resource programs over the past 50 years. However, since the benefits from these programs primarily accrue to local communities, we recommend that local communities take a larger role in funding such projects.

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

Talking Points

The Honorable John Mica

Subcommittee on Water Resources and Environment

Budget Hearing

February 14, 2007

I am a fiscal conservative who supports the President's efforts to control government spending.

- I know that, in times of tight budgets, difficult decisions have to be made. And I realize the Administration's priorities and Congressional priorities will not always be the same.

However, I believe the Administration and the Congress have the same goal of sustaining economic growth while protecting our environment.

So, I am disappointed that the Administration's budget does not support strong investments in many important program areas.

The civil works program of the Corps of Engineers protects our cities from coastal storms and flood damages, keeps our ports and waterways open for

commerce, and restores our aquatic ecosystem. The construction funding for these projects would be cut if the Administration's budget were followed.

The EPA Clean Water State Revolving Fund program provides low interest loans to communities so they can meet the requirements of the Clean Water Act and keep local waters clean. This program has played an important role in the water quality improvements made this country. Yet, the Administration would cut funding for this program as well.

The Small Watershed Program of the Natural Resources Conservation Service provides small, but important, water supply and flood protection projects to rural America. The Administration's budget would not fund these projects at all.

These programs are examples of good investments in America, not wasteful spending.

- I am confident the Congress will restore much of the funding for these programs that the Administration would cut.

I thank our witnesses for being here today and I look forward to their testimony.

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Statement of Rep. Harry Mitchell
House Transportation and Infrastructure Committee
Subcommittee on Water Resources and Environment
2/14/07

--Thank you Madame Chairwoman.

--I look forward to hearing all of today's testimony, but I am particularly eager to hear from the U.S. Army Corps of Engineers about the potential impact of the President's proposed budget cuts.

--To say water is important to Arizona is an understatement. With such a limited supply,

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our state's economy depends on our ability to reliably and efficiently control it.

-- In this regard, the Army Corps of Engineers is absolutely critical to Arizona.

--Take the Rio Salado project in my home town of Tempe. Not yet finished, it has already become an essential engine of economic development….as well as a signature recreation destination.

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--And as Arizona continues to boom….we will need more Rio Salados, not less.

--However, less is what the President's budget proposes.

--Specifically, the budget calls for a cut of 34.8% to the Army Corps' construction budget, and a 44.6% cut to the Army Corps' investigations budget.

--Drastic cuts like these could jeopardize current and future projects that are essential

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to Arizona's continued growth and economic vitality.

--I hope my colleagues to keep this in mind as they consider the Army Corps' budget.

--I yield back the balance of my time.

DEPARTMENT OF THE ARMY CORPS OF ENGINEERS

COMPLETE STATEMENT

OF

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

BEFORE

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

ON

THE ARMY CIVIL WORKS PROGRAM
FISCAL YEAR 2008

February 14, 2007

Madam Chairwoman and distinguished members of the Subcommittee:

I am honored to be testifying before your subcommittee today, along with the Assistant Secretary of the Army (Civil Works), the Honorable John Paul Woodley, Jr., on the President's Fiscal Year 2008 (FY08) Budget for the United States Army Corps of Engineers' Civil Works Program.

My statement covers the following 3 topics:

- Summary of FY08 Program Budget,
- Construction Program, and,
- Value of the Civil Works Program to the Nation's Economy, and to the Nation's Defense

SUMMARY OF FY08 PROGRAM BUDGET

Introduction

The Fiscal Year 2008 Civil Works Budget is a performance-based budget, which reflects a focus on the projects and activities that provide the highest net economic and environmental returns on the Nation's investment or address significant risk to human safety. Direct Program funding totals $5.406 billion, consisting of discretionary funding of $4.871 billion and mandatory funding of $535 million. The Reimbursed Program funding is projected to involve an additional $2 billion to $3 billion.

Direct Program

The Budget reflects the Administration's commitment to continued sound development and management of the nation's water and related land resources. It proposes to give the Corps the flexibility and responsibility within each major watershed to use these funds to carry out priority maintenance, repairs, and rehabilitations. The Budget incorporates objective performance-based metrics for the construction program, funds the continued operation of commercial navigation and other water resource infrastructure, provides an increase in funding for the regulatory program to protect the Nation's waters and wetlands, and supports restoration of nationally and regionally significant aquatic ecosystems, with emphasis on the Florida Everglades and the Upper Mississippi River. It also would improve the quality of recreation services through stronger partnerships and modernization. Additionally, it emphasizes the need to fund emergency preparedness activities for the Corps as part of the regular budget process.

Reimbursed Program

Through the Interagency and Intergovernmental Services Program we help non-DOD Federal agencies, state, local, and tribal governments, and other countries with timely,

cost-effective implementation of their programs, while maintaining and enhancing capabilities for execution of our Civil and Military Program missions. These customers rely on our extensive capabilities, experience, and successful track record. The work is principally technical oversight and management of engineering, environmental, and construction contracts performed by private sector firms, and is financed by the customers.

Currently, we provide reimbursable support for about 60 other Federal agencies and several state and local governments. Total reimbursement for such work in FY08 is projected to be $2.0 billion to $3.0 billion. The exact amount will depend on assignments received from the Federal Emergency Management Agency (FEMA) for hurricane disaster relief and from the Department of Homeland Security for border protection facilities.

CONSTRUCTION PROGRAM

The goal of the construction program is to produce as much value as possible for the Nation from available funds. The Budget furthers this objective by giving priority to the continued construction and completion of those water resources projects that will provide the best net returns on the nation's investment for each dollar invested (Federal plus non-Federal) in the Corps primary mission areas. The Budget also gives priority to projects that address a significant risk to human safety, notwithstanding their economic performance. Under these guidelines, the Corps allocated funding to 69 construction projects, including 6 national priority projects; 11 other dam safety assurance, seepage control, and static instability correction projects; and 52 other ongoing projects.

The Budget uses objective performance measures to establish priorities among projects, and through a change in Corps contracting practices to increase control over future costs. The measures proposed include the benefit-to-cost ratios for projects with economic outputs; the extent to which the project cost-effectively contributes to the restoration of a nationally or regionally significant aquatic ecosystem that has become degraded as a result of a Civil Works project or to an aquatic ecoystem restoration effort for which the Corps is otherwise uniquely well-suited; and giving priority to dam safety assurance, seepage control, static instability correction, and projects that address a significant risk to human safety. Resources are allocated based on Corps estimates to achieve the highest net economic and environmental returns and to address significant risk to human safety. This approach significantly improves the realization of benefits to the Nation from the Civil Works construction program and will improve overall program performance by bringing higher net benefits per dollar to the Nation sooner.

Maintenance Program

The facilities owned and operated by, or on behalf of, the Civil Works Program are aging. As stewards of this infrastructure, we are working to ensure that its key features continue to provide an appropriate level of service to the nation. Sustaining such

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

The Operation and Maintenance (O&M) program for the FY08 Budget consists of $2.471 billion in the Operation and Maintenance account and $158 million under the Mississippi River and Tributaries program, with a focus on the maintenance of key commercial navigation, flood and storm damage reduction, hydropower, and other facilities. Specifically, the operation and maintenance program supports the operation, maintenance, repair and security of existing commercial navigation, flood and storm damage reduction, and hydropower works owned and operated by, or on behalf of, the Corps of Engineers, including administrative buildings and laboratories. Funds are also included in this program for national priority efforts in the Columbia River Basin and Missouri River Basin to support the continued operation of Corps of Engineers multi-purpose projects by meeting the requirements of the Endangered Species Act. Other work to be accomplished includes dredging, repair, aquatic plant control, removal of sunken vessels, monitoring of completed costal projects, and operation of structures and other facilities, as authorized in the various River and Harbor, Flood Control, and Water Resources Development Acts.

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

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

The National Welfare

The way in which we manage our water resources can improve the quality of our citizens' lives. It has affected where and how people live and influenced the development of this country. The country today seeks economic development as well as the protection of environmental values.

Domestically, USACE personnel from across the nation continue to respond to the call to help re-construct and improve the hurricane and storm damage reduction system for southeast Louisiana. The critical work they are doing will reduce the risk of future storms to people and communities in the region.

Over the past year, Corps dams, levees and reservoirs again provided billions of dollars in flood damage reduction and protected lives, homes and businesses in many parts of the nation following heavy rains.

Madam Chairwoman, we will continue to work with you, this Subcommittee, and other members of Congress on the ongoing study, and the authorization and funding proposed by the Administration, for modifications to the existing hurricane protection system for New Orleans. The Budget's recommendation, as part of an FY 2007

Supplemental appropriations package, to re-allocate up to $1.3 billion of emergency supplemental appropriations enacted in FY 2006 will enable the Corps to use available, unobligated funds for measures that will provide a better overall level of protection for the New Orleans metropolitan area in the near-term.

Research and Development

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

The National Defense

Internationally, the U.S. Army Corps of Engineers continues to support the mission to help Iraq and Afghanistan build foundations for democracy, freedom and prosperity.

Many USACE civilians – each of whom is a volunteer – and Soldiers are providing engineering expertise, quality construction management, and program and project management in those nations. The often unsung efforts of these patriotic men and women contribute daily toward this nation's goals of restoring the economy, security and quality of life for all Iraqis and Afghanis.

In Iraq, the Gulf Region Division has overseen the initiation of more than 4,200 reconstruction projects valued in excess of $7.14 billion. Of those, more than 3,200 projects have been completed.

These projects provide employment and hope for the Iraqi people. They are visible signs of progress.

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

CONCLUSION

The Corps of Engineers is committed to staying at the leading edge of service to the Nation. In support of that, I have worked to transform our Civil Works Program. We're committed to change that ensures an open, transparent, and performance-based Civil Works Program.

Thank you, Madam Chairwoman and Members of the Committee. This concludes my statement.

DEPARTMENT OF THE ARMY

COMPLETE STATEMENT

OF

THE HONORABLE JOHN PAUL WOODLEY, JR.
ASSISTANT SECRETARY OF THE ARMY (CIVIL WORKS)

BEFORE

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

ON

THE ARMY CIVIL WORKS PROGRAM
FISCAL YEAR 2008

FEBRUARY 14, 2007

Madam Chairwoman and distinguished members of the Subcommittee:

Thank you for the opportunity to testify before the Subcommittee, and to present the President's Budget for the Civil Works program of the Army Corps of Engineers for Fiscal Year (FY) 2008.

OVERVIEW

The FY 2008 Budget for Army Civil Works provides funding for development and restoration of the Nation's water and related resources within the three main Civil Works program areas, namely, commercial navigation, flood and coastal storm damage reduction, and aquatic ecosystem restoration. The Budget also supports hydropower, recreation, environmental stewardship, and water supply services at existing water resources projects owned or operated by the Corps. Finally, the Budget provides for protection of the Nation's regulated waters and wetlands; cleanup of sites contaminated as a result of the Nation's early efforts to develop atomic weapons; and emergency preparedness. The budget does not fund work that should be the responsibility of non-Federal interests or other Federal agencies, such as wastewater treatment and municipal and industrial water treatment and distribution.

Total new discretionary funding in the FY 2008 Budget is $4.871 billion for FY 2008, the highest amount ever in a Civil Works budget. Within this total, we have allocated $2.471 billion to activities funded in the operation and maintenance (O&M) account. This is the highest funding level for operation and maintenance ever proposed in a President's budget or enacted by the Congress. It is 9 percent above the FY 2007 Budget level for the O&M account and $206 million above FY 2006 enacted, after accounting for the $296 million that the Budget has proposed to transfer in FY 2008 from construction to operation and maintenance.

The Budget also includes a FY 2007 recommendation to re-allocate up to $1.3 billion of emergency supplemental appropriations enacted in FY 2006. This would enable the Corps to use available, unobligated funds for measures that will provide a better overall level of protection for the New Orleans metropolitan area in the near-term. This proposal is discussed further below.

A five-year budget development plan (FYDP) is under development and will be provided to the relevant Committees of Congress. The FYDP includes two scenarios or projections: one based on the President's proposed FY 2008 Budget; and one above that level based on the most recently enacted appropriations (FY 2006) at the time the budget was prepared. The projections are formula driven. They do not represent budget decisions or budget policy beyond FY 2008, but they can provide perspective on the Army Civil Works program and budget.

Enclosure 1 displays the current estimate for the distribution of new discretionary funding among eight appropriation accounts, eight program areas plus executive direction and management, and five sources including the general fund of the Treasury and trust funds. Enclosure 2 is a crosscut between appropriation accounts and program areas.

PERFORMANCE-BASED BUDGETING

The FY 2008 Budget reflects a performance-based approach to budgeting. Competing investment opportunities for studies, design, construction, and operation and maintenance were evaluated using multiple metrics. We used objective, performance criteria to guide the allocation of funds among construction projects (see below).

The Budget includes initiatives leading to the development of a more systematic, performance-based budget and improved asset management. For instance, to improve investment decision making, the Budget funds the development of economic models for navigation and methods for evaluating the benefits of aquatic ecosystem restoration efforts. To help identify, evaluate, and establish priorities for the maintenance and rehabilitation of existing flood and storm damage reduction, commercial navigation, and hydropower assets, the Budget provides funding to develop asset management systems and risk-based condition indices. Finally, the Budget presents information for operation and maintenance activities by river basin and by mission area, setting the stage for improved management of Civil Works assets and more systematic budget development in future years.

The focus on Civil Works program performance has a number of foundations. First, the Civil Works Strategic Plan, which was updated in 2004, provides goals, objectives, and performance measures that are

specific to program areas as well as some that are crosscutting. Second, each program area has been assessed using the Program Assessment Rating Tool (PART). Summaries of all completed civil works program assessments can be found on the Administration's new website, www.ExpectMore.gov. Both the Civil Works Strategic Plan and the PART-based program evaluations are works in progress and will continue to be updated.

HIGHLIGHTS – WATER RESOURCES DEVELOPMENT ACCOUNTS

Studies and Design

The FY 2008 Budget provides $90 million for the Investigations account and $1 million for studies in the Mississippi River and Tributaries account. The Budget funds the 67 most promising studies and preconstruction engineering and design (PED) activities. Performance was assessed based on the likelihood in the near-term of meeting the construction guidelines discussed below. For instance, among the projects in PED, the projects with benefit-cost ratios of 3.0 to 1 or higher received funding.

Within the $90 million, $13 million is for the Louisiana Coastal Area study and science program for coastal wetlands restoration; $22 million is for other project-specific studies and design; $10 million is to continue the national inventory of flood and storm damage reduction projects; $17 million is for research and development; and $28 million is for other coordination, data collection, and study activities. Priorities within research and development include the Navigation Economic Technologies research program and the development of benefit evaluation methods for aquatic ecosystem restoration.

Construction

The Budget provides $1.523 billion in the Construction account and $108 million for construction projects in the Mississippi River and Tributaries account.

Many more construction projects have been authorized, initiated, and continued than can be constructed efficiently at any one time. The funding of projects with low economic and environmental returns and of projects

that are not within Civil Works main mission areas has led to the postponement of benefits from the most worthy projects, and has significantly reduced overall program performance.

To remedy this situation and to achieve greater value to the Nation from the Civil Works construction program, the Budget focuses significant funding on the projects that yield the greatest return to the Nation, based upon objective performance criteria. The budget again proposes performance guidelines to allocate funds among construction projects. The most significant change is the inclusion of benefit-cost ratio (BCR) as a metric, rather than remaining benefit-remaining cost ratio. The BCR compares the total benefits to the total costs of a project at its inception, and provides a way to establish priorities among projects.

Under the guidelines, the Budget allocates funds among construction projects based primarily on these criteria: their BCR; their contribution to addressing a significant risk to human safety or to dam safety assurance, seepage control, or static instability correction concerns; and the extent to which they cost-effectively contribute to the restoration of nationally or regionally significant aquatic ecosystems that have become degraded as a result of Civil Works projects, or to a restoration effort for which the Corps is otherwise uniquely well-suited. The construction guidelines are provided in Enclosure 3.

The construction projects funded in the Budget include 6 national priorities; 11 dam safety assurance, seepage control, and static instability correction projects; and 41 other, high-performing projects. The budget also funds ongoing continuing contracts, but no new contracts, for 11 projects with BCRs between 1.5 to 1 and 3.0 to 1.

Operation and Maintenance

The Budget proposes $2.471 billion for the Operation and Maintenance account and $151 million for maintenance activities in the Mississippi River and Tributaries account. Even after adjusting for the reassignment of work, discussed below, this amount is the highest funding level for operation and maintenance ever proposed in a President's budget.

The Budget emphasizes performance of existing projects by focusing on the maintenance of key commercial navigation, flood and storm damage

reduction, hydropower, and other facilities. The proposed funding would enable the Army Corps of Engineers to carry out priority maintenance, repairs, and rehabilitations, and priority initiatives such as the development of asset management systems.

The operation and maintenance program now includes four types of activities that were funded in the Construction program until last year. The Budget transfers responsibility and funding for these activities – compliance with Biological Opinions at operating projects pursuant to the Endangered Species Act, rehabilitation of existing projects, use of maintenance dredging material, and replacement of sand due to the operation and maintenance of Federal navigation projects – because they are integrally connected to the operation and maintenance of Corps projects. The reassignment to the Operation and Maintenance program is needed to improve accountability and oversight, reflect the full cost of operation and maintenance, and support an integrated funding strategy for existing projects. The Budget includes proposed appropriations language to cover funding for these activities in the Operation and Maintenance account.

The Budget proposes that Congress allocate operation and maintenance funding by river basin, rather than on a project-by-project basis. The justification materials present a current estimate for each basin of the distribution of proposed funding among the flood and coastal storm damage reduction, commercial navigation, hydropower, stewardship, recreation, and water supply program areas. Should operation and maintenance work be funded using this framework, managers in the field would be better able to adapt to uncertainties and better able to address emergencies as well as other changed conditions over the course of the fiscal year, consistent with congressional appropriations decisions. The Corps has displayed its current project-by-project estimates for the FY 2008 operation and maintenance program on its website.

HIGHLIGHTS -- PROGRAM AREAS

The Army Civil Works program includes eight program areas, plus the oversight/executive direction and management function. The eight program areas are commercial navigation, flood and coastal storm damage reduction, environment, recreation, hydropower, water supply, emergency management, and the regulatory program. Budget proposals for the nine areas are discussed below.

Flood and Coastal Storm Damage Reduction, and Emergency Management

The FY 2008 Budget provides $1.384 billion for flood and coastal storm damage reduction, and $45 million for emergency management.

Among the 69 construction projects funded in the FY 2008 budget, 46 are for flood and coastal storm damage reduction, including 8 dam safety and seepage control projects and 34 projects that address a significant risk to human safety or have high benefit-cost ratios.

The Budget emphasizes natural disaster preparedness and flood and coastal storm damage prevention. Specifically, the Budget includes $40 million in the Flood Control and Coastal Emergencies account to fund preparedness for flood and coastal emergencies and other disasters. This is a 25 percent increase for preparedness activities compared to the FY 2007 Budget, and is needed to maintain and improve our ability to respond to disasters. The Budget also includes $20 million in multiple accounts to apply lessons learned from Hurricanes Katrina and Rita (including the 12 follow-on actions identified by the Chief of Engineers and stepped-up cooperation with Federal Emergency Management Agency programs for flood plains), $10 million to continue to inventory and assess flood and storm damage reduction projects across the Nation, and $10 million to continue to assess the safety of the Corps portfolio of dams (including improving ordinary, but essential, inspection procedures).

The Budget provides funding for all work currently planned to remedy the most serious (Action Class I and II) dam safety, seepage, and static instability problems at Corps dams. The planning, design, and construction of these projects are funded at the maximum amount that the Corps estimates that it can use efficiently and effectively.

The Budget continues to support Federal participation in initial construction, but not in re-nourishment, at beach nourishment projects that provide storm damage reduction or ecosystem restoration outputs.

Commercial Navigation

The FY 2008 Budget provides $2.009 billion for the commercial navigation program area.

The amount budgeted for inland waterway construction projects (replacements and expansions in the Construction Account, and rehabilitations in the Operation and Maintenance account) is about $418 million, the highest amount ever included in a President's budget. Half of the funding, or $209 million, would be derived from the Inland Waterways Trust Fund. The funding in the Inland Waterways Trust Fund will not be sufficient after FY 2008 to support this level of investment in our principal inland waterways.

The Administration is developing and will propose legislation to require the barges on the inland waterways to pay a user fee. The user fee will address the decline in the balance in the Inland Waterways Trust Fund, which affects the government's ability to finance a portion of the continuing Federal capital investment in these waterways. The legislation will be offered this spring for consideration by Congress.

The Budget focuses operation and maintenance funding on those waterway segments and commercial harbors that support high volumes of commercial traffic, with emphasis on the heavily-used Mississippi, Ohio, and Illinois waterways. The Budget also funds harbors that support significant commercial fishing, subsistence, public transportation, harbor of refuge, national security, or safety benefits.

The Budget continues the policy of funding beach replenishment, including periodic re-nourishment, where the operation and maintenance of Federal navigation projects is the reason for the sand loss on shorelines.

Environment

The FY 2008 Budget provides $514 million for the environment program area.

The Budget includes $274 million for aquatic ecosystem restoration, of which $162 million is for the Corps of Engineers share of the South Florida/Everglades restoration effort. Of this amount, $35 million is for the Modified Water Deliveries project, a key element of this effort that both the National Park Service and the Corps are funding. The Budget provides $23 million for the Upper Mississippi restoration program and $13 million for the Louisiana Coastal Area restoration effort and its science program.

The costs of compliance with Biological Opinions at existing projects are not included in the above figures. The Budget includes these costs as part of the joint operation and maintenance costs of the affected projects and allocates these costs among the program areas served by the projects.

The Budget provides $110 million for environmental stewardship. Corps of Engineers-administered lands and waters cover 11 million acres, an area equal in size to the States of Vermont and New Hampshire. Funded activities include shoreline management, protection of natural resources, support for endangered species, continuation of mitigation activities, and protection of cultural and historic resources.

The Budget provides $130 million for the Formerly Utilized Sites Remedial Action Program (FUSRAP) to clean up contamination at sites resulting largely from the early atomic weapons program. This funding will enable continued progress toward completion of remedial actions at a number of sites.

Regulatory Program

The FY 2008 Budget provides $180 million to the Corps Regulatory Program to protect wetlands and other waters of the United States. This represents a $22 million increase over the FY 2006 enacted level of $158 million, and a $55 million increase since 2001. The funding will be used for permit processing, for enforcement and compliance actions and for jurisdictional determinations, including additional workload necessitated by the Supreme Court's Carabell and Rapanos decisions.

Investing in the Regulatory Program is a win-win proposition. The added funds will enable most public and private development to proceed with minimal delays, while ensuring that the aquatic environment is protected consistent with the nation's water quality laws.

Recreation

The FY 2008 Budget provides $267 million for recreation operations and related maintenance.

To help finance recreation modernizations, the Budget includes an initiative based on a promising model now used by other major federal

recreation providers such as the National Park Service and the Forest Service. The Administration is re-proposing legislation for the Corps to generate additional revenue to help upgrade and modernize the recreation facilities at the sites where this money is collected. Specifically, the legislation includes authority for the Corps to charge entrance fees and other types of user fees where appropriate, and to cooperate with non-Federal park authorities and districts. The Corps would keep collections above an annual baseline amount.

Hydropower

Hydropower is a renewable source of energy. The Civil Works program is the Nation's largest producer of hydroelectric energy, and provides three percent of the Nation's total energy needs.

The FY 2008 Budget provides $291 million for hydropower. This total includes $159 million for hydropower operation and maintenance costs, $43 million for the costs of replacements at four hydropower projects, and $89 million for the costs allocated to hydropower from multipurpose projects and programs. The replacement projects will help to reduce the forced outage rate, which is well above the industry average.

Water Supply

On average, Civil Works projects provide four billion gallons of water per day to meet the needs of municipal and commercial users across the country. The Budget includes $4 million for operation and maintenance costs allocable to water storage.

Executive Direction and Management

The FY 2008 budget provides $177 million for the Expenses account.

Within this amount, $171 million is for the management and executive direction expenses of the Army Corps of Engineers, both at its Headquarters and Major Subordinate Divisions, as well as support organizations such as the Humphreys Engineer Center Support Activity, the Institute for Water Resources, and the Finance Center.

In addition, the Budget proposes to consolidate funding for activities related to oversight and general administration of the Civil Works program within the Expenses account, including funding for the Office of the Assistant Secretary of the Army (Civil Works). Of the $177 million for the Expenses account, $6 million is for the Office of the Assistant Secretary of the Army (Civil Works), including some indirect and overhead costs that previously were centrally funded by the Army.

OTHER BUDGET HIGHLIGHTS

Protection of Greater New Orleans

The FY 2008 Budget also recommends, as part of an FY 2007 Supplemental appropriations package, enactment of a statutory provision to authorize the Secretary of the Army to reallocate up to $1.3 billion of the emergency supplemental appropriations that were provided in FY 2006, but that remain unobligated. The recommended statutory language would reallocate unobligated funds appropriated by Public Law 109-234 (the "fourth emergency supplemental appropriations act of 2006") to fund activities specified in Public Law 109-148 (the "third emergency supplemental act of 2006"), and would reallocate unobligated funds among certain activities specified in the third emergency supplemental appropriations act of 2006. Within the total amount that would be reallocated, $270 million would be reallocated from the Construction account to the Flood Control and Coastal Emergencies account.

The FY 2006 emergency supplemental appropriations were initially allocated based on "rough order of magnitude" estimates by the Corps of the amount of work that would be required to rebuild, complete, and raise the levees in New Orleans. Their estimate of the cost of the work necessary to accomplish these objectives is expected to increase greatly as a result of various engineering forensic investigations and assessments, a review of new storm surge data, increased material costs, and other factors. The earlier cost and schedule estimates have proven to be low, and actionable re-estimates will not be available until this summer. Without the reallocation of the FY 2006 funds that were allocated in law, important work to increase the level of protection in some areas could not be completed in concert with similar work in other areas. The proposed re-allocation would enable the Corps to best apply available funding to those

measures that will increase in the near-term the overall level of protection for the New Orleans metropolitan area.

General Provisions

The Budget includes bill language to authorize continuation of limits on reprogramming with certain changes; replace the continuing contract authority of the Corps with multi-year contracting authority patterned after the authority available to other Federal agencies; and prohibit committing funds for ongoing contracts beyond the appropriated amounts available, including reprogramming.

The Budget also includes bill language to authorize the following: continuation of the national levee inventory and assessment; continuation of activities in Missouri River Basin to comply with the Endangered Species Act; completion of the two Chicago Sanitary and Ship Canal invasive species barriers in Illinois, subject to appropriate cost-sharing; and completion of the McAlpine Lock and Dam, Kentucky and Indiana, project.

WATER RESOURCES DEVELOPMENT ACT PROPOSAL

I am working with others in the Administration towards the goal of developing a legislative framework that will reflect the Administration's priorities for a Water Resources Development Act for your consideration. Our proposal will support the Budget's recommendations for the Civil Works program as addressed in my testimony today.

In the coming weeks I hope to be able to make a proposal that will help accomplish the principles, policies, and practices that have proven to be successful in the past, and will seek to create incentives for their improvement. Working together, I believe the Administration and the Congress can make very substantial improvements in the Civil Works program, and I look forward to offering a proposal that I trust you will find helpful.

PRESIDENT'S MANAGEMENT AGENDA

The Army Civil Works program is pursuing five government-wide management initiatives, as are other Federal agencies, plus a sixth

initiative on real property asset management. "Scorecards" for the Army Corps of Engineers and other Federal agencies can be found at http://www.whitehouse.gov/results/agenda/scorecard.html.

Under these initiatives, the Corps is improving its efficiency through recently completed public-private competitions. In addition, the Corps is undertaking two efforts (for Logistics Management and the Operation and Maintenance of Locks and Dams) to improve its performance through re-engineering of internal business processes, rather than through public-private competitions.

The Corps has also made great progress in working with the Office of the Department of Defense Inspector General on the FY 2006 audit. The Corps is continuing to work towards the goal of obtaining an unqualified opinion, on its accounts, and has been a leader within the Department of Defense in this area. The Corps is committed to addressing any concerns that may arise during the audit.

CONCLUSION

In developing this Budget, the Administration made explicit choices based on performance. The increase in O&M funding, transfer of activities from construction to O&M, emphasis on high-performing construction projects, and increase for preparedness for flood and hurricane emergencies and other natural disasters, for example, all reflect a performance-based approach.

At $4.871 billion, the FY 2008 Army Civil Works budget is the highest Civil Works budget in history. This Budget provides the resources for the Civil Works program to pursue investments that will yield good returns for the Nation in the future. The Budget represents the wise use of funding to advance worthy, mission-based objectives. I am proud to present it.

Thank you, Madam Chairwoman and members of the Subcommittee, for this opportunity to testify on the President's Fiscal Year 2008 Budget for the Civil Works program of the Army Corps of Engineers.

ENCLOSURE 1
DEPARTMENT OF THE ARMY
CORPS OF ENGINEERS – CIVIL WORKS BUDGET, FY 2008

SUMMARY

Requested New Appropriations by Account:		
Investigations		90,000,000
Construction		1,523,000,000
Operation and Maintenance		2,471,000,000
Regulatory Program		180,000,000
Flood Control, Mississippi River and Tributaries		260,000,000
Expenses		177,000,000
Flood Control and Coastal Emergencies		40,000,000
Formerly Utilized Sites Remedial Action Program		130,000,000
TOTAL		4,871,000,000
Requested New Appropriations by Program Area:		
Commercial Navigation		2,009,000,000
(Inland and Intracoastal Waterways)	(1,052,000,000)	
(Channels and Harbors)	(957,000,000)	
Flood and Coastal Storm Damage Reduction		1,384,000,000
(Flood Damage Reduction)	(1,356,000,000)	
(Coastal Storm Damage Reduction)	(28,000,000)	
Environment		514,000,000
(Aquatic Ecosystem Restoration)	(274,000,000)	
(FUSRAP)	(130,000,000)	
(Stewardship)	(110,000,000)	
Hydropower		291,000,000
Recreation		267,000,000
Water Supply		4,000,000
Emergency Management		45,000,000
(Flood Control and Coastal Emergencies)	(40,000,000)	
(National Emergency Preparedness)	(5,000,000)	
Regulatory Program		180,000,000
Executive Direction and Management		177,000,000
TOTAL		4,871,000,000
Sources of New Appropriations:		
General Fund		3,889,000,000
Harbor Maintenance Trust Fund		735,000,000
Inland Waterways Trust Fund		209,000,000
Special Recreation User Fees		37,000,000
Disposal Facilities User Fees		1,000,000
TOTAL		4,871,000,000
Additional New Resources:		
Rivers and Harbors Contributed Funds		445,000,000
Coastal Wetlands Restoration Trust Fund		81,000,000
Permanent Appropriations		9,000,000
TOTAL		535,000,000
Total New Program Funding		5,406,000,000

ENCLOSURE 2
DEPARTMENT OF THE ARMY
CORPS OF ENGINEERS – CIVIL WORKS BUDGET, FY 2008

CROSSCUT BETWEEN APPROPRIATION ACCOUNTS AND PROGRAM AREAS

	Navi-gation	Flood/ Storm	Recre-ation	Aq. Ec. Restor.	Stew-rdshp.	FUS-RAP	Hydro-Power	Water Supply	Emerg. Mgmt.	Regul. Prog.	Ovrsgt/ ED&M	TOT
Investigations	19	41		30								90
Construction	572	665		241			45					1523
Operation & Maint.	1383	475	251	1	106		246	4	5			2471
MR&T – I		1										1
MR&T – C	10	96		2								108
MR&T – M	25	106	16		4							151
FUSRAP						130						130
FC&CE									40			40
Regulatory										180		180
Expenses											177	177
TOTAL	2009	1384	267	274	110	130	291	4	45	180	177	4871

ENCLOSURE 3
DEPARTMENT OF THE ARMY
CORPS OF ENGINEERS – CIVIL WORKS BUDGET, FY 2008

CONSTRUCTION PERFORMANCE GUIDELINES

1. *Project rankings.* All ongoing specifically authorized construction projects, including projects funded in the Mississippi River and Tributaries account, will be assigned based upon their primary purpose to one of the main mission areas of the Corps (flood and storm damage reduction; commercial navigation; aquatic ecosystem restoration) or to hydropower. Flood and storm damage reduction, commercial navigation, and hydropower projects will be ranked by their total benefits divided by their total costs (BCR), calculated at a seven percent real discount rate. Aquatic ecosystem restoration projects will be ranked by the extent to which they cost-effectively contribute to the restoration of a nationally or regionally significant aquatic ecosystem that has become degraded as a result of a civil works project, or to a restoration effort for which the Corps is otherwise uniquely well-suited (e.g., because the solution requires complex alterations to the hydrology and hydraulics of a river system).

2. *Projects funded on the basis of their economic and environmental returns.* Ongoing flood and storm damage reduction, commercial navigation, and hydropower construction projects with a BCR of 1.5 or higher and ongoing aquatic ecosystem restoration construction projects that are cost-effective in contributing to the restoration of a nationally or regionally significant aquatic ecosystem that has become degraded as a result of a civil works project or to a restoration effort for which the Corps is otherwise uniquely well-suited will receive at least the amount needed to pay estimated contractor earnings required under ongoing contracts and related costs. In allocating funds among these projects, priority will be given to those with the highest economic and environmental returns.

3. *Projects funded to address significant risk to human safety.* Flood and storm damage reduction projects that are funded to address significant risk to human safety will receive sufficient funding to support an uninterrupted effort during the budget year.

4. *Projects with low economic and environmental returns.* Ongoing flood and storm damage reduction, commercial navigation, and hydropower construction projects with a BCR below 1.5 will be considered for deferral, except for flood and storm damage reduction projects that are funded to

address significant risk to human safety. Likewise, ongoing aquatic ecosystem restoration construction projects that do not cost-effectively contribute to the restoration of a nationally or regionally significant aquatic ecosystem that has become degraded as a result of a civil works project, and do not cost-effectively address a problem for which the Corps is otherwise uniquely well-suited, will be considered for deferral.

5. *New starts and resumptions.* The budget could include funds to start up new construction projects, or to resume work on ongoing construction projects on which the Corps has not performed any physical work under a construction contract during the past three consecutive fiscal years, only if the project would be ranked that year in the top 20 percent of the ongoing construction projects in its mission area. The term "physical work under a construction contract" does not include activities related to project planning, engineering and design, relocation, or the acquisition of lands, easements, or rights-of-way. For non-structural flood damage reduction projects, construction begins in the first fiscal year in which the Corps acquires lands, easements, or rights-of-way primarily to relocate structures, or performs physical work under a construction contract for non-structural project-related measures. For aquatic ecosystem restoration projects, construction begins in the first fiscal year in which the Corps acquires lands, easements, or rights-of-way primarily to facilitate the restoration of degraded aquatic ecosystems including wetlands, riparian areas, and adjacent floodplains, or performs physical work under a construction contract to modify existing project facilities primarily to restore the aquatic ecosystem. For all other projects, construction begins in the first fiscal year in which the Corps performs physical work under a construction contract.

6. *Other cases.* Projects will receive the amount needed to ensure that they comply with treaties and with biological opinions pursuant to the Endangered Species Act, and meet authorized mitigation requirements. Dam safety assurance, seepage control, and static instability correction projects that are funded in the construction program will receive the maximum level of funding that the Corps can efficiently and effectively spend in each year.

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