AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT, AND INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2005

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

MATERIAL SUBMITTED BY AGENCIES NOT APPEARING FOR FORMAL HEARINGS

[CLERK'S NOTE.—The following agencies of the Subcommittee on VA, HUD and Independent Agencies did not appear before the subcommittee this year. Chairman Bond requested these agencies to submit testimony in support of their fiscal year 2005 budget request. Those statements submitted by the chairman follow:]

DEPARTMENT OF THE ARMY—CIVIL

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

THE CEMETERIAL EXPENSES BUDGET FISCAL YEAR 2005

Mr. Chairman and distinguished members of the subcommittee, thank you for the opportunity to provide testimony before this subcommittee in support of the President's budget for the Department of the Army's Cemeterial Expenses program for fiscal year 2005.

The Secretary of the Army, is responsible for operating and maintaining Arlington and Soldiers' and Airmen's Home National Cemeteries, as well as making necessary capital improvements to ensure their long-term viability.

Arlington National Cemetery is the Nation's premier military cemetery. It is an honor to represent this cemetery and the Soldiers' and Airmen's Home National Cemetery. On behalf of these two cemeteries and the Department of the Army, I would like to express our appreciation for the support this subcommittee has provided over the years.

FISCAL YEAR 2005 BUDGET OVERVIEW

The fiscal year 2005 budget is $29,600,000, which is $600,000 more than the fiscal year 2004 appropriation of $29,000,000. The fiscal year 2005 budget will support Arlington National Cemetery's efforts to improve its infrastructure and continue working toward implementation of its Ten-year Capital Investment Plan. The funds requested are sufficient to support the work force, assure adequate maintenance of buildings and grounds, acquire necessary supplies and equipment, and provide the high standards of service expected at Arlington and Soldiers' and Airmen's Home National Cemeteries.

The budget also includes funds to pursue expansion efforts needed to ensure that Arlington National Cemetery remains an active burial place for service men and women into the next century. The following table displays how long gravesites will remain available in both developed and undeveloped areas that are currently part of the Cemetery. It is presented to illustrate the importance of proceeding with ex-

pansion projects in a timely manner so that there will be no disruption in services for deceased veterans and to relieve significant crowding of funeral services.

Note that the gravesite capacity shown in the table for the undeveloped area is for currently owned land (i.e., Project 90 and utility relocations), but does not include the Millennium Project, which requires both land within the Cemetery's boundaries (i.e., the old warehouse area and Section 29 land) and land to be transferred to the Cemetery (i.e., Fort Myer picnic area). Nor does the table reflect future land expansion projects programmed in the Ten-year Capital Investment Plan beyond the Millennium Project, such as the Navy Annex and Fort Myer parking lot, all of which are currently authorized and are addressed in the Concept Land Utilization Plan.

ARLINGTON NATIONAL CEMETERY GRAVESITE CAPACITY AS OF SEPTEMBER 30, 2003

Gravesite Capacity—Developed Areas	242,850
Total Gravesites Used	215,181
Gravesites Currently Available	27,669
Year Available Capacity Exhausted	2012
Gravesite Capacity—Undeveloped Area	36,000
Total Gravesite Capacity	278,850
Year Total Capacity Exhausted	2025

I will elaborate further on the significance of the declining gravesite capacity later on in this statement.

BUDGET DETAILS

The budget is made up of three programs—Operation and Maintenance, Administration, and Construction. The principal items contained in each program are described below.

Operation and Maintenance Program

The budget for the Operation and Maintenance program is $17,846,000. It provides for the cost of operations necessary to conduct an average of 25 funeral services per day, accommodate approximately 4 million visitors each year, and maintain 652 acres of land and associated infrastructure. This program supports 94 of the cemeteries' total of 100 full time equivalent (FTE) work-years. Contractual services comprise $10,411,000, or 58 percent, of the Operation and Maintenance program, as follows:

—$3,079,000 for tree and shrub maintenance.
—$2,485,000 for grounds maintenance.
—$1,400,000 for information/guard services.
—$1,500,000 to develop an automated system for burial records, gravesite locations, financial management, supplies and equipment.
—$485,000 for custodial services.
—$1,462,000 for recurring maintenance of equipment, buildings, headstones, and other facility maintenance contracts.

The remaining funds in the Operation and Maintenance program support the Government workforce, which is primarily responsible for all activities associated with preparing gravesites and conducting burial services, as well as the cost of utilities, supplies and equipment. The cost for utilities includes a credit for previous overpayments for water that were made based on estimated usage resulting in no charge for water in fiscal year 2005.

One important aspect of the Operation and Maintenance Program is the continuing initiative to automate the administrative functions of the cemetery. Since the spring of 2000, the cemetery has contracted for a number of business reviews to determine the cost and feasibility of undertaking this initiative. These analyses resulted in an Information Management Strategy that was presented to the Office of Management and Budget (OMB) in May 2003. This strategy set forth the development of the Total Cemetery Management System, which is designed to improve performance as follows:

—Transform the cemetery into a more customer service-oriented organization that improves coordination among its stakeholders and partners.
—Increase information and services available to its customers (family members and visitors).
—Improve customer satisfaction.
—Increase the efficiency and effectiveness of cemeterial processes while reducing costs.

—Reduce the risks associated with the manual data access and maintenance process.

The cost to implement the next phase of an automation initiative is estimated to be $5,000,000, and is an ongoing project. The $1.5 million included in the fiscal year 2005 budget will be used to complete the required OMB reports, plan and start the next phase of a multi-year automation effort.

Administration Program

The budget includes $1,472,000 for the Administration program, which provides for essential management and administrative functions, including staff supervision of Arlington and Soldiers' and Airmen's Home National Cemeteries. Budgeted funds will provide for personnel compensation, benefits, and reimbursable administrative support services provided by other government agencies. This program supports the balance of the cemeteries' workforce of six FTE work-years.

Construction Program

The Construction program's budget is $10,282,000, consisting of the following projects:

—$5,000,000 to complete Project 90 land development.
—$75,000 to update and refine the Ten-year Capital Investment Plan.
—$200,000 to continue developing property in and adjacent to Arlington National Cemetery, in accordance with the Concept Land Utilization Plan.
—$1,640,000 to complete repairs at the equipment and vehicle service complex.
—$500,000 to repair roads and walkways.
—$450,000 to repair flagstone and sidewalks.
—$420,000 to continue the grave liner program.
—$300,000 to repair storm and sanitary sewer lines.
—$610,000 to design and build a stone boundary wall at the Facility Maintenance Complex parking facility.
—$400,000 to conduct utility surveys.
—$500,000 to study upgrades for the visitor center and administration building.
—$187,000 to perform minor projects such as painting and cleaning facilities.

Three of the above projects are particularly important to increase the capacity of Arlington National Cemetery, so that space is available for burials into the next century. They are described further in the following paragraphs.

Project 90 Land Development.—As the table displayed earlier in this statement illustrates, capacity in the currently developed area of Arlington National Cemetery will be exhausted by 2012. In order to extend the Cemetery's useful life to 2025, it is necessary to develop the remaining 40 acres of open land within its current boundaries. This involves the development of gravesite areas, roads, utilities and a boundary wall with niches for the placement of cremated remains. Approximately 26,000 additional gravesites and 5,000 niches will be provided when the development is complete.

Significant crowding is already occurring due to the ever-shrinking land available in the Cemetery. This is compromising the dignity of funerals by distracting families at ongoing nearby services, as well as disruptions caused by daily maintenance required to be performed at new gravesites.

The Project 90 land development is fully designed and $9.4 million in construction funds for Phase I were appropriated in fiscal year 2003. Phase I consists of grading the site, relocating utilities, constructing roads and landscaping gravesite areas. Construction of Phase I is scheduled to begin this spring and be finished within 2 years.

The fiscal year 2005 budget includes $5 million for Phase II of Project 90. Phase II primarily entails construction of a new boundary niche wall that will hold the ashes of cremated remains on the inside of the wall. The niches and covers will be the same size and resemble those currently used at the existing Columbarium Complex.

Ten-year Capital Investment Plan.—By our letter of February 5, 2002, we provided this subcommittee with a 10-year plan that identifies the Cemetery's new construction, major rehabilitation, major maintenance and study proposals for the next 10 years. It addresses projects identified in the 1998 Master Plan and other projects needed to ensure that the cemetery remains open for burials into the twenty-second century. It also serves as a guide for annually recurring maintenance needs of the Cemetery.

The fiscal year 2005 budget includes $75,000 to continue developing and refining this multi-year plan for funding projects in a technically sound and financially efficient manner. This is a living document that will be periodically updated to reflect the latest information, identify new requirements and improve the quality of cost

estimates. It is an essential tool in developing a credible long-term investment strategy and the budget recommendations that emanate from it.

Concept Land Utilization Plan.—By our letter of October 27, 2000, we provided this subcommittee with a plan that identifies the requirements for developing adjacent land for future expansion. The first site to be developed is the Millennium Project, which consists of the development of 36 acres of land into gravesite areas, roads, utilities, columbarium walls, and a boundary wall with niches for the placement of cremated remains. Approximately 26,000 additional gravesites and 15,000 niches will be provided when development is complete. Actual yields could change significantly, depending upon final design. The Millennium Project would extend the useful life of the Cemetery beyond 2025 to somewhere between 2038 and 2047, depending upon final implementation.

The Millennium Project consists of three parcels of land. The first parcel (7 acres) is land already within the boundaries of Arlington National Cemetery made available by demolition of the old warehouse buildings. The second parcel (12 acres) was transferred to the Cemetery from the National Park Service on January 28, 2002, pursuant to the authority contained in Section 2863 of Public Law 107–107, the National Defense Authorization Act for fiscal year 2002. The final piece of the Millennium Project is a 17-acre parcel of adjacent land currently owned by Fort Myer (picnic area), which is to be transferred to the Cemetery in accordance with Section 2882 of the fiscal year 2000 Defense Authorization Act (Public Law 106–65). We are working with Fort Myer to implement this land transfer in the near future. With this land transfer complete $3,300,000 of design will begin this year and the first year of construction is anticipated for 2007.

The Concept Land Utilization Plan also includes the Navy Annex and Fort Myer parking lot, which would extend the Cemetery's life to somewhere between 2054 and 2068, again depending upon how these sites are ultimately developed. Increasing capacity beyond this time frame will require additional land expansion for gravesites or more columbarium niches.

The other items listed in the Construction program are needed to address aging and deteriorating infrastructure. These are primarily repairs and replacements that should be accomplished to avoid further cost increases and potentially disruptive emergency repairs.

FUNERALS

In fiscal year 2003, there were 3,903 interments and 2,342 inurnments. In fiscal year 2004, we estimate there will be 3,925 interments and 2,775 inurnments. Looking ahead to fiscal year 2005, we estimate there will be 3,975 interments and 2,825 inurnments.

CEREMONIES AND VISITATION

Millions of visitors, both foreign and American, come to Arlington to view the Cemetery and participate in ceremonial events. During fiscal year 2003, about 3,100 ceremonies were conducted, with the President of the United States attending the ceremonies on Veterans Day and Memorial Day.

During fiscal year 2003, Arlington National Cemetery accommodated approximately 4 million visitors, making it one of the most visited historic sites in the National Capital Region. A study conducted in the 1998–1999 time frame confirmed this estimate. A customer survey system will be designed and implemented in conjunction with the Cemetery's overall automation plan and will be used to collect, enter and analyze the survey data.

FISCAL YEAR 2004 APPROPRIATION

The additional $2,868,000 provided in the fiscal year 2004 appropriation will be used to accelerate the Cemetery's automation project ($2,668,000), and address distressed headstones ($200,000). The 0.59 percent rescission included in the fiscal year 2004 appropriation act (Public Law 108–199), amounts to $171,000 for Arlington National Cemetery, which has been applied to those additional funds provided.

CONCLUSION

The funds included in the fiscal year 2005 budget are necessary to maintain the existing infrastructure at Arlington National Cemetery, provide quality services for its many visitors, make the capital investments needed to accommodate burials, and preserve the dignity, serenity and traditions of the cemetery. I respectfully ask the subcommittee's favorable consideration of our budget.

Mr. Chairman, this concludes my testimony. We will be pleased to respond to questions from the subcommittee.

NATIONAL CREDIT UNION ADMINISTRATION

PREPARED STATEMENT OF THE HONORABLE DENNIS DOLLAR, CHAIRMAN

Mr. Chairman, Ranking Member Mikulski, and members of the subcommittee. As Chairman of the National Credit Union Administration (NCUA), I am pleased to submit testimony that presents NCUA's request for fiscal year 2005 funding of the Community Development Revolving Loan Fund (CDRLF) and to request $1.5 billion in fiscal year 2005 borrowing authority for our Central Liquidity Facility (CLF), and slightly increased CLF operational expenses for the year.

NATIONAL CREDIT UNION ADMINISTRATION COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

The National Credit Union Administration (NCUA) would like to thank the subcommittee for continuing its strong support of NCUA's Community Development Revolving Loan Fund (CDRLF).

NCUA remains committed in our efforts to promote and facilitate the extension of affordable financial services to individuals and communities throughout America as demonstrated by the implementation of the agency's successful Access Across America initiative. The CDRLF plays a vital role in the success of Access Across America, which is designed to reach out to underserved communities and create economic empowerment for people from all walks of life. Low-income designated credit unions use the loans to further community development by providing funding for member loan demand, additional member services, and increased credit union capacity to serve members that has resulted in the overall improvement of the financial condition of low-income credit union members. The grants are used for verifiable and need-based technical assistance purposes by low-income designated credit unions.

Congress established the CDRLF in 1979 to provide low-interest loans to credit unions that have been designated low-income by NCUA. NCUA has administered the CDRLF for 14 years. By year-end 2003, the CDRLF had provided to 224 loans totaling $33.9 million to low-income designated credit unions. In 1992, NCUA initiated a technical assistance grant (TAG) program in conjunction with the CDRLF which funded grants from the interest generated from outstanding CDRLF loans. To date, NCUA has provided 1,206 TAGs totaling $2.8 million.

NCUA views the CDRLF as a resource for incubation monies for low-income designated credit unions to initiate or develop services for members, thereby providing further opportunities to self-fund or obtain more substantial funding. Low-income designated credit unions use CDRLF loans to further community development efforts by funding member loan demand, provide additional member services, increase capacity to service members and improve the financial condition of low-income credit union members. TAGs support many of the services low-income designated credit unions provide to their members, including member financial literacy programs and electronic delivery systems.

Background

The CDRLF was established by Congress (Public Law 96–124, Nov. 20, 1979) through an initial $6 million appropriation to stimulate economic development in low-income communities. In 1990 the sole administration of the CDRLF was transferred to NCUA after having been administered by various Federal agencies.

Congress did not provide additional appropriations for the CDRLF from 1979 to 1996. For fiscal year 1997, Congress appropriated an additional $1 million for the loan program with subsequent appropriations as follows:

Fiscal Year 1997	$1,000,000	Loans.
Fiscal Year 1998	1,000,000	Loans.
Fiscal Year 1999	2,000,000	Loans.
Fiscal Year 2000	1,000,000	Loans.
Fiscal Year 2001	350,000	TAG.
	650,000	Loans.
Fiscal Year 2002	350,000	TAG.
	650,000	Loans.
Fiscal Year 2003	300,000	TAG.
	700,000	Loans.

Fiscal Year 2004	1,000,000	TAG.
	200,000	Loans.

Administrative expenses related to the CDRLF are fully absorbed by NCUA. All appropriations, as well as any earnings generated from the CDRLF's assets, are provided to the intended low-income designated credit unions after any necessary adjustments to recognize potential losses in the loan portfolio.

Qualifying Applicants

In order to qualify for participation in the CDRLF, credit union applicants must have a low-income designation and must serve predominantly low-income members. NCUA regulations define low-income members as those persons either earning less than 80 percent of the average for all wage earners as established by the Bureau of Labor Statistics or those whose annual income falls at or below 80 percent of the median household income for the Nation. The NCUA standard for 2003 income for a household was $35,913 and $21,360 for an individual.

Revolving Loan Component

The revolving loan component of the CDRLF is designed to assist as many qualifying credit unions as possible. Therefore, loans are limited to $300,000 and no credit union may have more than two separate loans at any one time. Loans must be repaid within 5 years, although a shorter repayment period may be considered.

Generally, loans are required to be paid in semiannual installments with no principal balance repayment due during the first year. To combat the potential misuse of funds, NCUA regulations require that recipient credit unions must match the loan with funding from member share deposits or non-member deposits within the first year.

Interest rates are set annually by the NCUA Board at a rate between 1 and 3 percent. Due to the current interest rate environment, the NCUA Board has set a 1 percent interest rate for 2004.

NCUA has authorized an open application period for participation in the loan program. This unrestricted application period enables low-income credit unions—most of which have very few employees and limited resources—to develop and present a viable plan for better serving their fields of membership. The open application period also allows credit unions to implement projects and services on a more timely basis.

During 2002, NCUA revised the loan program in an effort to achieve greater flexibility and mitigate risk. Although loan repayments accelerated during this period of time, the revised program offset the anticipated loss of loans with increased interest and applications for the loan program. During 2003, 11 credit union loan applications were received.

Credit unions most likely to utilize the loan program are generally small in size with the median asset size of participating credit unions since 1990 being $3.4 million.

To help ensure equality in loan approvals, a scoring system judges the purpose of the proposed use of funds, the financial condition of the credit union and management's capability of achieving the stated objective and operating the credit union in a safe and sound manner. As a regulator, NCUA has the added advantage of using credit union examinations to ensure the financial stability of loan grantees.

Technical Assistance Grants (TAGs)

TAGs are generally awarded in amounts less than $5,000 and are made directly to low-income designated credit unions requiring assistance to further their outreach into the communities they serve. The grants assist these credit unions, generally less than $3 million in assets, in their efforts to improve service to their members by providing training opportunities to credit union staff, supplying funds for operational upgrades in recordkeeping, offering stipends to credit unions for summer student intern programs, promoting credit union services, developing training and consulting services for members and other worthwhile programs. With assistance provided through the TAG program, credit unions have also realized improved service in the delivery of financial products and services through enhanced technology. In 2003, 114 credit unions received more than $259,000 specifically designated for technology improvements which includes upgrades in hardware and software, debit card programs and automated response systems.

To ensure the funds are used solely for the purpose approved, grants are issued as reimbursements for goods or services previously approved by NCUA and much like the loan component of the CDRLF, TAGs are available to low-income designated credit unions throughout the year.

Beginning in 2001, Congress specifically designated a portion of its annual appropriations for TAGs. Prior to 2001, the grant program was funded solely through earnings from outstanding CDRLF loans and never exceeded $250,000.

Grant requests continue to exceed all available resources. In 2003, NCUA received requests for more than $1.2 million. Due to limited resources, NCUA was forced to decline requests for more than $750,000 that could have been used to provide much needed services in low-incomes areas. Earlier this year, Congress, recognizing the high demand for technical assistance, specifically designated $1 million of the total appropriation for the grant component of the CDRLF for fiscal year 2004. The additional funding will assist in expanding two existing programs available to participating credit unions—the student intern program and the Volunteer Income Tax Assistance program, as well as establish a number of new community development initiatives.

From its inception in 1992, the CDRLF has provided 1,206 technical assistance grants totaling $2.8 million to low-income designated credit unions. In 2003, NCUA disbursed grants totaling $460,000.

Student Intern Program

In 1996, NCUA established a student intern program funded entirely by the grant component of the CDRLF. The program is designed to provide low-income designated credit unions the opportunity for college students to contribute to the operations of the credit union while learning about the credit union community. The program makes grants totaling an average of $69,000 annually, with 28 low-income designated credit unions and their 28 credit union partners participating. Student interns participating in the program work at both the low-income designated credit unions and their partnering credit unions, affording them with the opportunity to share best practices between the institutions. Response from student and credit union participants has been extremely positive. The program is reevaluated annually to assess its ongoing impact and feasibility.

VITA Program

In 2003, NCUA designated $50,000 for low-income designated credit unions establishing VITA (Volunteer Income Tax Assistance) sites. The VITA program is administered by the Internal Revenue Service to assist low-income and elderly taxpayers with income tax preparation, and to encourage low-wage earners to file for the Earned Income Tax Credit (EITC). Last year, NCUA granted 13 credit unions a total of $50,000 dollars to offset some of the administrative burden associated with setting up these taxpayer clinics. With the increase in appropriated funds for fiscal year 2004 and expectations for increased participation, NCUA designated $75,000 for credit unions to set up VITA programs for 2005.

Other TAG Programs

With the increased funding for fiscal year 2004, NCUA has designated funds for new targeted initiatives. NCUA recently announced three new TAG programs. This year, $350,000 has been made available to low-income designated credit unions for developing financial education programs, homeownership initiatives and training assistance.

The specialized TAG programs emphasize initiatives that help communities develop self-sufficiency. The Financial Education Assistance Program is intended to provide members and potential members with practical money management skills, as well as an introduction to financial planning. Credit unions receiving funds through the Homeownership Assistance Program will utilize the funds to enhance their partnerships with affiliates of the Neighborhood Reinvestment Corporation, referred to as Neighbor Works® Organizations, in establishing and improving mortgage lending/homeownership programs. The training program TAGs will cover tuition and travel costs associated with attending recognized training courses for credit union staff and leaders. Educated and informed credit union staff and volunteers are essential to providing safe and sound services to credit union members.

NCUA is in the process of developing other TAG initiatives to assist credit unions in the enhancement of technology systems, expansion of financial services to underserved areas, the creation of individual development accounts (IDAs), the establishment of remittance programs and credit union mentoring opportunities. These programs will be announced in the second quarter.

The CDRLF continues to provide low-income designated credit unions—particularly those of smaller asset size—the opportunity to obtain loans and technical assistance grants to improve and enhance services to their members. Though a small program, it provides valuable aid and assistance for those credit unions benefiting from this support while striving for self-sufficiency. Credit unions, through their cooperative structure, are funded through the share deposits of their members. The

CDRLF provides needed assistance to further growth and viability of participating credit unions serving low-income fields of membership. Access to affordable financial services can provide underserved communities with a much needed alternative to high-cost lenders, allowing the residents to keep more of their money in their communities. NCUA firmly believes that, based upon the amount of loan and technical assistance grant applications where the needs were unable to be met last year, an increase of an additional $800,000 over last year's funding level could provide the CDRLF program even greater ability to further growth and long-term viability of credit unions in low-income and underserved areas.

NATIONAL CREDIT UNION ADMINISTRATION CENTRAL LIQUIDITY FACILITY

The National Credit Union Administration Central Liquidity Facility (CLF) was created by the National Credit Union Administration Central Liquidity Facility Act (Public Law 95–630, Title XVIII, 12 U.S.C. 1795, et seq.). The CLF is a mixed ownership government corporation managed by the National Credit Union Administration Board. It is owned by its member credit unions who contribute all of the capital by the purchase of stock. The CLF became operational on October 1, 1979.

The purpose of the CLF is to improve general financial stability by meeting the liquidity needs of credit unions and thereby encourage savings, support consumer and mortgage lending and provide basic financial resources to all segments of the economy. To accomplish this purpose, member credit unions invest in the CLF through the purchase of stock, which is used for investment purposes and the funding of some lending activity. The proceeds of borrowed funds from the Federal Financing Bank are used to match fund significant loan requests from member credit unions.

In addition to serving its direct members, the CLF complements the organizational structure of the U.S. credit union financial system by working with its agent members, which are corporate credit unions acting as agents of the CLF on behalf of their natural person credit union membership. This agent framework consists of a private financial network of 29 State and federally chartered corporate credit unions with approximately $74.5 billion in assets. The corporate credit union network provides operational and correspondent services, investment products and advice and short-term loans to its approximately 9,751 natural person credit unions. The CLF provides this network with assurance that if temporary liquidity shortages or public confidence issues arise due to external events or internal problems, funds are available to meet abnormal savings outflow. By being a specialized lender housed within NCUA, the CLF has the ability to draw upon the supervisory and insurance resources of the agency. However, CLF assistance is generally a secondary source of funds after the corporate system or other sources of credit have been utilized. Often the CLF is used when other credit sources have been unable to provide the appropriate terms and conditions required in a specific situation.

The borrowings of the CLF have the "full faith and credit" of the United States Government. The Federal Financing Bank of the U.S. Treasury is available as a source for the CLF to fund its lending programs. The CLF is financially self-supporting and does not use government funds to support any of its administrative and operational expenses.

Lending Activities

Loans are available to credit unions directly from the CLF or through its agent credit members. Credit unions rely on market sources to meet their demands for funds. The CLF normally is not an active participant in the on-going daily operations of this system. Rather, its role is to be available when unexpected, unusual or extreme events cause temporary shortages of funds. If not handled immediately, these shortages could lead to a larger crisis in individual credit unions or even the system as a whole. Because of its knowledge of credit unions and its immediate access to the supervisory information of NCUA, the CLF exercises a vital role in maintaining member and public confidence in the health of the U.S. credit union financial system.

Factors Influencing Credit Union Borrowing Demand

Under the Federal Credit Union Act, the CLF is intended to address unusual or unpredictable events that may impact the liquidity needs of credit unions. Since these events are not generally foreseen, it is extremely difficult to forecast potential loan demand. Throughout the history of the CLF, loan demand has widely fluctuated in both volume and dollar amount.

The CLF is authorized by statute to borrow from any source up to 12 times its subscribed capital stock and surplus. Since fiscal year 2001, a borrowing limit of $1.5 billion has been approved by Congress. The continuation of the $1.5 billion cap

for fiscal year 2005 will further assure that the CLF continues as a reliable, efficient backup liquidity source in times of need.

It is important to note that CLF loans are not used to increase loan or investment volumes because by statute the proceeds from CLF loans cannot be used to expand credit union portfolios. Rather, the funds are advanced strictly to support the purpose stated in the Federal Credit Union Act—credit union liquidity needs—and in response to circumstances dictated by market events.

Administrative Expenses

Total operating expenses for fiscal year 2003 were $208,000, below the budget limitation of $309,000. Expenses were under budget due to lower travel expenses than anticipated due to a reorganization of CLF officers and low group agent fee expense.

Total operating expenses for fiscal year 2004 are projected to be within our budget limitation of $310,000. In fiscal year 2004, pay and related benefits are higher than 2003 due to salary increases and higher agent fee expenses.

For fiscal year 2005, the CLF is requesting an administrative expense limitation of $309,000. This figure is slightly lower than the previous year, a result of reduced expenses associated with projected operations for 2005.

Additional Background

Credit unions manage liquidity through a dynamic asset and liability management process. When on-hand liquidity is low, credit unions must increasingly utilize borrowed funds from third-party providers to maintain an appropriate balance between liquidity and sound asset/liability positions. The CLF provides a measure of stability in times of limited liquidity by ensuring a back-up source of funds for institutions that experience a sudden or unexpected shortage that cannot adequately be met by advances from primary funding sources. Two ratios that provide information about relative liquidity are the loan-to-share ratio and the liquid asset ratio. Liquid assets are defined as all investments less than 1 year plus all cash on hand. Managing liquidity risk is a major priority for credit unions and has become an increasingly important risk issue in the past decade as the charts below indicate.

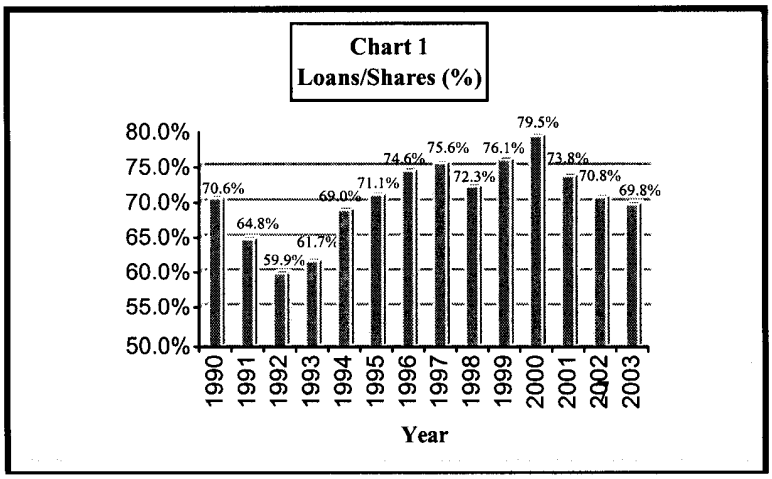


Chart 1 shows the ratio of loans to shares in all federally insured credit unions. As the ratio of loans to shares increases, the amount of funds maintained in short-term liquid investments declines. Liquidity risk has increased on average in the past decade as on-hand liquidity in federally insured credit unions gradually declined due to increased lending. A substantial inflow of shares during 2003 reduced the ratio from the year-end 2002 high of 70.8 percent down to a year-end 2003 level of 69.8 percent. Liquidity risk management remains a significant obligation for credit unions.

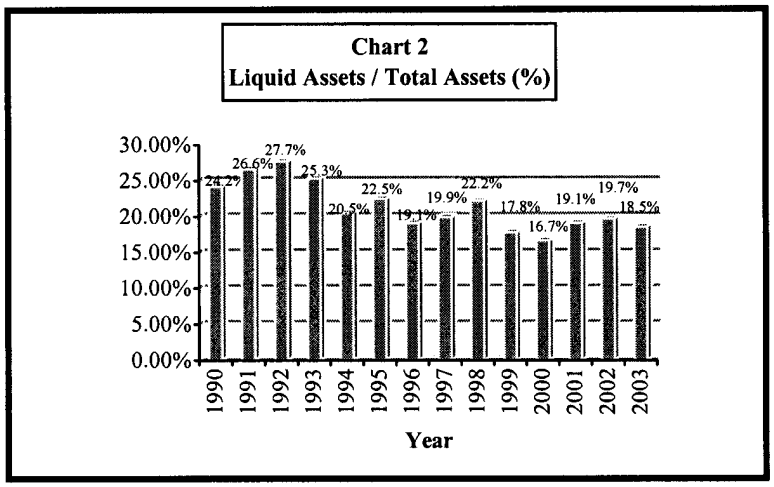


Chart 2 shows the ratio of liquid assets to total assets in all federally insured credit unions. As this ratio decreases, liquidity risk and the potential need for borrowed funds conversely increases. Credit unions utilize various market sources for funding needs including the repurchase market, correspondent relationships with corporate credit unions and other financial institutions, and, to a growing extent, membership in the Federal Home Loan Bank system. CLF serves as a back-up source of liquidity when an unexpected need for funds arises and primary sources are not available.

The CLF continues to experience infrequent demand for liquidity loans from its member credit unions. This is due in no small part to the strong financial position of credit unions and the ample levels of on-hand liquidity maintained during the 1990's. This is not to say, however, that credit unions are not in need of a special purpose liquidity lender. The CLF is a very important resource for credit unions that experience an unexpected need for liquidity, especially when primary funding sources are inadequate or unavailable.

NCUA cannot foresee the exact circumstances that might necessitate a broad-based need for CLF lending but is dedicated to the principle that it must be ready and able to fulfill that purpose; a purpose established by Congress when it created the CLF. Liquidity remains an important priority. Like all depository institutions, credit unions are forced to borrow if their on-hand supply of liquidity is depleted beyond the level of current funding obligations. Credit unions do plan for such borrowing but there are times when contingency funding arrangements are potentially inadequate. Such times call for a responsive CLF.

Whether it lends on an isolated basis or whether it is called upon to address a more widespread or even systemic demand for loans, the CLF is an efficient, effective and low-cost facility well adapted to meet the unique needs of its member credit unions.

Summary

During 2003, credit union assets and shares grew to $610 billion and $528 billion respectively, with net worth remaining a strong 10.72 percent. The number of federally insured credit union members grew to over 82 million. These numbers demonstrate the continued safety and soundness of the credit union system.

NCUA greatly appreciates the subcommittee's continued support of its efforts to keep credit unions safe and sound, enhance credit union liquidity and provide needed assistance through loans and grants to low-income credit unions.

SELECTIVE SERVICE SYSTEM

PREPARED STATEMENT OF LEWIS C. BRODSKY, ACTING DIRECTOR

PREFACE

It is an honor to appear before you today again as Acting Director of the Selective Service System. I consider it a privilege to be here, but I bring with me the added understanding that events both national and international will require fresh perspectives and a clear recognition of changing realities in this new century. I welcome this opportunity to support the President's fiscal year 2005 appropriations request of $26,300,000 for the Selective Service System. I also welcome the challenge of meeting Agency goals that are all the more ambitious for their setting in today's necessary budgetary constraints. Naturally, Selective Service will continue pursuing its traditional goal of raising nationwide registration compliance among eligible young men. But even as the Agency honors its traditional mandate, it is securely focused on the future. Our agenda will be dominated by further implementation of our Process Improvement Program 2003, so-called PIP, in compliance with the President's Management Agenda. Using this self-diagnostic tool, the Selective Service will continue to adjust its operational priorities, eliminate all remaining full-time military staffing, reduce part-time military officers and full-time civilians, and employ more state-of-the-art information technologies to accomplish its statutory missions while preserving maximum customer service. All personnel decrements will be a result of planned attrition and will not involve a Reduction-in-Force. Satisfying both goals would assure a Selective Service System that is fair beyond reproach while meeting the likely needs of the Department of Defense.

No one awaits more eagerly than I the arrival of a new Director. Mr. William A. Chatfield's nomination by President Bush was sent to the Senate last September. And his confirmation hearing before the Senate Armed Services Committee took place at the end of January. We are awaiting further Senate action.

CAPABILITIES

Selective Service stands ready to perform its mission. Should the President and the Congress authorize a return to a draft, the Agency can conduct a draft that is efficient, fair, and accepted by the public. It is also ready to administer a program of alternative community service for men who are classified as conscientiously opposed to military service. With its routine communication with all men in the United States, 18 through 25 years old, and its ability to mobilize national manpower on a large scale, the Agency is also capable of performing additional human resource support missions related to national and homeland security or service, if Congress and the White House so desire.

Selective Service continues its close partnership with the Department of Defense by providing direct support to Armed Forces recruiting and accessions processing. Specifically, Selective Service provides names of registrants to the Secretary of Defense for recruiting purposes, in accordance with a provision in the Military Selective Service Act. As we reported previously to this committee, information about Armed Forces opportunities and a business reply card are now enclosed with the registration acknowledgment that the Selective Service sends to each new registrant. Thus, the Defense Department benefits by "piggy-backing" on our routine mailings and it reimburses us for the additional costs.

Beyond its compliance with the Military Selective Service Act and providing these tangible services, the Agency also promotes an intangible national benefit. For present and future generations of America's young men, Selective Service is a very critical link between society-at-large and today's volunteer military. It is a reminder that, as Americans, every young man is personally responsible for "providing for the common defense" in the time-honored tradition of preceding generations.

PRIORITY AREAS

Since becoming Acting Director 14 months ago, I have made sure Agency activities conformed to President Bush's Management Agenda. Since I last appeared before you, we have completed a reexamination of our processes and begun implementation of a restructuring of the Agency to meet the most likely manpower needs of the Department of Defense (DOD) while finding improved ways of serving the public. I would point to three initiatives that we believe satisfy administration and Congressional charges to Federal agencies to evolve into performance-based organizations.

1. Process Improvement Project 2003 (PIP).—Expanding upon our fiscal year 2002 Agency's Workforce Restructuring Plan, a comprehensive "bottom-up review" is com-

pleted with contractor assistance. After consulting with senior Defense manpower officials, it became apparent to me that the Agency's current organizational structure hasn't been as responsive or relevant to the contemporary needs of the DOD as it might be. Consequently, we shifted our programmatic vision from readiness to conscript large numbers of untrained men within 193 days of activation to a draft of smaller numbers of critical skills personnel within the same time frames. This necessary realignment reflects recognition of current realities and the latest DOD thinking. It is being accomplished within current resources and will result in less management overhead, a merging of offices and programs, and an increased potential for outsourcing some Agency functions. We are convinced the benefits accrued from strategic management of human capital, competitive sourcing, improved financial performance, expanded e-Government, and better integration between budget and performance will substantially increase Agency efficiency in its core and support processes. PIP recognizes no "sacred cows." As I promised in my last appearance before you, Selective Service has placed all functions and programs on the table. Each structural change and staffing decision is being driven by practical, cost-conscious considerations.

2. Registration Compliance.—The SSS registration compliance rate for men 18 through 25 years old declined steadily from a high of over 98 percent in 1991 to a low point of 87.7 percent in 2000. This decrease was cause for serious concern because we believe a compliance rate of less than 90 percent would contribute to a lack of public confidence. The resulting draft would not be considered fair or equitable. The public would believe, rightly so, that not everyone who should be in the manpower pool is accounted for; and therefore those who are registered have an increased chance of being called for involuntary service. This is why Agency Directors since 1992 have placed a consistent priority on raising the registration rate. By the end of 2001, we had turned the corner and started an upward trend, achieving 89.1 percent compliance by 18- to 25-year-old men. In 2002 we achieved a level of 90.9 percent. Our final accounting for 2003 is not yet complete, but initial indications are that nearly 93 percent of men 18 to 25 years old were registered at the end of the past calendar year. The other good news is that the statistics for calendar year 2003 are indicating a 77 percent compliance rate for "on-time" registration of men turning 18—a 4 percent increase over the previous year. Our recent high compliance rates represent a return to the high rates of the early 1990's. Since public trust in the Selective Service System is at stake, we will use every resource to continue these upward trends in compliance. In pursuit of that goal, we:

—Continue to develop and distribute public service broadcast messages to low compliance markets, together with printed materials. To support this effort, we have distributed new radio public service announcements in English and Spanish. These high-quality products have been praised by listeners around the country, and cost us only development, replication and distribution—commercial air time valued at $1.8 million is provided as free public service time.

—Have continued revamping the interactive Selective Service pages on the World Wide Web (www.sss.gov) where online registration, database verification, the ability to file changes of information, and a wealth of other Agency information are now available to anyone with access to the Internet. For calendar year 2003, 76 percent of registrations reached the SSS through electronic means, or about 152,000 registrations per month. We are also placing links to our site with other Federal, State and local agencies and schools to enhance public education and facilitate customer responsiveness.

—Are benefitting from an increasing number of States which link obtaining a driver's license or State I.D. card to the Selective Service registration requirement. These State laws currently provide Selective Service with an average of 61,166 registrations per month. As of this month, 32 States, two territories, and the District of Columbia have laws enacted. These jurisdictions represent over 62 percent of the national 18-year-old male registrant population. We continue to work closely with additional States where such legislation is pending.

3. Information Technology (IT).—The PIP resulted in new initiatives and significant changes to the current way the Agency does business. The resulting business cases will indicate what avenues SSS can take to modernize its core and support processes. These changes will require that the inventory of automated systems be modernized. The Agency is in the process of examining its IT architecture, both hardware and software, to identify new technology and to determine how best to implement the support structure for the new and revised business processes. We remain committed to investing in IT, as today's constrained resources permit, because we know that it enhances customer service, increases productivity, and compensates for limited human and fiscal resources.

ADAPTABLE TO CHANGE

We are also ready to aid the Congress with any initiatives that might capitalize upon Selective Service's unique capabilities. There has been much dialogue among the public, private groups, and academia concerning a draft, volunteerism, homeland security, and national service. Selective Service has a wealth of experience in managing volunteers, and administering programs of alternative community-based service for men classified as Conscientious Objectors throughout its nearly 64 years of existence. The Agency also has experience in conducting a fair and equitable classification procedure to determine who should serve when not all can serve. To ensure fairness and equity, each Selective Service Board is a melting pot of civic-minded men and women reflecting the racial, cultural and ethnic diversity of the young men within the communities it serves. Through these volunteers, a unique bond has been formed at the grass roots with young American men, society-at-large, and the U.S. Armed Forces. Through the Selective Service structure, every American community plays a positive role in providing for the common defense. In short, this Agency has extensive practical experience in identifying, contacting and classifying people to participate in a national security or service program. Selective Service can lend its expertise and ample experience to any appropriate task.

CLOSING

Today, Mr. Chairman, thanks in very large measure to your personal interest in this Agency and the continuing support of the subcommittee and its staff members, the Selective Service System stands prepared to perform its time-tested responsibilities, if so directed. The fiscal year 2005 appropriation request of $26,300,000 will be invested prudently in one of the Nation's important security assets in an increasingly dangerous world. Its rationale for existence and its credentials have never changed: to provide a compact, cost efficient civilian structure capable of rapid expansion in a crisis; to provide manpower to our Armed Forces as required; and to do it fairly, equitably, and within the necessary time frames. The Selective Service System remains resolute in its organizational realignment and operational streamlining. It has improved service to its customers, reinforced its commitment to America, and remains an active partner in the national preparedness community.

Thank you, Mr. Chairman.

FEDERAL DEPOSIT INSURANCE CORPORATION

OFFICE OF INSPECTOR GENERAL

PREPARED STATEMENT OF GASTON L. GIANNI, JR., INSPECTOR GENERAL

Mr. Chairman and members of the subcommittee, I am pleased to present the fiscal year 2005 budget request totaling $29.9 million for the Office of Inspector General (OIG) at the Federal Deposit Insurance Corporation (FDIC). This OIG budget has a rather unusual distinction in the Federal Government in that it reflects a decrease for the ninth consecutive year, after adjusting for inflation. This budget has been possible because of the improved health of the banking industry since the early 1990's, the major staff downsizing at the FDIC and within the OIG, and our internal efforts to improve our performance and productivity even with reduced budgets.

As you know, the FDIC was established by the Congress in 1933, during the Great Depression, to maintain stability and public confidence in the Nation's banking system. Our Nation has weathered several economic downturns since that era without the severe panic and loss of life savings unfortunately experienced in those times. The Federal deposit insurance offered by the FDIC is designed to protect depositors from losses due to failures of insured commercial banks and thrifts. The FDIC insures individual deposits of up to $100,000. According to the Corporation's Letter to Shareholders, issued for the 4th Quarter 2003, the FDIC insured $3.451 trillion in deposits for 9,196 institutions, of which the FDIC supervised 5,313. The FDIC also promotes the safety and soundness of these institutions by identifying, monitoring, and addressing risks to which they are exposed.

The Corporation reports that financial institutions have recently had record earnings. The rate of bank and thrift failures has remained at a relatively low level over the past 10 years, and the Corporation has substantially reduced its estimates of future losses from failures. Assets held in receiverships following bank failures are at comparatively low levels, and significant progress has been made at closing older receiverships. The insurance funds are now comfortably above the designated reserve ratio that could otherwise trigger increases in premiums assessed on insured

depository institutions. These are important indicators of a healthy banking system, and the Corporation can take pride in its positive contributions in each of these areas.

The FDIC OIG was established in 1989 in accordance with amendments added to the Inspector General (IG) Act. The OIG's program of independent audits, investigations, and other reviews assists and augments the FDIC's mission. Our efforts promote economy, efficiency, and effectiveness of FDIC programs and operations and protect against fraud, waste, and abuse.

I am completing my eighth year as the first FDIC Inspector General appointed by the President and confirmed by the Senate and can see the fruits of our strategic planning through the results we have achieved during fiscal year 2003. I look forward to supporting the Congress, the FDIC Chairman, and other corporate management in meeting current and future challenges facing the FDIC and the banking industry.

This statement discusses OIG accomplishments during fiscal year 2003, our contributions to assist FDIC management, internal initiatives to improve the OIG, and management and performance challenges facing the FDIC. I am also providing additional details about our fiscal year 2005 budget and how it will be spent.

A REVIEW OF THE FDIC OIG'S FISCAL YEAR 2003 ACCOMPLISHMENTS

The OIG's fiscal year 2003 achievements are impressive, and the results include:
—$96.8 million in actual and potential monetary benefits;
—193 non-monetary recommendations to FDIC management;
—35 referrals to the Department of Justice;
—43 indictments;
—22 convictions; and
—5 employee/disciplinary actions.

More specifically, our accomplishments included 43 completed investigations that led to the above indictments and convictions as well as fines, court-ordered restitution, and recoveries that constitute the bulk of the monetary benefits from our work. Also, we issued a total of 47 audit and evaluation reports, which included about $431,000 in questioned costs and $2.1 million in recommendations that funds be put to better use. The recommendations in these reports aim to improve the internal controls and operational effectiveness in diverse aspects of the Corporation's operations, including automated systems, contracting, bank supervision, financial management, and asset disposition.

Further, the OIG accomplished many of its organizational goals during the fiscal year as outlined in our annual performance plan. Our 2003 Performance Report shows that we met or substantially met 27 of our 34 goals, or 79 percent. In a measurable way, this achievement shows the progress we continue to make to add value to the Corporation with our audits, investigations, and evaluations in terms of impact, quality, productivity, timeliness, and client satisfaction. We also met or substantially met goals for providing professional advice to the Corporation and for communicating with clients and the public.

Audits, Investigations, and Evaluations

Examples of the OIG's audit, investigation, and evaluation work that contributed to these accomplishments follow.

Material Loss Review of the Failure of Southern Pacific Bank, Torrance, California.—The OIG issued the results of its material loss review of Southern Pacific Bank and determined that the failure occurred because of ineffective corporate governance at the institution, leading to a potential loss of about $91 million. The report contained recommendations designed to improve the bank supervision process and promote the safety and soundness of FDIC-supervised institutions. The report also raised an issue related to oversight of parent holding companies of industrial loan companies—one that we are pursuing in ongoing work.

Investigation into the Failure of Oakwood Deposit Bank Company.—Following the failure of Oakwood Deposit Bank Company on February 1, 2002, the OIG, Internal Revenue Service Criminal Investigation, and the Federal Bureau of Investigation initiated a joint investigation. The ongoing investigation has thus far led to the conviction of the bank's former president and Chief Executive Officer. After pleading guilty in May 2003 to bank embezzlement and money laundering, the former bank president was sentenced in September 2003 for his role in the fraud scheme that caused the failure of the 99-year-old bank. The defendant was sentenced to 14 years' imprisonment to be followed by 5 years' supervised release and was ordered to pay $48,718,405 in restitution.

The investigation leading to the defendant's plea found that he began embezzling funds from the bank in 1993 with a loan to a family member. He admitted to alter-

ing bank records and creating paperwork in order to conceal the embezzlement, which resulted in losses to the bank of approximately $48.7 million and led to the bank's insolvency. As part of his plea, the defendant forfeited any and all of his interest in property controlled by Stardancer Casinos Inc. and its subsidiaries, as he was an investor and part owner of Stardancer. In late 1998, the defendant began investing embezzled bank funds into Stardancer Casinos Inc., a casino gambling operation originally headquartered near Myrtle Beach, South Carolina. Over the course of the next 3 years, the defendant embezzled over $43 million to purchase casino vessels and fund the operations of the casino business. The defendant forfeited bank accounts relating to Stardancer and two other companies identified in the investigation. He also forfeited real estate and investments in Florida, Ohio, Texas, and South Carolina; his interest in any of the Stardancer vessels and equipment; $520,450 in currency seized by the government; and any substitute properties owned by him but not identified in the investigation as the proceeds of criminal activities.

Investigation of Scheme to Defraud Community Bank of Blountsville, Alabama.—In October 2003, an ongoing investigation by the OIG and FBI into an alleged fraud scheme at Community Bank of Blountsville, Alabama, led to a 25-count indictment against the bank's former chairman and chief executive officer (CEO), the bank's former vice-president for construction and maintenance, and the owner of a construction services company. The indictment charges the three defendants with bank fraud, misapplication of bank funds, false statements to a financial institution, and false entries in the books and records of a financial institution. The indictment also charges the former CEO with money laundering and filing false tax returns, and seeks from him forfeiture of $3.45 million. The three defendants allegedly conspired to use $2.15 million in bank funds for construction work on the CEO's personal projects, including a 17,000-square-foot home. While the CEO obtained more than $5 million in bank loans to build his house, he allegedly used more than $1.34 million of those funds for other purposes.

Previously in the investigation, a couple who owned a construction company were found guilty on charges of bank fraud and conspiracy to commit bank fraud and were sentenced to 18 months' incarceration and ordered to pay restitution totaling $178,000. Our investigation found that the couple submitted invoices for construction work purportedly performed for Community Bank. Some of the invoices were for work never performed, and other invoices were for personal construction work performed for the bank's CEO, his relatives, and the bank's vice president of construction and maintenance. Evidence was presented at trial to show that the records of the bank were falsified to reflect that the work was completed at the bank's facilities.

Investigation of Fraud by Securities Dealer Misrepresenting FDIC Affiliation.—Following an FDIC OIG investigation, a securities dealer was sentenced in the Riverside County District Court, Riverside, California, to serve 6 years' imprisonment and ordered to pay $20,000 in fines. The sentencing was based on his plea of guilty in October 2002 to an amended complaint charging him with selling unregistered securities, fraud, and theft. The subject, doing business as Jeffco Financial Services, was licensed to sell securities through San Clemente Services, Inc., another company involved in the sale of brokered certificates of deposit (CDs). Relying on information they were provided regarding FDIC insurance coverage, investment yields, fees, and commissions, investors purchased approximately 1,241 CDs totaling $67,390,735 from Jeffco Financial Services. The felony complaint to which the subject pleaded guilty lists the names of 59 individuals or entities to whom he offered or sold unregistered securities which are described in the complaint as "investment contracts in the form of interests in custodialized CDs." He also pleaded guilty to making misrepresentations regarding "annual average yield," theft of property exceeding $2.5 million in value, and participating in a pattern of felony conduct involving the taking of more than $500,000. The FDIC OIG investigation was initiated based on a referral by the FDIC's Division of Supervision and Consumer Protection of information obtained during the examination of a bank indicating irregularities in deposits the bank had placed with San Clemente Services.

Evaluation of the FDIC's Information Technology Security Program.—In our 2003 independent evaluation of the FDIC's Information Security Program, required by the Federal Information Security Management Act, we concluded that the Corporation had established and implemented management controls that provided limited assurance of adequate security over its information resources. However, we reported that continued management attention was needed in several key management control areas, including contractor security, enterprise-wide IT architecture management, certification accreditation of major IT systems, and IT capital planning and

investment control. The report highlights 10 key areas where the Corporation needed to focus attention to address information security weaknesses.

Our semiannual reports to the Congress provide many other examples of OIG accomplishments. These reports can be found on our Web page at www.fdicig.gov/semi-reports/oig.pdf or by contacting our office.

Assistance to FDIC Management

In addition to 2003 audits, investigations, and evaluations, the OIG made valuable contributions to the FDIC in several other ways. We strive to work in partnership with Corporation management to share our expertise and perspective in certain areas where management is seeking to make improvements. Among these contributions were the following activities:

—Reviewed 86 proposed corporate policies and 4 draft regulations and offered comments and suggestions when appropriate.
—Commented on the FDIC's strategic and annual performance plans, and annual performance report.
—Provided advisory comments on the FDIC's 2003 Annual Performance Plan and 2002 Annual Report.
—Provided the Corporation with an updated risk analysis document on the Quality of Bank Financial Reporting and Auditing and Corporate Governance.
—Participated in division-level conferences and meetings to communicate about our audit and investigation work and processes.
—Assisted an FDIC team in developing a paper on the "Root Causes of Bank Failures from 1997 to the Present."
—Provided technical assistance and advice to several FDIC groups working on information technology issues, including participating at the FDIC's information technology security meetings. We also participated in an advisory capacity on the Information Technology Subcommittee of the Audit Committee.
—Conducted an annual review of the Corporation's internal control and risk management program.
—Provided oversight to several major system development efforts.

OIG Management and Operational Initiatives

An important part of our stewardship over the funding we receive includes our continuous efforts to improve OIG operations. During the past couple of years, we took several initiatives that continue to have great significance on our work and operations.

The OIG participated in a significant downsizing and restructuring initiative with the Corporation. The new organization, though smaller, is now more closely aligned with key FDIC mission areas. For example, our Office of Audits underwent a major reorganization and is now organized around four operational directorates: Resolution, Receivership, and Legal Services; Supervision and Insurance; Information Assurance; and Resources Management. A fifth directorate, Corporate Evaluations, performs corporate-wide and other evaluations.

During this past year we have continued to invest in our people and the performance capacity of the OIG. During fiscal year 2002, we issued a Human Capital Strategic Plan, which outlines four objectives to maximize the return on our human capital investments. The objectives relate to workforce analysis; competency investments; leadership development; and a results-oriented, high-performance culture. Two objectives of the plan were substantially met during this past year and each will serve as the basis for future important human capital projects. The OIG Business Knowledge Inventory System and the OIG Key Competencies Project together provide valuable information to the OIG on its skills and knowledge and will help identify where we need to make investments in training, professional development, and recruitment.

Six competencies were developed that we believe all OIG staff need to contribute successfully to the OIG mission and goals. These competencies form the basis for performance expectations of every OIG employee, including executives. The competencies are: achieves results, communicates effectively, demonstrates teamwork, exhibits technical competency, demonstrates responsibility and self-development, and leads effectively. Each of these competencies has been further defined with subsidiary criteria describing the types of performance behaviors included under the competency. We believe full integration of these core competencies into the OIG's human capital system will help foster a greater results-oriented, high-performance culture and enhance accomplishment of OIG strategic goals and objectives.

Our strategic goals are interrelated, as follows:

Value and Impact.—OIG products will add value by achieving significant impact related to addressing issues of importance to the Chairman, the Congress, and the public.

Communication and Outreach.—Communication between the OIG and the Chairman, the Congress, employees, and other stakeholders will be effective.

Human Capital.—The OIG will align its human resources to support the OIG mission.

Productivity.—The OIG will effectively manage its resources.

Other internal initiatives include our hosting an interagency symposium on the Federal Information Security Management Act of 2002. Representatives from 44 Federal agencies attended the symposium to share information, ideas, and best practices related to the implementation of FISMA. We also co-sponsored a second Emerging Issues Symposium with the Offices of Inspector General of the Department of the Treasury and the Board of Governors of the Federal Reserve System, bringing together distinguished speakers who shared their perspectives on the banking and financial services community with Inspector General staff in the interest of enhancing the value that OIGs can add to their agencies by successfully addressing risk areas. We also conducted our fifth external customer survey regarding satisfaction with OIG operations and processes. In keeping with the spirit of the 25th anniversary of the IG Act, all OIG staff had an opportunity to recommit to the mission of the OIG during an office-wide conference held in October 2003. Our conference focused on the FDIC OIG's mission, vision, and core values. In pursuit of our mission, vision, and values, we designed several sessions at the conference so that our staff could discuss how their service contributes to accomplishing our strategic goals.

Other Activities

I continued my role as Vice Chair of the President's Council on Integrity and Efficiency (PCIE) and have held this position since April 1999. The Council maintains six standing committees to initiate and manage audit, investigation, evaluation, legislation, professional development, and integrity issues and projects in the Inspector General community. The PCIE has been very active in helping the government achieve better results and has concentrated many of its activities on areas that would facilitate agency efforts related to the President's Management Agenda. To enhance the community's ability to continue fulfilling its mission, the PCIE co-hosted its annual conference to highlight challenges and explore ways to address them. Further, the PCIE issued its annual report to the President. In addition, my office led the PCIE initiative to update and revise the Quality Standards for Federal Offices of Inspector General (Silver Book). I also represented the OIG community within government before the Congress, delegations of foreign visitors, and professional organizations.

Also, I played an active role in many of the community's activities celebrating the 25th anniversary of the IG Act, including meeting with President Bush, participating in IG interviews on C-Span's Washington Journal, and awarding 134 individuals and teams at the community's annual awards program. On December 1, 2003, the President signed a joint congressional resolution recognizing the IG community on its 25th anniversary and its accomplishments fostering good government.

Finally, the FDIC OIG completed a peer review of the nationwide audit operations of the Department of Commerce.

MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE FDIC

In the spirit of the Reports Consolidation Act of 2000, the OIG annually identifies the top management and performance challenges facing the FDIC. We have worked with the FDIC to prepare our annual assessment. Our update of the challenges as of December 19, 2003, was included in the FDIC's performance and accountability report dated February 13, 2004. The challenges capture the risks and opportunities we see before the Corporation in the coming year or more. In addition, these challenges serve as a guide for our work. Notwithstanding the current strength of the banking industry, the Corporation must continue to be vigilant because challenges are ever-present and can threaten the Corporation's success. I will briefly discuss each of the challenges and, where appropriate, describe OIG initiatives that address the challenge.

1. Adequacy of Corporate Governance in Insured Depository Institutions.—Corporate governance is generally defined as the fulfillment of the broad stewardship responsibilities entrusted to the Board of Directors, Officers, and external and internal auditors of a corporation. A number of well-publicized announcements of business failures, including financial institution failures, have raised questions about the credibility of accounting practices and oversight in the United States. These re-

cent events have increased public concern regarding the adequacy of corporate governance and, in part, prompted passage of the Sarbanes-Oxley Act of 2002. The public's confidence in the Nation's financial system can be shaken by deficiencies in the adequacy of corporate governance in insured depository institutions.

To assist the Corporation in meeting this challenge, we conducted two audits this past year that relate to material losses caused by the failures of the Connecticut Bank of Commerce, Stamford, Connecticut and the Southern Pacific Bank, Torrance, California. The audits concluded that these banks failed because of ineffective corporate governance, including the external auditors' issuance of unqualified opinions on the banks' financial statements, and led to an estimated loss of almost $200 million to the insurance funds. Our work on eight other material loss reviews we have conducted since 1993 also identified inadequate corporate governance as the primary cause of each failure.

We also conducted two audits related to the FDIC's examination of institutions for compliance with anti-money laundering requirements. The first audit focused on the FDIC's implementation of the United and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Patriot Act). We found that the FDIC had not issued guidance to its examiners for those provisions of the Patriot Act requiring new or revised examination procedures, because the FDIC was either coordinating the issuance of uniform procedures with an interagency committee or waiting for the Treasury Department to issue final rules. As a result of our audit, the FDIC promptly issued interim guidance to its examiners and the uniform rules were issued 2 months later. The second audit focused on the FDIC's supervisory actions taken to address violations of the Bank Secrecy Act of 1970 (BSA). We concluded that the FDIC needs to strengthen its follow-up process for BSA violations and has initiatives underway to reassess and update its BSA policies and procedures. We recommended actions intended to strengthen the FDIC's monitoring and follow-up efforts for BSA violations, update guidance for referring institution violations to the Treasury Department, and provide alternative coverage when State examinations do not cover BSA compliance. FDIC management concurred with the recommendations and is taking corrective action.

2. Protection of Consumer Interests.—The availability of deposit insurance to protect consumer interests is a very visible way in which the FDIC maintains public confidence in the financial system. Additionally, as a regulator, the FDIC oversees a variety of statutory and regulatory requirements aimed at protecting consumers from unfair and unscrupulous banking practices. The FDIC, together with other primary Federal regulators, has responsibility to help ensure bank compliance with statutory and regulatory requirements related to consumer protection, civil rights, and community reinvestment.

The OIG's recent coverage in this area includes reviews of compliance with the Gramm-Leach-Bliley Act, Community Reinvestment Act, and the Fair Lending Act. We plan to review new FDIC compliance examination procedures in 2004.

3. Management and Analysis of Risks to the Insurance Funds.—The FDIC seeks to ensure that failed financial institutions are and continue to be resolved within the amounts available in the insurance funds and without recourse to the U.S. Treasury for additional funds. Achieving this goal is a significant challenge because the insurance funds generally average just over 1.25 percent of insured deposits and the FDIC supervises only a portion of the insured institutions. In fact, the preponderance of insured assets are in institutions supervised by other Federal regulators. Therefore, the FDIC has established strategic relationships with other regulators surrounding their shared responsibility of helping to ensure the safety and soundness of the Nation's financial system. Economic factors also can pose a considerable risk to the insurance funds. The FDIC actively monitors such factors as interest rate margins and earnings in the financial sector in an effort to anticipate and respond to emerging risks.

To assist the FDIC in meeting this challenge, we conducted audits that focused on FDIC examiners' assessments of commercial real estate loans and high-loan growth, implementation of statutory prompt corrective action provisions and a number of other audits related to supervision and insurance issues. We also issued a follow-up report to an earlier report entitled "The Effectiveness of Prompt Corrective Action Provisions in Preventing or Reducing Losses to the Deposit Insurance Funds", dated March 26, 2002. Our ongoing work relating to safety and soundness examinations is assessing the effectiveness of the Corporation's examination assessment of bank management. In addition, we plan to review examination assessment of capital and supervision of industrial loan companies.

4. Effectiveness of Resolution and Receivership Activities.—One of the FDIC's primary corporate responsibilities includes planning and efficiently handling the resolutions of failing FDIC-insured institutions and providing prompt, responsive, and

efficient resolution of failed financial institutions. In this regard, the depositors of insured banks and savings associations are a unique responsibility for the FDIC. These activities maintain confidence and stability in our financial system. Notably, since the FDIC's inception over 70 years ago, no depositor has ever experienced a loss of insured deposits at an FDIC-insured institution due to a failure.

To address this area we reviewed the FDIC's efforts to ensure that bank customers have timely access to their insured deposits at failed institutions. Also, we conducted an audit to assess the FDIC's Readiness Program to respond to a series of failures exceeding the FDIC's capacity to handle with its own resources. A focus of our future work will be the Asset Servicing Technology Enhancement Project, which is designed to provide an integrated solution that supports the FDIC's current and future asset servicing functions based on adaptable computing technology and data sharing that is compatible with industry standards.

5. Management of Human Capital.—Human capital issues pose significant elements of risk that interweave all the management and performance challenges facing the FDIC. The FDIC has been in a downsizing mode for the past 10 years as the workload from the banking and thrift crisis has been accomplished. As a result, FDIC executives and managers must be diligent and continually assess the goals and objectives, workload, and staffing of their organizations and take appropriate steps to ensure that the workforce has the right experience and skills to fulfill its mission. The Corporation has created the Corporate University to address skill levels and preserve institutional knowledge in its five main lines of business. The Corporation is also in the process of revamping its compensation program to place greater emphasis on performance-based initiatives.

The OIG recently completed an evaluation of the Corporation's human capital framework and we have a series of reviews planned to address the various components of the human capital program, with the next being strategic workforce planning.

6. Management and Security of Information Technology Resources.—Management and security of information technology resources remains one of the Corporation's most expensive and daunting challenges. Information technology (IT) continues to play an increasingly greater role in every aspect of the FDIC mission. Our work required under the Federal Information Security Management Act of 2002 has shown that the Corporation has worked hard to implement many sound information system controls to help ensure adequate security. However, daunting challenges remain due to the ever-increasing threat posed by hackers and other illegal activity. We have urged the FDIC to stay the course in developing an enterprise-wide IT architecture that maps current and "to be" states of business processes and the supporting information systems and data architecture. Additionally, we have emphasized completing system certification and accreditation processes to test the security of deployed IT assets.

We have addressed this area through our previously mentioned annual evaluation of FDIC's Information Security Program. In addition, we have completed and ongoing assignments covering the IT capital planning and investment control process to assist the Corporation in this area. We also plan to routinely test the controls of selected major business systems supporting critical functions such as premium assessment, resolution and marketing, and human resource management.

7. Security of Critical Infrastructure.—To effectively protect critical infrastructure, the FDIC's challenge in this area is to implement measures to mitigate risks, plan for and manage emergencies through effective contingency and continuity planning, coordinate protective measures with other agencies, determine resource and organization requirements, and engage in education and awareness activities.

To assist the FDIC in this area, we reviewed the progress the Corporation has made in implementing its Information Security Strategic Plan. Also, we conducted a review of the adequacy of the FDIC's approach to assessing business continuity planning at FDIC-supervised institutions. In addition, our ongoing work includes coverage of physical security and business continuity planning for the FDIC.

8. Management of Major Projects.—The FDIC has engaged in several multi-million dollar projects, such as the New Financial Environment, Central Data Repository, and Virginia Square Phase II Construction. Without effective project management, the FDIC runs the risk that corporate requirements and user needs may not be met in a timely, cost-effective manner.

The OIG has performed several reviews of these projects, and our results pointed to the need for improved defining, planning, scheduling, and control of resources and tasks to reach goals and milestones. The Corporation has included a project management initiative in its 2004 performance goals and established a program management office to address the risks and challenges that these kinds of projects pose. We will continue to focus on the major corporate initiatives discussed above.

9. Cost Containment and Procurement Integrity.—As steward for the Bank Insurance Fund and Savings Association Insurance Fund, the FDIC seeks ways to limit the use of those funds. Therefore, the Corporation must continue to identify and implement measures to contain and reduce costs, either through more careful spending or assessing and making changes in business processes to increase efficiency.

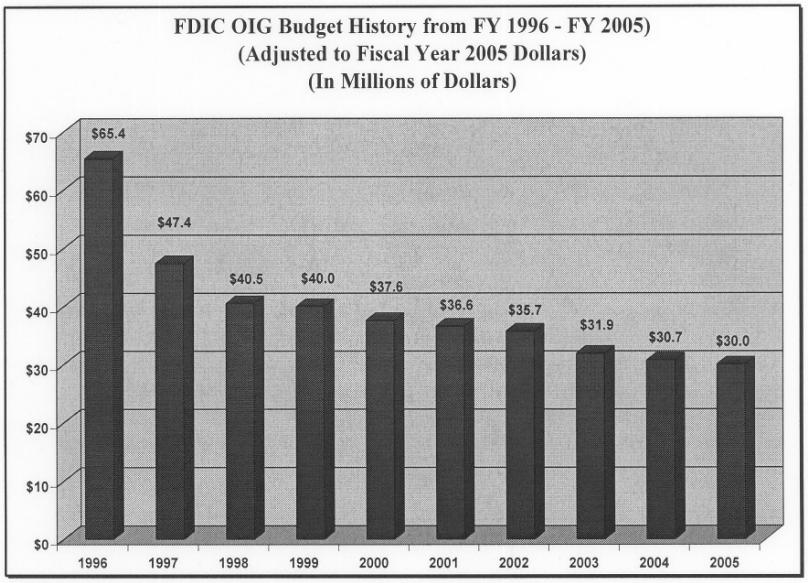
The Corporation has taken a number of steps to strengthen internal control and effective oversight. However, our work in this area continues to show that further improvements are necessary to reduce risks, such as requirements definition, the consideration of contractor security in acquisition planning, incorporation of information security requirements in FDIC contracts, oversight of contractor security practices, and compliance with billing guidelines. Our audits continue to assist the Corporation in this area.

10. Assessment of Corporate Performance.—The Corporation has made significant progress in implementing the Government Performance and Results Act of 1993 and needs to continue to address the challenges of developing more outcome-oriented performance measures, linking performance goals and budgetary resources, implementing processes to verify and validate reported performance data, and addressing crosscutting issues and programs that affect other Federal financial institution regulatory agencies.

The OIG has played an active role in the evaluation of the Corporation's efforts in this area and we have additional reviews planned that will look at the Corporation's budgeting and planning process and its strategic and annual planning process under the Results Act.

THE OIG'S FISCAL YEAR 2005 BUDGET REQUEST

The proposed fiscal year 2005 OIG budget includes funding in the amount of $29,965,000 or $160,000 less than fiscal year 2004. This budget will support an authorized staffing level of 160, a further reduction of 8 authorized staff (5 percent) from fiscal year 2004. The budget must also absorb higher projected expenses for salaries, employee benefits, and other costs that will increase due to inflation. This will become the ninth consecutive year OIG budgets have decreased after adjusting for inflation. The graph below shows the OIG's budget history since I became the Inspector General in 1996.



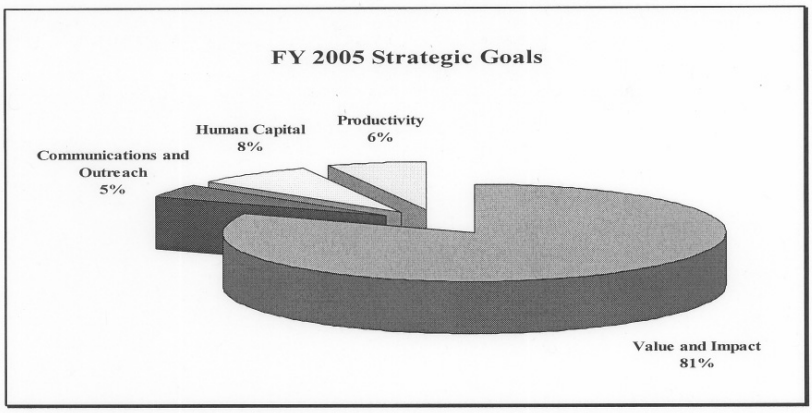
Note: Budgets for 1996-1997 are by calendar year and budgets for 1998-2005 are by fiscal year.

The FDIC has been operating under an appropriated budget since fiscal year 1998 in accordance with Section 1105(a) of Title 31, United States Code, which provides

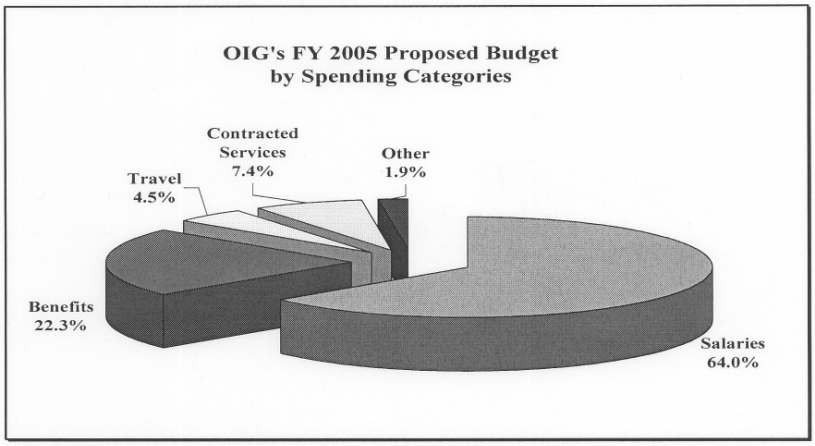
for "a separate appropriation account for appropriations for each Office of Inspector General of an establishment defined under Section 11(2) of the Inspector General Act of 1978." This funding approach is part of the statutory protection of the OIG's independence. The FDIC OIG is the only appropriated entity in the FDIC. The OIG's appropriation would be derived from the Bank Insurance Fund, the Savings Association Insurance Fund, and the FSLIC Resolution Fund. These funds are the ones used to pay for other FDIC operating expenses.

Budget by Strategic Goals and Major Spending Categories

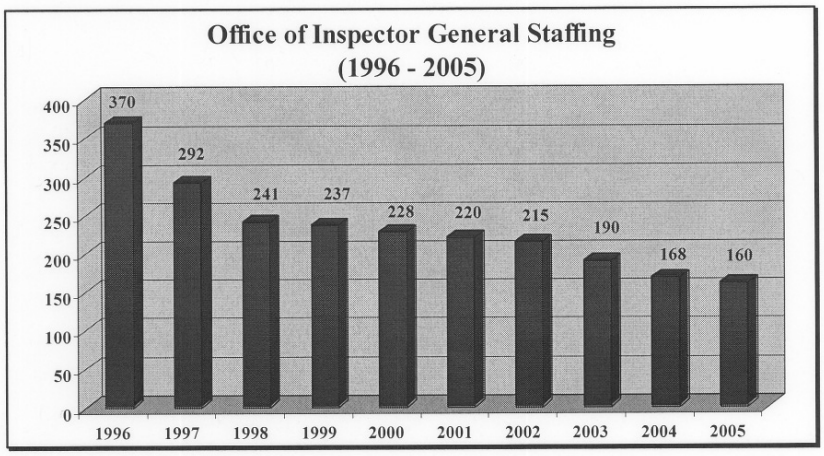
For fiscal year 2005, the OIG developed the budget based on the four strategic goals outlined in its Strategic Plan and discussed earlier in this statement. The four strategic goals, along with their associated budget dollars, are listed as follows:



The following chart shows the distribution of the OIG's budget by major spending categories. Mostly, the OIG budget is comprised of salaries and benefits for its employees and the necessary funding for travel and training expenses.



As I discussed earlier, the OIG has significantly downsized not only in the last few years, but also since 1996. The OIG has decreased its authorized level of 215 staff for fiscal 2002 to 160 for fiscal 2005—about a 26-percent reduction. Since I became the FDIC Inspector General in 1996, our staff has decreased from 370 to the current level, or a total decrease of about 57 percent. Overall, FDIC staffing declined from 9,151 to 5,300 from 1996 to 2003. The graph below shows the authorized OIG staffing since the merger of RTC in 1996.



CONCLUDING REMARKS

Mr. Chairman and members of the subcommittee, I appreciate the support and resources we have received through the collaboration of the President, the Congress, this subcommittee, and the FDIC over the past several years. As a result, the OIG has been able to make a real difference in FDIC operations in terms of financial benefits and improvements, and by strengthening our own operations and efficiency. Our budget request for fiscal year 2005 is modest in view of the value we add. Like many governmental organizations, we are faced with succession planning challenges, which are of particular concern in a downsizing environment. We have begun to address this issue through a modest recruitment program; however, any further downsizing could have a serious impact on this effort. We seek your continued support so that we will be able to effectively and efficiently conduct our work on behalf of the Congress, FDIC Chairman, and the American public.

Having just celebrated the 25th year since passage of the Inspector General Act and the 15th anniversary of the FDIC OIG, I take pride in my organization and the entire Federal Inspector General community and its collective achievements. Building on this legacy, we in the FDIC OIG look forward to new challenges and assisting the Congress and corporate officials in meeting them.

AMERICAN BATTLE MONUMENTS COMMISSION

PREPARED STATEMENT OF MAJOR GENERAL JOHN P. HERRLING, USA (RET), SECRETARY

Mr. Chairman and members of the committee, thank you for the opportunity to provide a written statement on the American Battle Monuments Commission's fiscal year 2005 Appropriation Request. The special nature of the American Battle Monuments Commission (ABMC) places it in a unique and highly responsible position with the American people. The manner in which we care for our country's Honored War Dead is, and should remain, a reflection of the high regard in which we, as a Nation, respect their service and sacrifice.

ABMC FOCUS

The American Battle Monuments Commission is responsible for commemorating the services of American Armed Forces where they have served since April 6, 1917 (the date of U.S. entry into World War I) through the establishment of suitable memorial shrines; and for designing, constructing, operating, and maintaining permanent American burial grounds in foreign countries. In performing these functions, we administer, operate, and maintain 24 permanent memorial cemeteries and 25 monuments, memorials, and markers in the United States and 15 countries around the world.

We have eight World War I and 14 World War II cemeteries located in Europe, the Mediterranean, North Africa and the Philippines. All of these cemeteries are closed to burials except for the remains of the War Dead who may occasionally be discovered in World War I or World War II battlefield areas. In addition, we are responsible for the American cemeteries in Mexico City, established after the Mexican War, and in Panama.

Presently, 124,917 U.S. War Dead are interred in these cemeteries—30,922 of World War I, 93,245 of World War II and 750 of the Mexican War. Additionally, 6,010 American veterans and others are interred in the Mexico City and Corozal (Panama) American Cemeteries. Commemorated individually by name on stone tablets at the World War I and II cemeteries and three memorials on U.S. soil are the 94,135 U.S. servicemen and women who were Missing in Action, or lost or buried at sea during the World Wars and the Korean and Vietnam Wars.

ABMC SERVICES

We provide services and information to the public, friends, and relatives who visit our cemeteries and memorials. This includes information about grave and memorialization sites as well as location, suggested routes and modes of travel to the cemeteries or memorials. Immediate family members receive from us letters authorizing fee-free passports for overseas travel to visit a loved one's grave or memorial site. During fiscal year 2003, over 8 million people visited our cemeteries and monuments worldwide; more than half of these visitors were American citizens. Photographs of individual headstones and sections of the Tablets of the Missing on which the service person's name is engraved are also available. We mount these photographs on large color lithographs of the cemeteries or memorials. In addition, we assist those who wish to purchase floral decorations for placement at a grave or memorial site in our cemeteries. A photograph of the in-place floral arrangement is provided to the donor.

The care of these shrines to our Armed Forces requires a sizeable annual program of maintenance and repair of facilities, equipment, and grounds. This care includes upkeep of 131,000 graves and headstones; 73 memorial structures; 41 quarters and maintenance facilities; 67 miles of roadways and walkways; 911 acres of flowering plants, fine lawns and meadows; nearly 69 acres of shrubs and hedges and over 11,000 ornamental trees. Care and maintenance of these resources are exceptionally labor intensive, therefore, personnel costs account for over 53 percent of our budget for fiscal year 2004. Some of this maintenance is performed by casual labor, in peak seasons, since permanent cemetery staffs are not sized to provide all the required maintenance during the peak-growing season. The remaining 47 percent of our budget funds our engineering, maintenance, utilities, equipment, and administrative costs.

ABMC CHALLENGES

The most significant challenge facing ABMC for the next several years will be the relatively weak position of the U.S. dollar against the Euro. This challenge affects our ability to move forward in completing our core operating programs.

From fiscal year 1998 through fiscal year 2001, the dollar was strong against foreign currencies with which we dealt. Due to this strength, we were able to transfer foreign currency gains to our Foreign Currency Fluctuation Account (FCFA) with the U.S. Treasury to accommodate future losses. However, since fiscal year 2002, we have been faced with significant losses with respect to the Euro, and have transferred most of our prior year gains from our FCFA to offset our operating accounts.

At the time preparations of the fiscal year 2005 budget began, we anticipated that the dollar was gaining strength against the Euro. At the time we submitted our budget to the Office of Management and Budget (OMB), we did not believe we would require additional funding to offset foreign currency losses because we expected the dollar to strengthen. Among other indicators, the European Bank had given indications that it would lower interest rates which would have weakened the Euro against the dollar. That never happened and based on the current trend; we anticipate that our FCFA balance will be depleted by the end of fiscal year 2004. Unless we are able to replenish our FCFA, we will have to reduce our spending in core operating programs to accommodate foreign currency losses, thus slowing the rate that we modernize our infrastructure and pushing out our timeline for achieving productivity goals. It is most difficult to predict what the strength of the dollar versus the Euro will be as we execute fiscal year 2005. However, if the dollar ranges from where it is today to as much as 5 percent stronger, we can anticipate losses of between $6 and $8 million in fiscal year 2005 that would have to be offset by realigning funding in all areas including the infrastructure modernization and pro-

ductivity programs. Such actions could have a dramatic negative impact on our operations in fiscal year 2005.

As an organization responsible for operating and maintaining permanent burial facilities for our country's Honored War Dead, we do not have the option of closing or consolidating cemeteries.

ABMC'S CONTRIBUTIONS TO THE PRESIDENT'S MANAGEMENT AGENDA

Within the context of the President's Management Agenda, we have continued our efforts to achieve greater efficiency and effectiveness in the areas where we do have alternatives.

Strategic Management of Human Capital

Such efforts demand the strategic management of human capital. We analyze our work force to maximize the efforts of employees who deliver our services.

In fiscal year 2000, ABMC and OMB conducted a joint productivity study to determine if equipment modernization, leasing, outsourcing, and automation improvements could increase the efficiency of our cemetery workers. Industry experts from two major turf and grounds-keeping equipment manufacturers participated in the study. They concluded that opportunities existed to reduce work-hours associated with labor-intensive operations, potentially offsetting the requirement for additional personnel. During fiscal year 2001, we continued our study and began procurement of modern, labor-efficient and safety-related equipment identified in fiscal year 2000. During fiscal year 2002, 2003, and 2004 we continued to replace outdated equipment, enhance our automation systems, and make improvements in our operations. In order to continue productivity program enhancements, we are requesting $1.0 million for fiscal year 2005.

Managing our human capital demands that we place the right person with the right skills in every position. In fiscal years 1998 and 1999, we undertook the first comprehensive survey of our overseas personnel, their position descriptions, and workloads since the early 1980's. This survey identified a variety of discrepancies in how we staffed our cemeteries. We took corrective action, and with the concurrence of OMB, ensured consistency in staffing. In fiscal year 2002, we began a worldwide manpower study which will further identify and comprehensively outline our manpower requirements, position descriptions, workloads and manpower distribution to ensure our work force is properly deployed. We expect this project to be completed during fiscal year 2004.

A key element of recruiting and retaining a talented work force is fair compensation. To ensure equal pay for equal work we converted the European Region from our legacy Cemetery System for classifying and paying most of our foreign employees to the standard Foreign Service National (FSN) pay system. This FSN system is used by State Department and other Federal departments employing foreign nationals overseas. This will ensure that we have a pool of well qualified personnel to fill our critical positions, now and in the future.

Competitive Sourcing

We have continued efforts to avoid using our work force to perform tasks that are not inherently governmental and are readily available in the commercial market place. In this area we are well advanced. When Congress directed us to establish a World War II Memorial, we outsourced the design, construction, data management, fulfillment processing, customer servicing, and public relations.

The success of this effort has been astonishing. It will soon result in the first national memorial dedicated to the 16 million who served in uniform during the war, the more than 400,000 who gave their lives, and the millions who supported the war effort from the home front.

Our competitive sourcing initiatives did not stop there. Contributing to our efforts to improve financial management, in April 2000, we contracted with a software implementation consultant to assist in the selection and development of an automated, integrated accounting system that conforms to regulatory requirements. Our new commercial-off-the-shelf system became operational in October 2001. The use of a competitive source contractor allowed our government employees to focus on our daily mission while the contractor ironed out the normal wrinkles associated with implementing a new system. We are pleased with the overall results and will continue to upgrade our capabilities so that we will be among the leaders in financial management in the Federal Government.

In addition, our Infrastructure Modernization Program (IMP) has made extensive use of outsourcing to ensure that highly qualified firms and individuals were contracted to perform engineering analysis and reviews. Most construction and engi-

neering projects at ABMC facilities are contracted out, since these projects are usually unique and beyond the capability of our limited staff.

Our cemeteries and their infrastructure range from 45 to 80 years old. We began an IMP in fiscal year 2001 to examine in detail the infrastructure of our facilities and bring them up to today's standards. Through this program we can avoid future uncertainty, work in a programmed and efficient manner, and protect our investments in facilities. The first phase of the IMP consisted of studies to identify deficiencies in the various aspects of our infrastructure. In the second phase, corrective actions are performed. During fiscal year 2004, we are dedicating $2 million to IMP, and are requesting $2 million for fiscal year 2005 to continue these essential projects in addition to the $1.8 million needed to continue normal engineering and maintenance operations.

Improved Financial Performance

Since 1998, the ABMC has been required to produce full financial statements. In addition, these CFO Act financial statements are independently audited by the Comptroller General. Each year, ABMC has earned an unqualified opinion from GAO on our annual financial audits.

We recognize that improved financial performance is more than achieving an unqualified audit opinion. It is about putting useful and timely information in the hands of leaders with which they can make informed decisions. Our new accounting system moves us toward that goal. Looking to the future, we have included funding in our fiscal year 2005 budget to continue our transition to a web-based system that will enhance our ability to make such information more readily available to our decision-makers.

Closely related to efforts to expand e-government, in partnership with the Department of the Treasury, we converted to full electronic funds transfer banking for all foreign currency disbursements except Tunisian Dinars. Prior to this, we maintained U.S. funds in separate overseas foreign currency bank accounts under delegated disbursing authority from the Treasury. Now disbursements flow electronically from our accounting system through the Treasury's Kansas City Financial Center to the overseas bank account of our vendors and employees. The initial conversion to this electronic capability was not as seamless as expected. However, the process is now stabilized and is allowing quicker payments for customers, eliminating funds held outside the Treasury in foreign bank accounts, and implementing real-time automation to worldwide funds transfers.

Our new integrated accounting system and our successes on international electronic funds payment and full financial audits are moving the ABMC toward new levels of financial excellence. We look forward to the challenges of fiscal year 2005.

Expanded E-Government

Our efforts to expand e-government go beyond the use of electronic funds transfers overseas. They include how we deliver our services to our customers—the very heart of what we do.

Over the last several years, ABMC has expanded access to valuable information through the use of on-line tools. Our Internet Web site allows visitors to gather information on our organization, cemeteries, memorials, and their locations. To aid in our internal operations, our European Region maintains our intranet web site which provides details on our ongoing operations. In addition, we made the WWII Registry developed in conjunction with the World War II Memorial project a web-based system to make it accessible to a broader audience than those who visit the memorial itself. We eventually plan to convert the dated video system at the Korean War Veteran's Memorial with a similar web-based database of Korean War Dead.

We are also supporting the administration's efforts to reduce the number of payroll providers within the Federal Government. In December 2003, we converted our internal, manual payroll operations for U.S. General Service personnel to a web-based system provided by the General Services Administration (GSA). We are currently in the process of converting the Foreign Service National (FSN) payroll operations with an expected completion date later this calendar year.

Budget and Performance Integration

We are pressing forward in the budget process to ensure that our funding requests support the objectives of the agency and the President's Management Agenda. Our budget clearly ties to our Strategic and Annual Performance Plans. In addition, these plans directly link to the Commission's Management Discussion and Analysis (MD&A) statements which are required as an integral part of the annual audit conducted by the Comptroller General.

To further improve the link between budget and performance we are studying the implementation of a Cemetery Evaluation Review System. Once fully implemented

we expect to use this to measure the impact of applied resources to our cemeteries in order to better focus our efforts.

OTHER IMPORTANT PROJECTS

Normandy Interpretive Center

Congress, through Public Law 107–73, provided $5.0 million to ABMC for fiscal year 2002, specifically for the partial cost of design and construction of a new interpretive and visitor center at the Normandy American Cemetery in France. In fiscal year 2003 and fiscal year 2004, Congress provided an additional $4.0 million and $9.0 million respectively to continue this project. We developed a contract proposal and have begun the initial pre-design phase. The President's Budget includes $9.1 million in our fiscal year 2005 request, as suggested by Congress in our fiscal year 2004 appropriation, to complete funding for this important project. Our objective is to achieve an appropriate and comprehensive design and begin construction during fiscal year 2005.

Vietnam Veterans Memorial Plaque

Public Law 106–214 directed ABMC to oversee the placement of a plaque "within the Vietnam Veterans Memorial containing an inscription intended to honor those Vietnam veterans who died after their service in the Vietnam War, but as a direct result of that service, and whose names are not otherwise eligible for placement on the Memorial Wall." The law clearly stated that Federal funds may not be used to design, procure, or install the plaque. Sufficient private funding was received to begin installation of the plaque in March 2004. Work should be completed by summer 2004.

World War II Memorial

For the past 11 years much of the Commission's attention has been focused on designing and constructing a World War II Memorial on the National Mall in Washington, DC. After 8 years of planning, 6 years of public debate, and 4 years of fundraising, construction of the memorial began in September 2001. The memorial will be dedicated on May 29, 2004.

In completing this project we ensured that the memorial and its components were designed for the maximum service life and for effective maintainability. We also contracted for repair work on the adjacent Reflecting Pool as an added protection against, and prevention of water seepage into the memorial.

The total estimated cost of the memorial project is $178.3 million, which includes site selection and design, construction, a National Park Service maintenance fee required by the Commemorative Works Act, groundbreaking and dedication ceremonies, fund-raising and administration of the project from its inception in 1993 through completion in 2004. We have received $195 million in cash and pledges from all sources. Congress directed that any funds remaining after all project costs have been paid will remain in the World War II Memorial Trust Fund to be administered by ABMC. The funds may be used solely to benefit the World War II Memorial.

ABMC'S COMMITMENT

Since 1923 the American Battle Monuments Commission's memorials and cemeteries have been held to a high standard in order to reflect America's continuing commitment to its Honored War Dead, their families, and the U.S. national image. The Commission intends to continue to fulfill this sacred trust while ensuring the prudent expenditure of appropriated funds.

The American Battle Monuments Commission appropriation request for fiscal year 2005 is $41,100,000.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

AGENCY FOR TOXIC SUBSTANCES AND DISEASE REGISTRY

PREPARED STATEMENT OF HENRY FALK, M.D., M.P.H., DIRECTOR, AGENCY FOR TOXIC SUBSTANCES AND DISEASE REGISTRY AND NATIONAL CENTER FOR ENVIRONMENTAL HEALTH, CENTERS FOR DISEASE CONTROL AND PREVENTION, DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. Chairman, Senator Mikulski, other distinguished members of the subcommittee, thank you for the opportunity to provide this testimony on behalf of the Agency for Toxic Substances and Disease Registry (ATSDR).

The President's budget for fiscal year 2005 includes $76,654,000 for ATSDR. This funding will support the Agency's ongoing activities and provide additional support for two critical programs.

This testimony will address: (1) ATSDR's achievements over the past year in carrying out its mission under Superfund to evaluate and prevent adverse health impacts from exposure to hazardous substances; (2) ATSDR's plans for fiscal year 2005, emphasizing programs to enhance understanding of the health impacts from exposures to asbestos-contaminated vermiculite ore originating in Libby, Montana, distributed to more than 200 facilities across the United States; and (3) steps taken to maximize the ATSDR's public health impact and efficiency through a partial administrative and management consolidation with the National Center for Environmental Health of the Centers for Disease Control and Prevention (CDC).

ATSDR'S ACHIEVEMENTS IN FISCAL YEAR 2003

Last year was busy and productive for ATSDR. The services ATSDR provides to communities help to identify and address possible associations between exposures to hazardous substances in the environment and health problems. These services are available and accessible to the full spectrum of communities, from remote rural areas to heavily populated urban neighborhoods, that have been scarred by industrial hazardous waste sites, the legacy of mining, or contaminated drinking water.

Leveraging ATSDR's Resources Through Partnerships

In 2003 ATSDR continued to leverage its resources through a strong emphasis on partnerships with a variety of entities including other Federal agencies, State, and local health departments, universities, and the industrial sector. Partnerships with State health departments enhance the Agency's ability to respond in a timely manner to the hundreds of community requests and releases of hazardous substances that threaten public health each year. Partnerships also serve as a mechanism for building Federal, State, tribal, and local public health capacity to respond to public health concerns related to environmental contamination.

In fiscal year 2003, ATSDR provided over $10 million to fund cooperative agreements with 30 State health departments, one commonwealth, and one tribe. ATSDR worked closely with these partners to complete 120 public health assessments of potential health threats from environmental exposures, including over 50 public health assessments related to sites on the United States Environmental Protection Agency's (EPA) National Priorities List. ATSDR and its partners also issued more than 230 health consultations and numerous responses to requests for technical assistance from State or Federal agencies, members of Congress, and the public. In addition, ATSDR and partners worked on more than 50 health studies in various phases of development and implementation. Health studies are peer-reviewed public health research activities that serve the dual functions of providing important information to communities, and advancing scientific understanding of the relationship between exposures to hazardous substances and particular health outcomes. Each of these categories of activities draws on the unique mixture of expertise at ATSDR that bridges the health and environmental fields.

In all aspects of its work, ATSDR pays particular attention to the unique needs of vulnerable subpopulations such as children, pregnant women, and economically disadvantaged people that may be exposed to contaminants from multiple sources. For example, ATSDR and EPA currently fund 11 Pediatric Environmental Health Specialty Units, located at academic medical centers throughout the United States. Through these units, pediatricians with expertise in environmental health are available to consult with physicians and families concerning children who may have been exposed to mercury, lead, pesticides, or other hazardous substances. The pediatric units also offer referrals, and training for health care professionals related to pediatric environmental medicine.

ATSDR also has a longstanding cooperative agreement with the Minority Health Professions Foundation (MHPF) to conduct research to fill gaps in our knowledge about the effects of hazardous substances on human health. The program provides students at MHPF institutions the opportunity to conduct groundbreaking research in toxicology, epidemiology, and environmental assessment. For example, one recent study found that newborns may be at risk for effects from exposure to maternal blood lead levels of less than 10 micrograms per deciliter, CDC's level of health concern.

Terrorism Preparedness and Response

Through more than 20 years experience in addressing public health aspects of responding to chemical releases at Superfund sites, ATSDR has developed consider-

able expertise in toxicology and other areas directly applicable to chemical terrorism preparedness and response.

In recognition of its emergency preparedness and response capabilities, ATSDR often is looked to by other Federal agencies for assistance related to training, environmental sampling, medical toxicology and enhancing collaboration between the emergency response and the public health and medical communities. For example, in April of 2004 the Chemical Safety and Hazard Investigation Board requested assistance from ATSDR in coordinating with the medical community in connection with a large release of allyl alcohol (used in the manufacture of polymers, pharmaceuticals, and pesticides) from a manufacturing plant in Dalton, Georgia, which resulted in the evacuation of several hundred citizens. In particular, the Board had concerns about inconsistencies in the number of people reporting to the local hospital for treatment. In response, ATSDR emergency response and other personnel traveled to the location of the chemical release, and were able to determine the number of people accessing medical care as a result of this event, and the severity of their health complaints. The preparedness and response capabilities that enabled ATSDR to contribute in responding to this chemical release are the same as would be needed in responding to a terrorism-related or other intentional chemical release.

In addition, ATSDR regional staff, located in each of the 10 EPA regional offices, work with EPA staff and State partners on a daily basis to prepare for emergencies and to conduct response exercises. The capacity of ATSDR regional staff to assist in an emergency is enhanced through ATSDR's cooperative agreement with the American College of Medical Toxicology (ACMT), under which local medical toxicologists are available to consult with ATSDR on short notice in planning for and responding to chemical emergencies. In addition, in coordination with ATSDR, ACMT has provided several informative educational sessions on "Chemical Agents of Opportunity" and on responding to chemical emergencies, for State and local partners, as well as ATSDR, CDC, EPA, the Department of Justice, other Federal agencies, and congressional staff.

ATSDR also provides leadership and subject-matter expertise for CDC in response to weapons of mass destruction, chemical, radiological and bio-environmental contamination events. For example, an ATSDR medical toxicologist consulted with the State of South Carolina, U.S. Postal Service and EPA following the mailing of the toxin ricin last year. Teams are always on call for deployment in the event of a terrorist incident or other chemical emergency.

Building on ATSDR's Experience and Expertise at Superfund Sites

Libby, Montana

ATSDR has testified in past years regarding its extensive health screening program and related studies documenting the severe health impacts resulting from exposure to asbestos-contaminated vermiculite ore mined at the W.R. Grace mine in Libby, Montana. On August 26, 2003, the Federal District Court in Missoula, Montana ruled that the United States is entitled to recover the entire $11.3 million in costs incurred by ATSDR through December 31, 2001, as well as future costs incurred by ATSDR after that date, in responding to asbestos contamination and evaluating and addressing the public health impacts of exposure to asbestos from this mine.

ATSDR is continuing activities related to Libby, including: (1) funding the State of Montana to conduct screening and surveillance of the at-risk population of the Libby community; (2) the Libby Tremolite Asbestos Registry; (3) health education for communities and health care providers about vermiculite and asbestos exposure; (4) grants to university-based researchers to study disease progression in former vermiculite workers so that timely interventions can be developed; and (5) a pilot mesothelioma surveillance program in New York, New Jersey, and Wisconsin.

As discussed later in this testimony, ATSDR's work in Libby laid the foundation for ATSDR's fiscal year 2005 proposal related to evaluating the health threats to former workers and to their family members at facilities across the country that processed asbestos-contaminated ore from Libby.

Reducing Childhood Lead Exposure

The adverse impacts of lead exposure on the developing child are well established. ATDSR, in conjunction with State and local public health officials, is working to reduce childhood exposure to lead at a number of Superfund sites. For example, last year ATSDR expanded the scope of its longstanding involvement at the Tar Creek Superfund site in Ottawa County, Oklahoma. ATSDR continues to provide support to the Oklahoma State Department of Health and the Ottawa County Health Department for blood lead screening in children and community education on measures to prevent exposure to lead. In addition, ATSDR is reviewing available environ-

mental data to determine significant pathways of exposure to lead, and assessing the relationship of blood lead data to potential environmental lead sources such as residential soil and waste piles of mine tailings.

In Herculaneum, Missouri, ATSDR and the Missouri Department of Health Services are providing public health education and conducting other activities to address a public health threat posed by contamination from a lead smelter. Initial blood-lead screenings revealed high levels of lead in the blood of young children. However, data from follow-up testing of those children in 2002, analyzed by ATSDR in 2003, revealed dramatic declines in the percentage of children with blood lead levels equal to or above 10 micrograms per deciliter, the CDC recommended level of action. For example, in 2001, 28 percent of children younger than 6 years of age who were tested had blood lead levels equal to or above 10 micrograms per deciliter. By 2002, that percentage had been cut in half, to 14 percent. Moreover, in 2001, 45 percent of children younger than 6 years of age and living closest to the lead smelter had blood lead levels at or above the 10 micrograms per deciliter level of action. By 2002, the percentage had been reduced to 17 percent.

In May of 2003, ATSDR and the Missouri Department of Health and Senior Services collaborated in convening a workgroup to consider options for future health studies in Herculaneum, Missouri. The workgroup recommended a two-phase approach, first to reevaluate existing environmental and blood lead data, and second to study the health effects of lead in the community. Protocol development and study details are expected to be complete by the end of fiscal year 2004, with data collection slated to begin in the first quarter of fiscal year 2005.

ATSDR also contributed to reducing childhood lead levels in children near the Bunker Hill Superfund site in Kellogg, Idaho, where blood lead levels were among the highest of children tested near any Superfund site. Beginning in 1986, ATSDR funded a lead-intervention program of health education, health care provider training and blood lead screening, carried out by the local health department. Long-term monitoring shows that the blood lead levels in children 6 years of age or younger living near the Bunker Hill site decreased to levels found in the United States general population. The Panhandle Health District reported to ATSDR that its 2003 screenings of children continue to reveal blood lead levels within the program goals.

Studying Health Impacts of Exposure to Volatile Organic Compounds (VOCs)

ATSDR is undertaking activities at several Superfund sites to more fully explain the relationship between exposures to VOCs in drinking water, and adverse health outcomes.

For example, in North Carolina ATSDR is engaged in an extensive study of certain birth defects and childhood leukemia among families who lived on the base at Camp Lejeune. The study is focused on potential in utero exposures of children born to women who lived at the base while pregnant between 1968 and 1985. The study was initiated because during this time period trichloroethylene (TCE, a degreaser) and tetrachloroethylene (PCE, a dry-cleaning solvent) were found in the drinking water supply for some of the family base housing. Earlier studies involving Superfund sites in Woburn, Massachusetts and Dover Township, New Jersey, suggested an elevated risk of childhood leukemia in children with prenatal exposure to VOCs.

The first phase of the study at Camp Lejeune included a survey to identify children with specific birth defects and childhood cancers. During the first phase, 12,598 surveys were completed. The birth defects and cancers reported in those surveys are being verified, with permission from the families, through searches of medical records.

In July 2003, ATSDR issued an interim report on Camp Lejeune recommending that a case-control study be conducted to examine the relationship between exposure to the contaminated drinking water in women who lived on the base while pregnant, and selected birth defects and childhood cancers in their children. ATSDR developed the study protocol and is acquiring data necessary for historic reconstruction of the base drinking water system through computer modeling. This modeling will enable ATSDR to identify which base housing units received the contaminated water and is necessary for determining whether there is an association between the contaminants in drinking water and certain birth defects and childhood cancers.

ATSDR's experience with evaluating exposure to VOCs in Dover Township, New Jersey, and more recently at Camp Lejeune, has contributed to efforts over the past year in the Village of Endicott, in Broome County, New York. ATSDR is assisting the New York State Department of Health (NYS DOH) in an effort to address health concerns of residents related to potential exposure to VOCs emanating from a groundwater plume at the IBM site in Endicott. As first steps, the NYS DOH is evaluating the incidence of certain conditions in newborns whose parents lived in the study area at the time of the infants' births, and estimating the incidence of

all types of cancer, including childhood cancer, for the areas in Endicott potentially impacted by VOC vapors in indoor air.

Studying Health Impacts of Exposure to Polychlorinated Biphenyls (PCBs) and Dioxins

ATSDR funds research by State universities and health departments under the Great Lakes Human Health Effects Research Program (GLHHERP). GLHHERP grantees conduct epidemiologic research and educational programs to inform residents about exposure to persistent toxic substances, including polychlorinated biphenyls (PCBs). This program has helped inform residents about fish-consumption practices to avoid unsafe exposures, especially for children, the elderly, and women of childbearing age. ATSDR also is supporting the development and implementation of a 3-year pilot program in the Upper Peninsula of Michigan, to educate vulnerable populations about fish advisories and to assess the effectiveness of advisories. Under this pilot program, a State university and intertribal council in Michigan will take measures to increase awareness about exposures to toxic substances from eating contaminated fish, and to evaluate observance of fish consumption advisories among American Indian communities, anglers and their families, and others who rely on Great Lakes fish as a subsistence food.

Building on its foundation from research regarding exposure to PCBs in the Great Lakes, ATSDR is supporting research on health impacts of PCB exposure at a Superfund site in Anniston, Alabama. On the basis of blood data reviewed by ATSDR, Anniston residents have some of the highest levels of exposure to PCBs found in a non-occupational setting in the United States. In 2003, ATSDR awarded $1.5 million to Jacksonville State University to conduct, with a consortium of researchers and community members, a multiyear study of the potential health effects of PCB exposure among residents of Anniston. Study protocols and initial data collection are scheduled to be completed during fiscal year 2004, with data analysis beginning in fiscal year 2005.

Health Registries

One of ATSDR's responsibilities under Superfund is to establish and maintain registries of diseases and of people exposed to toxic substances. In recent years ATSDR has seen an increase in recognition of the important function served by registries and a rise in the demand for its expertise in developing and managing registries. ATSDR embarked on three new and significant registries in the past year: (1) the Tremolite Asbestos Registry; (2) the World Trade Center Health Registry; and (3) the Rapid Response Registry.

In 2003, ATSDR initiated the Tremolite Asbestos Registry, a registry of people exposed to tremolite asbestos from Libby, Montana. The registry is expected to enroll 10,000 to 15,000 people, including former Libby vermiculite mining and mill workers, family members and others who shared a residence with a vermiculite worker, and community members who meet eligibility criteria. The Tremolite Asbestos Registry will provide a means to locate and provide information to participants to ensure that they and their health care providers receive the latest medical recommendations and research findings pertaining to asbestos-related diseases. The registry will also be an invaluable resource for future research related to the health impacts of asbestos exposure.

In September of 2003, the New York City Department of Health and Mental Hygiene (NYC DOHMH), in partnership with ATSDR, began data collection for the World Trade Center Health Registry. Data collection for the Registry will continue for 1 year. The purpose of the Registry is to provide a central database for research to assess injuries and other physical and mental health effects among people exposed to the World Trade Center disaster. Information obtained will provide a more complete picture of health effects among a broad spectrum of the impacted population, including residents, office workers, school children, and emergency responders. Approximately 79,810 potential registrants have been identified through employee lists and telephone and website registrations. As of April 20, 2004, interviews of 31,921 people had been completed.

ATSDR developed the Rapid Response Registry to provide the capacity to timely identify and obtain information in a timely fashion from persons potentially exposed to environmental chemicals in an emergency event. Having obtained prior approval of the registry and associated questionnaires, and by training staff in its rapid use and deployment, we will be able to significantly reduce the time needed to collect potentially time-sensitive information in an emergency. Teams, in collaboration with State and local government agencies and private response organizations, will identify and enroll exposed and potentially exposed individuals within hours of an incident, to help document their presence at or near an emergency event. This informa-

tion, maintained in a central registry, will provide health officials with essential information necessary for both short-term and long-term follow-up with exposed or injured individuals, or their survivors. Contact information will enable officials to provide information to affected individuals about possible exposures, potential health impacts, updates, and available educational information, and will allow for follow-up contacts by health officials to assess current and future medical needs.

PRIORITY PROJECTS FOR FISCAL YEAR 2005

The President's fiscal year 2005 budget request includes an increase of approximately $3 million to support two critical initiatives.

Evaluating and Tracking the Health Consequences of Exposure to Asbestos

Results of ATSDR's medical screening program and studies of residents in Libby, Montana highlight the seriousness of the health threat from exposure to the asbestos-contaminated vermiculite ore mined in Libby. ATSDR's medical screening program in Libby revealed that nearly 18 percent of the approximately 7,300 people evaluated have abnormalities of the lining of the lung consistent with exposure to asbestos. Among workers and household contacts evaluated, the prevalence of these abnormalities was 51 percent and 26 percent, respectively. ATSDR's review of 20 years of death certificates showed that mortality in the Libby area due to asbestosis was 40 to 80 times higher than expected, and lung cancer mortality was 20 percent to 30 percent higher than expected. Mortality due to mesothelioma was also elevated.

The vermiculite ore mined in Libby, Montana was shipped to more than 200 sites around the United States for processing. ATSDR and its State partners are conducting detailed exposure pathway evaluations and health statistics reviews at 28 of the highest priority sites. These 28 priority sites were selected either because EPA determined further action was necessary to address current contamination, or because a site processed 100,000 tons or more of vermiculite from the Libby mine. The findings from these priority sites will be used to inform future decisions related to evaluation of the remainder of the more than 200 sites.

To date, ATSDR and State partners have completed evaluations for 7 of the 28 priority sites, including sites in Beltsville, Maryland, Denver, Colorado, Santa Ana, California, West Chicago, Illinois, and Minot, North Dakota. Each of the 7 completed health consultations concludes that former workers were exposed to significantly elevated levels of asbestos from vermiculite exfoliation ("popping") operations: historical data indicate airborne fiber levels within these facilities at concentrations as high as 700 times the Occupational Safety and Health Administration's current permissible exposure limit for asbestos. ATSDR expects health consultations for the remainder of the 28 sites to be completed this year.

Each of the 7 health consultations includes a recommendation to identify and locate former workers and their household contacts for the purpose of evaluating potential health effects and providing health education. Many workers and household contacts may be unaware of their exposure, and many have moved away from the location where the processing occurred. Knowledge of past exposure may be beneficial for implementation of proactive public health interventions, such as smoking cessation, which are known to be effective to some extent in limiting adverse health impacts of asbestos exposure.

Fiscal Year 2005 Initiative

Of the approximately $3 million increase for ATSDR in the President's budget request, $2.5 million is requested for pilot medical screening related to a subset of the 28 priority sites. ATSDR will identify and locate former workers and their household contacts at each pilot site. Eligible workers and household contacts will be offered baseline medical screening (such as pulmonary function testing and chest X-rays) to evaluate the presence of asbestos-related pleural abnormalities. In addition, ATSDR will expand the Tremolite Asbestos Registry to enroll eligible persons from sites outside of Libby, Montana, and will offer health education on managing risks associated with asbestos exposure. Further evaluation and follow-up of former workers from other priority sites may be conducted in the future, if indicated, on the basis of pilot site results.

Supporting the World Trade Center Health Registry

Another ATSDR priority for fiscal year 2005 is to continue support of the World Trade Center Health Registry. The Registry is at this point the second largest of its kind in United States history, behind the Three-Mile Island Registry. Ultimately, data from the health registry on the health of registrants exposed to smoke, fumes, and other hazardous substances released by the World Trade Center collapse, will

enable researchers to observe exposure and health patterns that may not be apparent to individual physicians. The Registry will enable the NYC DOHMH to contact members of the exposed population with educational and other information.

With the additional funds, ATSDR and the NYC DOHMH can continue the core functions of the Registry, including maintaining a Registry office in New York City; retaining trained staff to maintain the database, conducting follow up interviews and community outreach activities; performing basic data analyses; developing quarterly reports; responding to public inquiries; and disseminating findings and health alerts as necessary.

ATSDR will use $500,000 of the approximately $3 million increase in the President's fiscal year 2005 budget, along with $1 million of base funds, for a total spending level of $1.5 million to cover the entire expected cost of this project for fiscal year 2005. This will continue the maintenance work of the World Trade Center Health Registry, supported in fiscal year 2004 by $500,000 from ATSDR and a commitment of $1.5 million under a Memorandum of Understanding with EPA.

MAXIMIZING ATSDR'S IMPACT AND EFFICIENCY THROUGH CONSOLIDATION

In January of 2003, Dr. Julie L. Gerberding, Director of the CDC and Administrator of ATSDR, issued a Statement of Intent committing to the administrative and management consolidation of ATSDR and the CDC's National Center for Environmental Health (NCEH) to achieve a coordinated structure and common leadership. The consolidation is based on major concepts in the December 2000 Report Shared Vision for Environmental Public Health at CDC and ATSDR. The purpose of the consolidation is to enhance the environmental public health programs and activities at CDC and ATSDR, by building on the complementary expertise of NCEH and ATSDR.

ATSDR continues to be a separate Agency and implements its authorities under Section 104 of CERCLA through its existing Divisions, which have not been changed by the consolidation. The ATSDR Office of the Assistant Administrator and the NCEH Office of the Director were merged to join like functions while maintaining the existing organizational construct of the Divisions and Program Offices within each respective organization.

I am pleased to report that the Department of Health and Human Services approved our proposed organizational structure, and implementation of the consolidation is going very well. Key positions in the consolidated Office of the Director have been filled. Personnel who performed similar administrative duties in the separate organizations are now working together in consolidated offices.

ATSDR's funding continues to be maintained separately from NCEH and tracked in accordance with appropriations, budget, and accounting requirements. ATSDR has hired an outside accounting expert to provide recommendation on how best to allocate the costs of the joint Office of the Director.

We have also created a joint terrorism preparedness and response coordinating office to oversee terrorism and emergency activities across NCEH and ATSDR. This has led to improvements in our preparedness and ability to respond to events promptly. For example, NCEH and ATSDR physicians and other staff members receive joint training on emergency health care methods and techniques. Joint training is underway on the care and treatment of people exposed in radiation emergencies. Our response to the recent ricin incident in the Senate Office Building benefited from a team that included ATSDR regional and headquarters staff, as well as NCEH medical toxicologists.

ATSDR has also made a number of structural changes, including creation of a new division, the Division of Regional Operations, which previously operated within the Office of the Director. This change will result in additional support of front-line staff and more efficient and effective services for State and local health departments.

We expect that the administrative and management consolidation of ATSDR and NCEH will enhance environmental health programs and services in this country. Through improved coordination and increased efficiencies, the consolidation will allow us to redirect resources to front-line public health service.

Thank you for the opportunity to provide this testimony.

NEIGHBORHOOD REINVESTMENT CORPORATION

PREPARED STATEMENT OF KENNETH D. WADE, EXECUTIVE DIRECTOR

Neighborhood Reinvestment Corporation is pleased to submit its testimony for the record. This testimony is based on the experience and considerable successes of 228

community development organizations serving nearly 2,500 urban, suburban, and rural communities. These nonprofit partnerships are collectively known as the NeighborWorks network and operate in 49 States, the District of Columbia, and Puerto Rico.

In January, Neighborhood Reinvestment Corporation's Board of Directors appointed Kenneth D. Wade as its fourth executive director. While he is new to the position of Executive Director of Neighborhood Reinvestment, Ken Wade has been actively engaged in the senior management of the Corporation for over 13 years. Most recently, he held the position of Director of National Initiatives, Programs and Research, and previously the position of New England District Director. Under the leadership of our former executive director, Ellen Lazar, Ken was closely involved in developing the Corporation's strategic plan that will continue to guide the work of Neighborhood Reinvestment. Thanks to his career experiences with youth programs and neighborhood revitalization in Boston's communities, Ken understands the unique challenges facing America's communities. Also, having served at the neighborhood level, he has a personal understanding and appreciation of the support provided by Neighborhood Reinvestment Corporation, with its commitment to providing timely and flexible assistance to its national network of locally-controlled NeighborWorks organizations.

The Neighborhood Reinvestment Corporation was created by Congress in 1978. Since then, Neighborhood Reinvestment and its affiliated NeighborWorks network have worked to expand housing opportunities for low- and moderate-income Americans, to revitalize distressed communities, and create a network of excellence in the community development field. In fiscal year 2003, the NeighborWorks system leveraged its $104 million appropriation to generate nearly $2 billion of direct investment in communities. These funds helped more than 83,000 families obtain and maintain safe and affordable rental and homeownership units and provided over 75,000 families with high-quality pre- or post-purchase homebuyer educational services. This could not have been accomplished without this subcommittee's support. For fiscal year 2004, Neighborhood Reinvestment Corporation received an appropriation of over $114 million, and Neighborhood Reinvestment looks forward to reporting our outcomes to you next year.

OVERVIEW OF THE NEIGHBORWORKS SYSTEM

Over its 25-year history, the NeighborWorks System has proven to be an increasingly effective and efficient vehicle for leveraging significant private-sector resources in support of community revitalization and affordable-housing efforts. Comprised of Neighborhood Reinvestment Corporation, local nonprofit organizations in our NeighborWorks network, and the specialized secondary market Neighborhood Housing Services of America, the NeighborWorks System relies on public-private partnerships and uses modest Federal funds to leverage significant private investment. Innovations that are generated in response to locally identified needs are a hallmark of the NeighborWorks System.

Neighborhood Reinvestment Corporation

Neighborhood Reinvestment Corporation's partnerships with local housing and community development organizations support residents, businesses, and local governments in their efforts to revitalize their communities and provide affordable housing opportunities for low- and moderate-income families. Neighborhood Reinvestment engages in four core activities:

—*Build and Sustain a Network of Excellence*.—The Corporation provides competitive grant funding, training, technical assistance and access to specialized secondary market services to NeighborWorks organizations. These organizations are closely monitored and thoroughly reviewed to maximize both the efficiency and effectiveness of the system and steward Federal dollars.

—*Foster Innovation*.—The Corporation nurtures new ideas from within the NeighborWorks network and the affordable housing and community development field. By strategically allocating resources, the Corporation has developed innovative programs such as the NeighborWorks Campaign for Homeownership and the Multifamily and Rural Initiatives.

—*Build Skills and Performance in the Housing and Community Development Field*.—The Corporation operates national NeighborWorks Training Institutes in major cities throughout the United States open to anyone involved in affordable housing and community revitalization, particularly private- and public-sector practitioners and community leaders.

—*Leverage Strategic Partners and Resources*.—Founded on a three-component partnership model of government, private corporations and residents, Neighbor-

hood Reinvestment accomplishes its mission by using its Federal appropriation to leverage private investment and involvement.

These activities individually and collectively build the productivity and strength of the NeighborWorks network and the broader community development field.

NeighborWorks Network

NeighborWorks organizations are located in our Nation's largest cities, as well as suburban neighborhoods, small towns and rural areas. Regardless of their target communities, each of the 228 NeighborWorks organization operates under the direction of a local board of directors comprised of local residents, lenders and other business leaders, and representatives from local government. This three-pronged, public-private partnership approach to community development is crucial to the NeighborWorks system's successes. To achieve their locally-identified goals, members of the NeighborWorks network utilize the laboratory environment that Congress intended to achieve creative strategies, collaborate on best practices, and develop flexible financing mechanisms.

Each NeighborWorks organization is responsible for setting its own strategies, raising its own funds, and delivering its own services. Most NeighborWorks organizations also operate a revolving loan fund to meet community credit needs such as gap financing for home purchase loans, second mortgages for home rehabilitation or repair, small-business loans, and loans for the acquisition and development of residential and commercial real estate. The NeighborWorks network is the leading national community development nonprofit network with extensive expertise in designing, originating, and servicing small non-conventional loans to lower-income families. However, clients often require more than a loan. NeighborWorks organizations also provide extensive training, counseling and personalized assistance. This concentrated effort pays dividends by creating comprehensive opportunities for families to build assets, which on a large scale also help to revitalize distressed communities.

Neighborhood Housing Services of America

Neighborhood Housing Services of America (NHSA) works in partnership with Neighborhood Reinvestment Corporation to meet the special secondary market needs of NeighborWorks organizations and their clients. NHSA is governed by an independent board of directors, composed of representatives from these private sector investors, NeighborWorks organizations, and local civil servants. The primary mission of NHSA is to operate a specialized secondary market created to replenish the revolving loan funds and capital pools of local NeighborWorks organizations.

With administrative and capital support provided by Neighborhood Reinvestment, NHSA purchases loans from NeighborWorks organizations, thereby allowing organizations to originate loans with flexible rates and terms based on the borrowers' needs. NHSA's loan purchases provide an ongoing stream of capital into NeighborWorks organizations' revolving loan funds, allowing them to meet additional needs within their communities.

NHSA leverages Neighborhood Reinvestment's financial support by securing private-sector capital from a pool of socially-responsible national institutional investors, including insurance companies, financial institutions, foundations and pension funds. Proceeds from these investments are used to purchase NeighborWorks loans.

SELECTED OUTCOMES FOR FISCAL YEAR 2003

Thanks to your continued support, Neighborhood Reinvestment's 25th anniversary year produced new levels of achievement. Congress provided Neighborhood Reinvestment Corporation with an appropriation of $104.3 million. The NeighborWorks network leveraged these resources to:

—Generate nearly $2 billion of direct investment in targeted communities;
—Leverage $18 in direct investments in communities for each dollar Congress appropriated to Neighborhood Reinvestment;
—Provided affordable housing opportunities to more than 83,000 families; and
—Provided pre- and post-purchase homebuyer education and counseling services to over 75,000 families.

PROJECTED OUTCOMES FOR FISCAL YEAR 2005

For fiscal year 2005, the Corporation requests an appropriation of $115 million. At this funding level, Neighborhood Reinvestment will be able to maintain its current level of services to the NeighborWorks network, including continued support of increasing homeownership, with a particular focus on increased and improved housing counseling efforts.

A $115 million appropriation will allow the NeighborWorks system to:

—Leverage nearly $2.3 billion in direct total investment in distressed rural, suburban and urban communities;
—Use each dollar Congress appropriates to leverage nearly $20 from other sources;
—Assist more than 83,000 families obtain and maintain safe and affordable rental and homeownership housing;
—Provide pre- and post-purchase homeownership counseling and financial literacy training to nearly 86,000 families; and
—Own and/or manage 41,000 units of affordable rental housing.

To support these accomplishments, the Neighborhood Reinvestment Corporation and NHSA will:
—Conduct 240 organizational assessments of member organizations;
—Provided almost 11,000 individuals with training, amounting to more than 210,000 contact hours;
—Disburse 71 percent of Neighborhood Reinvestment's congressional funding in the form of grants; and
—Purchase $66 million in loans from NeighborWorks organizations.

PRIORITIES FOR FISCAL YEAR 2005

In developing the Corporation's fiscal year 2005 budget, Neighborhood Reinvestment sought to continue its work from prior years, while defining more aggressive expectations for the NeighborWorks system. Neighborhood Reinvestment has always worked to be good stewards of the funds that Congress has entrusted to us, and the Corporation continues to diligently work to maximize our efficiency and effectiveness. In order to meet these expectations, Neighborhood Reinvestment and the NeighborWorks system will continue to:
—Build and sustain a network of excellence;
—Foster innovation;
—Build skills and performance in the housing and community development field; and
—Leverage strategic partners and resources.

Build and Sustain a Network of Excellence

Although the larger environment in which the NeighborWorks system operates has changed dramatically over the years, the Corporation's role as a bridge between mainstream financial institutions and lower-income communities and families remains relevant and critical. Neighborhood Reinvestment and the NeighborWorks network continue to operate in underserved communities that are home to a variety of citizens who lack access to decent, affordable housing, financial products, services, and the kind of investments that sustain communities.

NeighborWorks organizations function as partnerships of local residents, lenders and other business leaders, and local government representatives. They produce creative strategies, share innovative best practices, and develop flexible financing mechanisms. When these organizations are supported and work together, they create a nimble network of high performing nonprofits, where the whole is greater than the sum of its parts. In order to facilitate, encourage and promote this network of excellence, the Neighborhood Reinvestment Corporation provides guidance, assistance and oversight of the NeighborWorks network in the following ways.

Financial Support

Equity capital grants are a critically important financing vehicle that Neighborhood Reinvestment provides on a competitive basis to NeighborWorks organizations for capital and revolving loan funds that support real estate development and lending. NeighborWorks organizations use these grants to provide the equity and gap financing necessary to originate loans for home purchases, property rehabilitation and small businesses, and provide equity and financing for real estate development. Eligible activities also include capital costs associated with the acquisition and development of residential and commercial real estate for long-term ownership by a NeighborWorks organization.

Neighborhood Reinvestment also provides expendable grants to NeighborWorks organizations to strengthen and increase their ability to develop and administer responsive products and services. These competitive grants are awarded for activities that address the full range of organizational, administrative and financial management and development issues faced by nonprofit housing and community development organizations. Particular emphasis is placed on activities crucial to increasing production and efficiency, thereby generating sustained community impact and ensuring the long-term success of the organization and its initiatives.

Technical Assistance

In tandem with financial assistance, Neighborhood Reinvestment provides a wide range of technical assistance. NeighborWorks organizations request practical, systems-based assistance in programmatic, organizational, administrative, financial or management areas of strategic importance to their organization. Neighborhood Reinvestment responds with a team of professionals familiar with each organization's local market, environmental challenges, structure and mission. These professionals provide technical assistance in six key programmatic areas: organizational development; resource development and marketing; community revitalization, economic development and business planning; technology and financial management systems; single-family housing and lending; and real estate development and management. The guiding principles observed by Neighborhood Reinvestment include a mandate to design and deliver our services in a manner that consistently builds the capability of network organizations to fulfill their vitally important missions and increases their capacity to sustain their efforts over time. Our goal is to increase self-reliance and programmatic expansion among network members.

Organizational Assessment

As part of our responsibility to act as a good steward of Federal funding, and to protect the investment of other partners as well as the high standards and the reputation of the NeighborWorks network as a whole, Neighborhood Reinvestment Corporation is committed to promoting and maintaining a network of high-performing, well-managed, nonprofit housing and community development corporations that deliver high quality services responsive to local needs and have a measurable impact on their communities. One of the tools employed in doing this is a uniform program review and assessment system.

Organizational assessment enhances the performance and productivity of NeighborWorks organizations, while assisting in building the capacity of our affiliates to function in a highly effective manner. Assessments also offer the opportunity to evaluate the use of Congressionally appropriated funds from Neighborhood Reinvestment, and evaluate the capacity of affiliate organizations to meet NeighborWorks network membership standards and performance objectives.

Through a system of continuous monitoring, each NeighborWorks organization is subject to an annual organizational assessment through either off-site or on-site program reviews. Off-site reviews involve the collection and analysis of data about the organization. These data are analyzed in eight risk areas on a quarterly basis. If a risk alert is identified, the degree to which the organization has the capacity to manage the risk is determined, and appropriate action is taken.

Expansions, Organizational Mergers and New Affiliates

In today's community development industry, employing an effective and efficient growth strategy does not necessarily mean creating or adding new organizations. In many underserved areas, the most sensible and cost-effective approach is to expand the reach or programmatic services of an existing network member, or to facilitate a merger of two organizations to create a more powerful organization with greater impact and efficiency. Neither of these approaches results in the addition of new organizations, yet both can result in productive outcomes, more efficient use of resources, responsive service delivery, and expanded coverage. Mergers of local housing and community development organizations are becoming an increasingly common practice. The combined efforts resulting from mergers can result in achieving greater impact at equal or less cost.

Neighborhood Reinvestment receives a far greater number of requests for new affiliations than it can hope to satisfy responsibly. To prioritize requests from new applicants, the Corporation seeks those environments where its resources and assistance are likely to add the greatest value to local efforts and produce the most pronounced impact. Through a careful affiliation process, Neighborhood Reinvestment works with interested existing community-based organizations to ensure that before any organization is chartered as a NeighborWorks entity, it is: sound and productive; led by a responsible board of directors reflective of the community it serves; and, committed to a mission with goals, values, programs and accomplishments compatible with the focus and priorities of the NeighborWorks network. In a given year, Neighborhood Reinvestment extends an invitation to join the NeighborWorks network to up to 10 organizations.

Through the affiliation process, Neighborhood Reinvestment enables an organization to increase its productivity and realize a greater return on the investment of time and money. Chartering a new NeighborWorks organization requires extensive educational and partnership-building efforts, usually over a period of about 12 to 18 months.

Foster Innovation

Providing Affordable Rental Opportunities

Understanding the importance of multifamily rental housing in a comprehensive neighborhood revitalization strategy, a group of NeighborWorks organizations formed the NeighborWorks Multifamily Initiative in 1999. Together, these organizations own and/or manage more than 44,000 units of affordable and well-maintained rental housing. The members of the NeighborWorks Multifamily Initiative make it their mission to provide sustainable multifamily homes, which are characterized over the long-term by:

—Affordability, as defined by local market conditions;
—Ongoing economic viability;
—High quality maintenance and management; and
—Access to on-site learning centers designed to advance the personal assets of residents—academic success of youth, employability of adults, financial savings, and homeownership.

With $5 million appropriated by Congress in fiscal year 2002, the Corporation embarked on an ambitious effort to create mixed-income multifamily properties serving families and individuals below 30 percent of area median income. With that funding, Neighborhood Reinvestment provided 14 grants, which funded the development of 121 units affordable to families with extremely low-incomes. In fiscal years 2003 and 2004, Congress appropriated an additional $10 million set-aside for multi-family housing. These investments will enable NeighborWorks organizations to expand these precious affordable rental opportunities to new communities, thus enhancing the impact of federally-appropriated funds. The rental housing has been, and will continue to be, developed in diverse settings—urban, suburban, rural, large and small developments as well as scattered site. Most importantly, many of these units will be affordable to extremely low-income families without need for a Section 8 voucher or certificate or other form of on-going subsidy.

Championing Homeownership for Lower-Income Americans

For years, the NeighborWorks system has led the nonprofit homeownership industry, bringing homeownership opportunities to all Americans. Research confirms what common sense suggests: responsible homeownership is good for families, neighborhoods, the economy and the Nation. Homeownership is the largest source of wealth for the majority of American families, and therefore, their key toward improving their lives and the opportunities for their children. Lack of access to homeownership adversely affects minority citizens, female-headed households and immigrant families.

From its inception in 1993, the NeighborWorks Campaign for Home Ownership has brought lower-income families into the economic mainstream by helping them achieve one of their primary life goals: owning a home. Neighborhood Reinvestment achieved this by partnering with lenders, insurance companies, secondary markets, government, and the real estate community.

Over the last 10 years, the NeighborWorks Campaign for Home Ownership has created more than 71,000 new homeowners and provided counseling to over 413,000 individuals. As a result, $6.6 billion is invested in America's communities, serving to help families build wealth and to revitalize neighborhoods.

The Campaign for Home Ownership has established high standards for service delivery, training, and technical assistance, and encouraged local NeighborWorks leaders to engage in peer-mentoring. Key to the Campaign's success, NeighborWorks organizations establish clear, aggressive goals, while maintaining high quality standards. Innovative tools, such as Full Cycle Lending℠, NeighborWorks HomeOwnership Centers℠, Financial Fitness, and Housing Choice Voucher-Section 8 homeownership, have also been developed.

In June 2002, President Bush announced a national goal of increasing the number of minority homeowners by at least 5.5 million by the end of this decade. The NeighborWorks system has been an active partner in the development of the White House's initiative on increasing minority homeownership. The Corporation has held a national symposium, conducted targeted case studies with leading housing researchers, and set national goals for serving minority first-time homebuyers. Since the President announced the goal, the NeighborWorks network has helped 10,000 minority families achieve the American dream of home ownership.

Building on a strong record of success, the Campaign for Home Ownership has set the following goals from 2003–2007:

—Create 50,000 new homeowners, including 30,000 minority homebuyers.

—Assist 50,000 families to preserve homeownership and improve their homes through home maintenance and repairs, delinquency counseling and foreclosure prevention, and mortgage refinancing.
—Establish a coordinated outreach, public information and counseling effort to reach 500,000 families through educational programs, such as Financial Fitness classes, anti-predatory lending efforts, and homeowner counseling.

Financial Fitness

More recently, Neighborhood Reinvestment and members of the NeighborWorks network have developed a new financial education program called Financial Fitness℠. Neighborhood Reinvestment has developed a partnership with the Federal Deposit Insurance Corporation for use of the FDIC's "Money Smart" financial literacy program to teach money management skills. The Corporation has developed standards, training materials, and developed 420 trainers through the NeighborWorks Training Institute. Since 2001, more than 8,100 consumers have graduated from the program, 58 percent of whom are minorities and 67 percent are women. This program intends to give participants an increased understanding of basic finances and healthy financial relationships that benefit both the individual and the community.

While 91 percent of participants are current renters hoping to bolster their credit and savings in preparation to purchase a home in the future, Financial Fitness has also proven a successful strategy to preserve homeownership for existing owners facing income instability or high debt. Since 2002, the Campaign for Home Ownership has enhanced its emphasis on not just promoting, but also sustaining homeownership. In addition to Financial Fitness, the NeighborWorks Campaign for Home-Ownership is working with the Fannie Mae Foundation to develop new post-purchase standards and best practices. This effort will help NeighborWorks organizations better provide home maintenance services, delinquency and foreclosure prevention counseling, and mortgage refinance loans. This expanded effort serves the interests of not only the homeowner, but also the community as a whole.

Housing Choice Voucher Homeownership

The NeighborWorks system is dedicated to expanding homeownership opportunities across the country, particularly for families and individuals with low and moderate incomes. One of the most innovative programs used towards this effort is the Section 8 homeownership option. Strong technical and financial support from the Neighborhood Reinvestment Corporation has enabled NeighborWorks organizations to serve a critical role as a bridge between private lenders and public housing authorities to make homeownership a reality for qualified Section 8 voucher holders. Congress has propelled the NeighborWorks network's efforts by providing funding specifically targeted to NeighborWorks organizations who partner with Public Housing Authorities (PHAs).

In recognition of the early success of this effort, the Corporation's fiscal years 2001, 2002 and 2003 appropriation included a total of $20 million set-aside to develop capacity and effective partnerships in support of the U.S. Department of Housing and Urban Development's Section 8 homeownership option. Most of the set-aside funds were used to capitalize NeighborWorks organizations' revolving loan funds serving as a source for second mortgages, with a smaller portion of the set-asides being used for capacity-building grants. These grants helped some NeighborWorks organizations tailor their pre- and post-purchase services to the specific needs of their Section 8 population, develop unique systems to work with a Section 8 voucher and the PHA, or defray a portion of the costs associated with hiring additional staff to implement the program. The appropriated set-asides also supported a performance-monitoring component with assistance from a third-party consulting and research firm. Additionally, Neighborhood Reinvestment's local, regional and national training efforts on the Housing Choice Voucher Homeownership Program have served an important role in influencing the Public Housing Authorities across America to develop and implement homeownership programs.

As of September 2003, the set-asides helped fund more than 60 NeighborWorks organizations develop partnerships with 73 PHAs, which provided 2,204 families with pre-purchase homebuyer education, and resulted in over 378 new homeowners. The income of these families was between 60 and 80 percent of their area's median income. These entrepreneurial partnerships are built upon the NeighborWorks network's solid homeownership experience in pre- and post-purchase counseling, innovative mortgage financing and in leveraging public resources and private investment. The results of this program offer evidence of that this powerful local public-private partnership can assist those Americans who are often locked out of homeownership.

Supporting Rural Development

In 1990, three NeighborWorks affiliates identified their primary service areas as rural communities. By the end of fiscal year 2003, that number had grown to 73 organizations, which is approximately one-third of the NeighborWorks network and comprises the fastest growing segment of the network. Moreover, as our existing NeighborWorks organizations expand their target areas, they begin to capture rural areas with their services.

In fiscal year 2003, NeighborWorks organizations serving rural areas assisted more than 5,000 families in buying or rehabilitating their homes, and leveraged more than $500 million in direct investment. The network has also enhanced its ability to address the unique needs in rural communities by creating a capital fund for rural development. With seed funding from Neighborhood Reinvestment and the Northwest Area Foundation, rural NeighborWorks organizations have grown a shared revolving loan fund that provides bridge financing for local housing or economic development projects at below-market rates. With current loan assets of $2.5 million, 45 loans have been closed since 1994, totaling more than $4.4 million. These loans have supported the production of 432 units of affordable housing and 22 units of commercial space and community facilities, and leveraged more than $35.8 million in total project financing.

Build Skills and Performance in the Housing and Community Development Field

A comprehensive, systematic program of training and informing powerfully augments on-site technical assistance. The Neighborhood Reinvestment Corporation is nationally recognized as the premier provider of training in the housing and community development field, having founded its Training Institute 15 years ago. Today, the NeighborWorks Training Institute offers more than 150 courses and reaches more than 5,000 people a year from more than 4,000 communities across America. Participants at the Training Institutes come from all 50 States, Puerto Rico and the District of Columbia.

The NeighborWorks Training Institutes are typically scheduled four to five times each year at various locations around the country. Courses are offered in eight tracks: homeownership and community lending, affordable housing, community building, community economic development, construction and production management, management and leadership, and neighborhood revitalization and rural development. The Institutes also host symposia on cutting-edge topics involving nationally recognized experts, special-issue workshops, and peer-to-peer networking opportunities. Approximately half of the attendees of the Institutes come from organizations external to the NeighborWorks network. This is one of the many ways that the support Congress provides Neighborhood Reinvestment Corporation reaches not only the 2,500 NeighborWorks-assisted communities, but also the broader community development field.

Neighborhood Reinvestment has recognized that experienced housing and community development practitioners have few options for continuing education and skill development. Neighborhood Reinvestment's own Training Institutes, like others in the field, focus primarily on meeting the critical needs of less seasoned professionals.

Beginning in 2002, Neighborhood Reinvestment introduced a unique program for Executive Directors of community development organizations practitioners, in partnership with Harvard University. The Advanced Practitioner Program requires participants to shape and focus their efforts on challenges that can make a tangible difference for their organizations, and for the housing and community development field. Participants establish ambitious goals and hold themselves and each other accountable for achieving them. This self-motivated and disciplined approach is fully focused on ensuring the success of participants as they advance their own work in building strong community-based organizations.

Leverage Strategic Partners and Resources

Partnerships

Neighborhood Reinvestment Corporation embodies the principle of cross-sector partnership in all major projects and programs. Nationally, the Corporation is engaged in partnership with many major financial institutions such as Bank of America and Citibank, both government-sponsored enterprises, and large retailers such as Sears. The benefits of these partnerships accrue to local NeighborWorks organizations, receiving financial assistance, in-kind support, and business opportunities.

Financial Resource Leverage

In fiscal year 2005, the NeighborWorks System will use the $115 million appropriation to leverage more than $2.3 billion in other sources. The Federal appropria-

tion provides unique flexibility to be the "first in" on large-scale development projects, which then stimulates private sector interest to support the majority of development costs. The strong partnership base of the NeighborWorks system has built a solid national reputation for quality and stability. In 2005, Neighborhood Reinvestment will nurture and grow these partnerships locally and nationally, in order to meet the aggressive goal of leveraging almost $20 for each $1 of Federal appropriation.

Revolving Loan Funds

Because of their flexibility and local control, revolving loan funds are central to the impact of the NeighborWorks system. These loans are local pools of money administered by NeighborWorks organizations to meet the lending needs of borrowers who do not qualify under conventional loan underwriting criteria—and to serve as equity capital in support of major capital projects. Money for the revolving loan funds comes from private- and public-sector investors as well as from Neighborhood Reinvestment's equity capital grants. Most revolving loan fund capital comes from local sources—loans and grants made by banks, insurance companies, foundations, local governments and other local investors. In fiscal year 2003, more than $113 million from local NeighborWorks organization's revolving loan funds was invested in communities.

Loans are made at flexible rates and terms that fit the lower-income borrower's ability to repay, and are typically secured by a lien on the property, often a second or third lien to allow for investment by other public and private sector entities. Sixty-eight percent of loans made through NeighborWorks revolving loan funds are made to very low- or low-income households, 51 percent to minority-headed households, and 46 percent to female-headed households. The liquidity of many local revolving loan funds is supported by selling loans to NHSA.

Conclusion

Neighborhood Reinvestment Corporation thanks the committee for the opportunity to brief you on our work, and the outcomes that were generated as a result of Neighborhood Reinvestment's congressional appropriation. The NeighborWorks System and Neighborhood Reinvestment's congressional appropriation represents a precious asset for 228 community development organizations and more than 2,500 communities across America. With our leveraging of dollars, NeighborWorks has been efficient and effective in ensuring the maximum impact of our Federal appropriation. Congress has allowed Neighborhood Reinvestment to be flexible and responsive to local needs; as a result, families and communities are stronger and more self-reliant.

Neighborhood Reinvestment Corporation is committed to continuing to build healthy, strong and safe communities all across America. Your continued support is vital to us in accomplishing this goal.

U.S. COURT OF APPEALS FOR VETERANS CLAIMS

PREPARED STATEMENT OF HONORABLE KENNETH B. KRAMER, CHIEF JUDGE

Mr. Chairman and distinguished members of the committee, on behalf of the Court, I appreciate the opportunity to present for your consideration the fiscal year 2005 budget request of $17,623,000 for the United States Court of Appeals for Veterans Claims.

The Court's fiscal year 2005 budget request includes $1,100,000 requested by the Veterans Consortium Pro Bono Program (Representation Program). In accordance with practice since fiscal year 1997, the Representation Program has provided its own budget request, which the Court has forwarded (without comment) along with the Court's budget request.

The fiscal year 2004 appropriation to the Court in Public Law No. 108–199 was $15,938,000, of which $1,175,000 was the amount requested by the Representation Program. Our fiscal year 2005 budget request reflects an increase over the budget authority for Court operations for fiscal year 2004. Three factors account for the increase. The first reflects a budgeted pay adjustment for all Court personnel consistent with that generally anticipated for all Washington, DC, area government employees and also taking into consideration the differential between the amount budgeted in this category for fiscal year 2004 and the actual pay adjustment mandated during fiscal year 2004. The second factor is the statutory authorization for a temporary increase in the number of judges. The third is a request for funding for feasibility studies preparatory to the design and construction of a Veterans

Courthouse and Justice Center (Veterans Courthouse). I will discuss each of these matters further.

The first significant increase in the Court's budget request for fiscal year 2005 is in personnel compensation and benefits. The increase in pay and benefits ($590,000 over the Court's fiscal year 2004 appropriation) is caused by three major factors: (1) The budgeted pay increase in fiscal year 2004 was 2.2 percent while the actual increase used as a base is 4.1 percent (pursuant to the Omnibus Appropriations Act, Public Law No. 108–199), an increase of almost 90 percent—1.9 percentage points—over the fiscal year 2004 appropriation; (2) the budgeted fiscal year 2005 pay adjustment of 1.5 percent for all personnel (based on OMB recommendations); and (3) the amount, based on valuation by an outside actuary, that must be contributed to the Court's retirement system (JRS). As in the past, the budgeted fiscal year 2005 pay-adjustment assumption for all nonjudicial Court personnel is in conformance with OMB assumptions, with no differentiation between the Economic Cost Indicator and locality pay, including necessary funding for benefits. We have used the 1.5-percent pay adjustment requested in the President's budget. If the Congress decides, as it did for fiscal year 2004, that the civilian pay adjustment should be the same as that for the uniformed services, the additional cost to the Court would be $162,000. The Court's contribution to the JRS assumes, based on prior practice, that all judges will participate and that once participation is effectuated it will include opting into the survivor annuity program. The fund is invested solely in government securities.

The second important factor is the result of the enactment of Public Law No. 107–103 (Dec. 27, 2001), calling for the temporary addition of two judges. Since its inception, the Court has been composed of seven judges, one of whom serves as chief judge; however, Public Law No. 107–103, temporarily increased the number of judicial positions from seven to nine. This law was designed to smooth the transition period when the then five, now four, remaining original judges would be eligible to retire in a very short span of time; at the end of that period, in August 2005, the size of the Court will return to seven judges (because one or both of the last two of the original judges to retire will not be replaced). We have attempted to budget as prudently as possible for this temporary judicial increase. As with our fiscal year 2004 budget request and appropriation, we have included, as part of the fiscal year 2005 budget request, funding for two additional chambers for use during fiscal year 2005 (personnel and benefits, office buildout, furnishings, equipment, and supplies).

The Court requests funding for 98 full-time equivalent (FTE) positions. As with our fiscal year 2004 budget request and appropriation, the increase in staffing over the fiscal year 2003 level results solely from the new judgeships. The Court, as always, will monitor staffing to ensure that it is kept at the minimum level necessary to review in a timely fashion the cases brought before the Court. To provide further background on the workload before the Court, the Court's caseload history (of appeals and petitions) over the past 12 years is summarized in the following table, which also appears on page 4 of the Court's fiscal year 2005 Budget Request:

	BVA Total Denials	New Cases to USCAVC	New Cases as Percent of BVA Denials
Fiscal year 1992	10,946	1,742	15.9
Fiscal year 1993	9,734	1,265	13.0
Fiscal year 1994	6,194	1,142	18.4
Fiscal year 1995	6,407	1,279	20.0
Fiscal year 1996	10,444	1,620	15.0
Fiscal year 1997	15,865	2,229	14.0
Fiscal year 1998	15,360	2,371	15.4
Fiscal year 1999	14,881	2,397	16.1
Fiscal year 2000	14,080	2,442	17.3
Fiscal year 2001	8,514	2,296	27.0
Fiscal year 2002	8,606	2,150	25.0
Fiscal year 2003	10,228	2,532	24.7

Appeals to the Court come from the pool of cases in which the Board of Veterans' Appeals (BVA or Board) has denied some or all benefits sought by claimants. The Court is also empowered to entertain petitions for extraordinary relief where the Court action sought would be in aid of its jurisdiction. Over the last 3 fiscal years, the number of new cases as a percentage of BVA denials has risen substantially over the level in fiscal year 2000 and earlier years.

Furthermore, since Congress extended the Equal Access to Justice Act (EAJA) to the Court in 1992, there has been a substantial number of EAJA applications. The case-filing figures provided in the table, above, however, do not reflect the number

of EAJA applications filed and EAJA cases pending, even though these applications initiate a separate proceeding requiring Court action. In fiscal year 2003, the Court acted on 1,559 applications, up from 1,104 applications in fiscal year 2002 (a 41 percent increase), more than double the 776 applications in fiscal year 2000 (the first year for which EAJA-application figures are available). The potential availability of EAJA fees has encouraged a greater number of attorneys to develop expertise in veterans benefits law, and the professional assistance of the growing appellants' (benefits claimants) bar has proven very valuable in litigation before the Court. However, there is a tradeoff: Some EAJA applications can demand considerable time because they present very complex issues, and resolving these issues continues to require substantial judicial and staff resources. Consequently, processing and disposing of EAJA applications has become an important workload factor.

In addition to the factors addressed above, a third matter has contributed to the amount of the Court's fiscal year 2005 budget request. The budget for all other objects reflects a net increase of $1,170,000. Of this increase, $915,000 would be used for feasibility studies preparatory to design and construction of a Veterans Courthouse. The Court has requested the Department of Defense (DOD) to consider using for this purpose a site on presently available Pentagon Reservation land (either the Hayes, Eads, or Fern Street parking lot, located south of Interstate 395, just north of Army Navy Drive). It is my understanding that the DOD has initiated a feasibility study to determine the "highest and best possible use" of these three sites in Arlington, Virginia. On March 11, 2004, the Chairman and ranking minority member of the House Committee on Veterans' Affairs introduced a bill (H.R. 3936) to require DOD to report on the feasibility of locating a new courthouse for the Court on or proximate to the Pentagon reservation; this would include, of course, the feasibility of the Court's participation in any DOD development project involving these parking-lot sites. That committee held a hearing on this bill on April 29, 2004, at which I presented testimony in support of this bill.

In addition to the Court, occupants of the Courthouse would be members of those constituencies that regularly practice before the Court—VA General Counsel Group VII, the Representation Program, and the appellate litigation staff of the Disabled American Veterans (DAV), the Paralyzed Veterans of America (PVA), and the National Veterans Legal Services Program (NVLSP). The Court has been working with the General Services Administration (GSA) and exploring various courthouse alternatives; the GSA has preliminarily estimated that the Veterans Courthouse would require 121,000 gross square feet or 112,000 rentable square feet of interior space. (It is not anticipated that, if additional veterans organizations were to occupy space, there would be any significant impact on square-footage requirements.) The GSA could work with the DOD to coordinate predesign and preconstruction studies to determine the feasibility of use of one of the sites for the Veterans Courthouse and would provide input during design and construction based on guidelines for Federal courthouses and act as the Federal leasing agent once construction was completed. The Court and its constituencies that have expressed an intent to relocate to the Veterans Courthouse pay (or expressed a willingness to pay, based upon present rental costs) over $3.7 million per year for rent. The GSA anticipates that, at least for the Court and VA, rental costs at our present location will increase substantially in the not-too-distant future. Arlington County government officials have indicated that they support the location of the Veterans Courthouse on one of these sites and have offered to assist in this project.

As H.R. 3936 recites, the Courthouse "would express the gratitude and respect of the Nation for the sacrifices of those serving and those who have served in the Armed Forces, and their families." Given these past, present, and future sacrifices, I cannot imagine a higher or better use for one of these present parking-lot sites than a stand-alone, dedicated Veterans Courthouse and Justice Center, which would express our Nation's strong commitment to ensuring justice for every veteran who—in Abraham Lincoln's words—"shall have borne the battle and for his widow and his orphan." The Pentagon Reservation site would be the ideal setting, given its proximity to the Pentagon, Arlington Cemetery, and the soon-to-be-constructed Air Force Memorial and would be a timely and tangible means of demonstrating to the Nation's veterans and their families how much their sacrifices are valued.

The request for funding also anticipates essentially uncontrollable increased costs for rent and for other services. These services include cross-servicing for payroll and finance and accounting support and for GSA property and disposal services; also included are increases in the cost of the contract with the U.S. Marshals Service for court security officers and in the Court's share of the cost of paying for guards in the building and garage pursuant to a GSA contract with the Federal Protective Service. In addition, a $15,000 increase for travel reflects an increase in the cost of travel, the temporary addition of judges, plans to conduct oral arguments at law

schools and thereby promote education in veterans' law (as discussed further in the next paragraph), and training and possible relocation costs associated with the new judicial appointments. Finally, there is a net decrease of $10,000 realized in the supplies and materials and equipment categories.

Last year, in my statement in support of the Court's budget request for fiscal year 2004, I updated you on two continuing Court initiatives: To promote study of veterans benefits law in the Nation's law schools and to support practitioners in their effort to organize a voluntary bar association. During the past 2 years, the Court held oral argument at five area law schools (Catholic University, Georgetown University, the University of Baltimore, American University, and Howard University), and one of the schools (Catholic University) offered an evening course in veterans benefits law during the Fall 2002 semester (the course is scheduled to be repeated in Fall 2004). The voluntary bar association continues to operate successfully, drawing its dues-paying members (currently over 240) from the appellants' bar, VA, veterans service organizations, and the Court. As one of its activities, the bar association has established a law school education committee, with membership from among the Court's practitioners, including members outside the Washington, DC, geographic area, to support the Court's initiative to promote education in veterans benefits law. These practitioners are working with law professors and law schools throughout the country in exploring various means to expose future attorneys to this practice area.

In conclusion, I appreciate this opportunity to submit this testimony on the Court's budget request for fiscal year 2005. On behalf of the judges and staff, I thank you for your past support and continued assistance. I will be happy to answer any questions that you might have.

CONSUMER PRODUCT SAFETY COMMISSION

PREPARED STATEMENT OF HAL STRATTON, CHAIRMAN

Thank you for this opportunity to present to the subcommittee the appropriation request for the Consumer Product Safety Commission (CPSC) for fiscal year 2005. The Consumer Product Safety Commission is an independent agency charged with protecting the public from unreasonable risks of serious injury or death from more than 15,000 types of consumer products under the agency's jurisdiction. Deaths, injuries and property damage from consumer product incidents cost the Nation more than $700 billion annually.

Since its inception, the Consumer Product Safety Commission has delivered critical safety benefits to America's families and has made a significant contribution to the 30 percent decline in the rate of deaths and injuries related to hazardous consumer products. We are proud of our mission, and we appreciate the subcommittee's strong support of the Commission and its goals over the years.

The CPSC budget request for fiscal year 2005 is $62,650,000. This year's requested level of funding is an increase of $3 million over our fiscal year 2004 budget and is almost exclusively to be used for mandated staff salary and benefit increases and General Services Administration office space rent increases.

Mandated Federal pay increases are the largest part of this request at $1.8 million. This figure is based on the estimated 1.5 percent increase proposed by the President for 2005. Additional mandated salary costs also include staff within-grade increases, staff retirement benefit increases, and staff health insurance benefits increases. Taken together, these increases total over $2.3 million.

Additionally, the General Services Administration's proposed annual increase for space occupied by CPSC in our headquarters, laboratory and field locations is $339,000. We are not increasing our space; in fact, in the past 5 years, CPSC avoided space rent increases of over $1 million annually because our field telecommuting initiative allowed us to reduce space requirements.

Finally, we are requesting $80,000 for operation of a new fire data system. Reduction of fire deaths and injuries is a major effort by the agency and accurate data on consumer product involvement is critical. This initiative builds on a successful pilot conducted in 2002 designed in response to a General Accounting Office criticism of the statistical deficiencies of the National Fire Incident Reporting System (NFIRS) operated by the U.S. Fire Administration and used by CPSC for our fire death and injury estimates.

I would also like to call to your attention the planned modernization of CPSC's aging laboratory facility. While we are not seeking funding in our current budget request for this project, I want to take this opportunity to update the subcommittee on our progress. GSA studies have shown that simply maintaining the existing

structures is not cost effective. We have been working with GSA since 1999 to develop a modernization plan for the former military installation built in the 1950's that serves as our laboratory facility. An architectural firm under contract to GSA is now developing the full costs for implementing the master plan approved last year by the local planning commission. As these cost estimates become available, we will keep you further advised.

A number of Senators have expressed interest in our largest hazard reduction activity, and that is reducing fire injuries and deaths. Under our previous Strategic Plans, we had a target to reduce the rate of fire deaths by 10 percent from 1995 to 2005. I am pleased to report that from 1995 to 1998, the fire death rate was reduced by nearly 15 percent. Because of this success, we decided to retain this as a strategic goal with a new target of an additional 20 percent reduction from 1998 to 2013. Past standard-setting and compliance activities have contributed to the general decline in fires and fire deaths and show that the agency is effective in reducing fire hazards. For this reason, we are accelerating our efforts.

I would also like to update the subcommittee on our efforts with regard to enhancing our ability to measure the number of clothing-related burn injuries, including sleepwear related injuries, to children. In July of last year, CPSC launched the Burn Center Reporting System. This system is capturing information on clothing-related burn injuries to children directly from burn centers throughout the country. All burn centers that treat children have been asked to report to CPSC.

The system went into operation on July 1, 2003. As of this date, participating centers have reported over 100 cases. CPSC staff are investigating every one of these cases to determine the hazard mechanisms and the role of the clothing in the incident. This additional reporting tool supplements data collected by CPSC's other systems and enhances our ability to measure the number of clothing related burn injuries to children. For the record, I would like to thank publicly the American Burn Association and the Shriners Hospitals for Children for their substantial support in making this effort a success. We will be submitting a full written report to the subcommittee later this year.

CPSC has added a new strategic safety goal this year, and that is to reduce the rate of pool and in-home drowning of children under 5 years of age. Annually, an average of 248 children younger than 5 drowned in swimming pools. In addition, an average of 167 children of that age group drown each year from other hazards in and around the house including such common household products as large buckets. It is the second leading cause of death in the home for children under the age of 5.

CPSC is currently developing an action plan to foster greater consumer awareness and learn more about the circumstances and trends relating to childhood drownings. In addition, the staff is developing new guidelines that will be helpful to communities, code developers, and industry in further addressing this drowning hazard in pools and spas. We will be launching a safety campaign and public education initiative this summer, as well as looking at potential new standards and engaging in rigorous compliance enforcement to reduce the number of childhood drownings.

Our proposed budget seeks to build on recent accomplishments and allow the flexibility to initiate new efforts when hazards emerge. Last year, CPSC completed 280 cooperative recalls involving about 40 million product units. In 2003 we completed four civil penalty cases that resulted in almost $2 million in fines. In addition, we secured five criminal convictions for violations of the Federal Hazardous Substances Act.

CPSC sampled and tested shipments containing over 32 million fireworks in 2003. We prevented over 1 million illegal firework devices from entering the United States in 2003. In addition, CPSC in conjunction with the Department of Justice and the Bureau of Alcohol, Tobacco and Firearms and Explosives seized tens of thousands of illegal devices. In addition, other port surveillance activities prevented nearly 400,000 lighters that failed to have child-resistance safety devices from entry.

In 2003 our public information initiatives were supported by 232 press releases, our consumer hotline, radio and TV interviews, almost 2 million distributed publications, e-mail alerts and our National Injury Information Clearinghouse. In just the first 4 months of 2004, our award winning website, www.cpsc.gov has seen more than 12.6 million hits. Each of these visits to our website has the potential to save a life.

Also in 2003 CPSC was pleased to join forces with Amazon.com and eBay to call their customers attention to products offered for sale on their auction sites that might have been recalled and to direct them to CPSC's web site for recall information. Another innovative outreach program is our national campaign, in partnership with the National Association of Resale and Thrift Shops, Goodwill Industries International and the National Safekids organization, to alert the public to the sale by

thrift stores and other resale stores of hazardous products that have been recalled or banned or do not meet current safety standards. Our goal is to eliminate thousands of hazardous and recalled products from the secondary market. Our video news release for this new initiative on thrift and retail stores reached over 24 million viewers.

The creation of Recalls.gov is another significant CPSC safety effort. This is a partnership that CPSC initiated with six other Federal agencies to develop a one-stop-shop for all Federal product recalls. This new website is an easy to use portal for your constituents to access and find out all recall actions on one single website.

We will continue to work hard at the Consumer Product Safety Commission to reduce the deaths, injuries and property loss associated with hazardous products. They cost the Nation hundreds of billions of dollars every year. Our budget request will help us to reduce these costs and the tragic injuries and loss of life they represent. Thank you.

GENERAL SERVICES ADMINISTRATION

FEDERAL CITIZEN INFORMATION CENTER

PREPARED STATEMENT OF TERESA NASIF, DIRECTOR

Mr. Chairman and members of the subcommittee, thank you for the opportunity to present the fiscal year 2005 budget request for the Federal Citizen Information Center (FCIC).

For millions of people, FCIC embodies the best of government—practical, down-to-earth, and dedicated to meeting their needs. In dramatically increasing numbers, citizens are visiting FirstGov.gov, the official portal of the U.S. government, for instant, free access to a great variety of government information and services—from Federal, State, and local agencies. They are also e-mailing or calling FCIC's toll-free National Contact Center with questions about how to check social security benefits, find specialized tax forms, learn about the latest product recalls, or apply for a student loan. And, as they have for more than 30 years, they continue to send for publications from the distribution center in Pueblo, Colorado. As technology provides new ways for citizens to access information and interact with their government, FCIC has responded by developing simple, user-friendly services that millions of citizens rely on each year.

In fiscal year 2003, citizens placed 1.76 million calls, requested 5.92 million print publications, received 990,000 e-letter subscription mailings, made 60,000 e-mail inquiries, and completed 202 million web page views, for a program total of 210.73 million contacts, as compared to a fiscal year 2002 total of 123.57 million contacts. A significant reason for the large increase from fiscal year 2002 to fiscal year 2003 is that FirstGov.gov, the official portal to the U.S. Government, became part of FCIC on June 30, 2002, and fiscal year 2003 shows the first full year impact of having FirstGov.gov page views included in FCIC public contacts.

The Federal Citizen Information Center program mission and goals are also interwoven with the administration's E-Gov initiative, USA Services. The aims of USA Services are to present a single government face to citizens who need timely and consistent responses about government programs, and in so doing, enable the Federal Government to become more citizen-centric. An important component of USA Services is its "front door," a well publicized, easy-to-access point of contact for all citizens.

In fiscal year 2004, FCIC entered its first full year of operations as the infrastructure provider for USA Services, the "front-door" to the government. As such, FCIC operates the service delivery channels by which citizen questions are answered via the web, phone, e-mail, or print publications.

In a move that will save Federal dollars as well as streamline citizen access to government services, FCIC will also receive and respond to telephone calls, and e-mails that are misdirected within the Federal Government. As of March 2004, USA Services has 20 Federal partners who have formally agreed to forward misdirected citizen inquiries to the National Contact Center (NCC), and who are working with USA Services to streamline citizen access to Federal information. FCIC uses its well-established agency liaison program to offer these services to Federal agencies, as well as to offer to set up a system for handling basic, frequently asked questions that can be answered directly by FCIC without a referral to another agency. Just as agencies save money and time by participating in FCIC's publication distribution program, they can also benefit by taking advantage of FCIC's telephone and e-mail answering services.

FCIC uses a variety of methods to measure the quality of its service to citizens. Among these are the volume of contacts; the results of the American Customer Satisfaction Index (ACSI) survey; direct feedback from users via e-mail, telephone, and usability testing; the amount and nature of press coverage and awards received. In fiscal year 2003, FirstGov.gov received the coveted Innovations in American Government Award from Harvard University and the Ford Foundation. FirstGov.gov's January 2004 ACSI scores averaged 74.5. This puts it within reach of top-ranked Google at an ACSI average of 80. It far exceeds the current average for all of the government websites using the ACSI, which is 69.

The pueblo.gsa.gov website, the Pueblo, Colorado publications center, and the National Contact Center also continue to receive highly favorable recognition and press coverage throughout the United States. Citizens have given FCIC high marks on the accessibility and usefulness of information, as FCIC scored a 79 on the 2003 American Customer Satisfaction Index for citizens who ordered print publications. The toll-free National Contact Center received the 2003 Government Customer Support Excellence Award for Overall Customer Support Excellence. Also, FCIC received free advertising space and airtime worth $9.6 million during fiscal year 2003.

Taken all together, these performance measures provide a clear picture of how FCIC is using new technology and innovation, combined with proven practical programs, to provide the highest quality service and the best value to increasing numbers of American citizens.

In fiscal year 2004, FCIC will award a new contact center contract to provide an expanded range of services in support of its ongoing mission, the mission of USA Services, and the missions of other Federal agencies. During fiscal year 2005, FCIC will conduct pilot studies of web chat and co-browsing to assess the public's demand for these services and determine the best ways of offering them in the future. As NCC capabilities expand, the amount of information it provides to the public will grow, both through normal day-to-day operations and through services provided to a variety of customer agencies and E-Government initiatives.

The requested appropriation for fiscal year 2005 totals $14.907 million, an increase of $990,000 from fiscal year 2004. This amount covers 6 additional FTE that will enable FCIC to enhance web content and security and to provide account services to customer agencies.

In fiscal year 2005, FCIC will be responding not only to the ever-changing needs of citizens, but will also be assisting other government agencies in meeting those needs. In keeping with the goals of the E-Gov initiative USA Services, FCIC will provide an expanded array of services to a growing number of Federal agencies. From publication development and distribution, to educational media promotion, to Web site posting, to handling of toll-free telephone calls, to responding to citizen e-mail inquiries, FCIC will enable Federal agency clients to deliver their information and services to citizens through programs that have been proven to be responsive, efficient and cost effective. The end result of all FCIC activities in fiscal year 2005 will be a higher standard of government service that builds public confidence and trust in all citizens.

Mr. Chairman, again I thank you for the privilege of presenting the Federal Citizen Information Center's budget request for fiscal year 2005. I hope the committee will agree that FCIC is a valuable program and that it will look favorably upon our request.

U.S. CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD

PREPARED STATEMENT OF CAROLYN W. MERRITT, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Senator Bond, Senator Mikulski, and distinguished members of the committee, in the last 12 months, the U.S. Chemical Safety Board has continued to advance its life-saving mission of preventing serious accidents at facilities that produce and use chemicals. We thank the committee for having provided the Board with increased resources for the current fiscal year. Our current budget of $8.2 million with a $447,000 emergency fund allows the Board to take on an unprecedented number of significant accident investigations and studies.

The Committee's growing investments in this agency are paying off. Earlier this year, we achieved probably the most noteworthy success in our 6½-year history. On September 30 of last year, the Board voted to recommend that New York City modernize the control of hazardous materials under its existing 86-year-old municipal fire code. The recommendation followed an 18-month Board investigation of a chemical accident in downtown Manhattan, where at least 36 people were injured when

hazardous chemicals—improperly mixed in the basement of a commercial building—exploded and caused the building to partially collapse. The Board's investigation showed how weaknesses in the antiquated fire code were handicapping New York City fire inspectors, preventing effective oversight and enforcement of good hazardous material safety practices in the city.

The Board's September meeting in New York City received extensive public attention, and within weeks legislation was introduced in the city council to begin the process of modernizing the fire code. The Board testified twice before the city council in support of our recommendations, and in March 2004 the city announced that it will be hiring a new staff to spend the next couple of years overhauling the entire city fire code. This process is expected to lead to city's adopting an accepted model code, like the International Fire Code, as other cities have done. At the end of this process, 8 million New Yorkers will be considerably safer.

What is happening right now in New York City is a striking proof of the value of independent, non-regulatory, root-cause investigations of accidents. While society has a strong impulse to find fault and punish wrongdoing when accidents like this occur, our own small agency is dedicated to discovering the true root causes of these events and promoting real safety in the future.

The Board's budget is modest in comparison with the cost of even a single large chemical accident. As you know, we are now engaged in two of the most complex and difficult investigations the CSB has ever undertaken. These are the investigations of last year's catastrophic dust explosions at West Pharmaceutical Services in Kinston, North Carolina, and CTA Acoustics in Corbin, Kentucky. These accidents took 13 lives and injured scores of workers. Two large industrial plants were idled, disrupting hundreds of jobs and undermining the fragile economies of two small towns. The overall cost from these two accidents alone will run to hundreds of millions of dollars.

The Board's independent investigations and recommendations help prevent costly disasters like those in North Carolina, Kentucky, and New York City. We seek additional funds for the Board's work in fiscal year 2005 to further advance this mission. One of our main strategic challenges over the next several years is to gain greater awareness and acceptance of the safety improvements we have recommended, based on our accident investigations. Many of our specific safety recommendations are directed to individual companies that have experienced major accidents.

It is vitally important, however, that we transmit our lessons and recommendations to other audiences beyond the specific recommendation recipients. To make progress nationally, we need thousands of other companies to learn about the causes of accidents, study our findings, and make changes in their operations—before more accidents occur. Promoting those actions will fulfill an important part of our mission. That is why we have requested additional funding of $450,000 for fiscal year 2005—to disseminate our safety information in ways that lead to new prevention initiatives. These funds will allow us to hire three new staff and establish a working program.

I offer several examples where the Board's safety findings—put into the right hands—can help prevent future accidents and save lives. First, there may be hundreds of other plants around the country today that have hidden hazards from combustible dust—chemical dust that can explode as it recently did in North Carolina and Kentucky. Many engineers and managers remain unaware of this danger. Getting them the right information promptly is critically important. Despite the notoriety surrounding the major dust explosions early in 2003, dust explosions continue to occur with great frequency. We receive reports of smaller dust fires and explosions on virtually a weekly basis. On October 29, 2003, 8 months after the explosion in Kentucky, the Board began investigating yet another fatal dust explosion, this time at an automotive parts factory near Fort Wayne, Indiana. Two men were burned severely; one of them later died. Clearly more needs to be done.

There are many other examples where the Board has potentially life-saving information that needs wider understanding, especially among small businesses that have limited resources and limited expertise in process safety, engineering, and risk assessment. In March 2004 we held a public meeting in Louisville, Kentucky, to approve our final report on a fatal explosion at a food additive plant there. People in the community were distressed to learn that straightforward, inexpensive safety equipment could have prevented the blast. As one plant neighbor lamented, "For the want of a safety valve, a man was killed." It sounds simple enough: providing a pressure relief system for any vessel exposed to dangerous internal pressure. Yet in 7 of the 19 major accidents the Board has investigated since 1998, inadequate pressure relief was either a primary cause or a contributing factor. Once again, more needs to be done to get the word out.

As a former industrial manager, let me tell you that nothing motivates you to act—to make any investments, arrange any training, install any safety equipment—like the knowledge of what terrible disaster may happen if you fail to act. That is where the CSB, with its almost 7 years of experience investigating the worst accident sites in the country, has unique credibility and value.

Investigations will continue to be the mainstay of our work, and you can see from the number of investigations begun and completed since 2002 that I have put the main emphasis in that area, consistent with the direction from this committee. Our request seeks additional funding to continue to bolster the Board's investigative work. First, we ask your support to hire a new accident investigator with expertise in the area of human factors. As many of you know who follow aviation safety, the interface between fallible human beings and complex technological equipment is the source of many accidents. Adding a new specialist investigator will allow the CSB to investigate the "human factors" that contribute to deadly chemical accidents in complex manufacturing plants.

Next, we also request funds to hire a new technical writer-editor. The CSB's main products are lengthy written reports. To date, all these reports have been funneled through a single technical writer, creating a bottleneck to report production. Additional funds will support hiring a second individual to accelerate report production and maintain report quality. We also plan to further expand work to put our reports and findings into plain language, useful to workers, members of the public, and other non-technical users.

Over the past year, we have begun by publishing two-page plain-language Investigation Digests of our investigative reports. Seven digests have already been published and we are now planning to issue digests of each of our investigation reports, in both English and Spanish. These digests are receiving extremely positive feedback from trade associations, labor leaders, educators, and safety trainers. Recently, the PACE International Union requested 12,000 copies of one of our digests for training workers on how to maintain safety during process changes. I believe that we have just begun to tap the demand for this kind of plain-language product.

In keeping with our primary focus on investigations, I am also seeking an increase of $400,000 to our new investigative emergency fund. As the committee recognizes, major accident investigations—like our investigation in North Carolina where an entire plant was leveled—have significant and unforeseeable costs. Physical evidence and the recollections of eyewitnesses are short-lived, and when a major accident occurs the Board cannot realistically await a supplemental appropriation from Congress before beginning its work.

In this year's budget, the committee has created a $447,000 emergency fund of "no-year money"—available until it is expended. The use of the money is restricted to extraordinary investigative expenses, and we have not as yet tapped any of the funds. In seeking an increase to this fund, we recognize that extraordinary expenses for testing and contractual support of a major investigation can easily run over the $447,000 ceiling currently in place. For example, extraordinary expenses from our North Carolina and Kentucky dust explosion cases last year exceeded $450,000. Therefore we are requesting an additional $400,000 in no-year money for fiscal year 2005, to bring the total emergency fund to $847,000. The Board is confident that this sum will be sufficient to initiate investigations of any major disasters that may occur.

Additional increases, detailed in our agency's Budget Justification, will fund an expected January 2005 civilian pay increase and modestly increased contract costs associated with the Board's investigations, public affairs, and information technology programs. Increased costs for the latter items are a direct result of the Board's increased investigative workload.

The past year has been one of significant achievement by the Chemical Safety Board. I believe that, with the committee's strong support, the agency has become a powerful voice for the protection of workers, plants, and communities from deadly chemical hazards. I ask for your continued support so that the CSB may fulfill the full breadth of responsibilities that Congress has envisioned. The remainder of my statement provides additional details on the accomplishments of the past year and the work that lies ahead.

HIGH LEVEL OF MISSION ACCOMPLISHMENT

In fiscal year 2003, the Board initiated a total of twelve accident investigations, completed five accident investigations, a case study, and a safety bulletin. The investigation reports included a total of 90 new safety recommendations to government, industry, labor, and other organizations. A summary of the current and recently completed investigations follows.

Recently Completed Investigations

D.D. Williamson & Co. (Louisville, Kentucky).—On the morning of April 11, 2003, one worker was killed at a food additive plant when a process vessel became overpressurized and failed catastrophically. The explosion caused extensive damage to the plant and triggered a secondary release of 26,000 pounds of aqueous ammonia, requiring a community evacuation. The Board approved the final investigation report on March 12, 2004, at a public meeting in Louisville. Recommendations were issued to the company and also to the Commonwealth of Kentucky to increase awareness about existing regulations on the importation and inspection of used pressure vessels.

Catalyst Systems (Gnadenhutten, Ohio).—On January 2, 2003, a vacuum dryer containing nearly 200 pounds of benzoyl peroxide exploded, injuring one worker and damaging a production facility. The Board approved a case study report in October 2003 describing good practices for handling of explosive peroxides, which are widely used in industry.

First Chemical Corp. (Pascagoula, Mississippi).—On October 13, 2002, a violent explosion occurred in a nitrotoluene distillation tower sending heavy debris over a wide area. Debris damaged the control room and narrowly missed a large storage tank that contained highly toxic anhydrous ammonia. The final CSB report on this investigation was approved at a Board public meeting in Pascagoula on October 15, 2003. In addition to recommendations to the facility and its new owner, Dupont, the CSB recommended that Jackson County improve its emergency notification system to better protect and inform residents about chemical accidents. CSB also recommended that the American Chemistry Council improve its Responsible Care voluntary safety program to ensure that companies like First Chemical are fully analyzing process hazards.

Kaltech Industries (New York City).—On April 25, 2002, an explosion occurred at a sign manufacturer in the Chelsea neighborhood of downtown Manhattan, injuring 36 people, including 14 members of the public. The sign company occupied the basement of a mixed-use commercial building. The CSB found that the accident resulted from mixing two incompatible waste chemicals, lacquer thinner and nitric acid, without following basic safety procedures.

In the course of the investigation, the Board held a public hearing on April 16, 2003, in New York City, where city officials and fire code experts discussed the adequacy of hazardous materials controls under New York City's 1918-era municipal fire code. On September 30, 2003, the full Board met again in New York City, approving its final report and citing the city's fire code as a contributing factor in the explosion. The Board called on the Mayor and City Council of New York to adopt a modern set of control measures for hazardous materials, such as those contained in the International Fire Code. On March 5, 2004, the city announced its decision to move forward with a complete revision of the code.

BLSR Operating Ltd. (Rosharon, Texas).—On January 13, 2003, a vapor cloud deflagration and fire erupted at a small petroleum waste disposal facility in rural Texas south of Houston, killing three workers and injuring four. The CSB concluded that the fire could have been prevented if the companies involved had recognized the hazards of the wastes being handled and transported; had safer procedures for handling flammable wastes; and if the companies and regulators had better oversight of the operations. On September 17, 2003, the Board made a series of safety recommendations to prevent a recurrence, calling on the Texas Railroad Commission to require all permitted drillers and producers in the State to furnish workers with appropriate hazard information.

DPC Enterprises (Festus, Missouri).—On August 14, 2002, a chlorine transfer hose ruptured during a rail car unloading operation at a chlorine repackaging facility near St. Louis. Automatic emergency shutdown valves malfunctioned and the leak continued. Several hours elapsed before outside emergency responders in full protective gear were able to reach the rail car and contain the leak. By that time, 48,000 pounds of potentially deadly chlorine had been released to the atmosphere. Three workers and 63 residents sought medical treatment.

Investigators determined that the ruptured hose had the wrong materials of construction. On December 4, 2002, the CSB issued a safety advisory to all users of chlorine transfer hoses, urging them to verify their hoses are correctly constructed. On May 1, 2003, the Board approved its final report on the DPC Enterprises investigation at a public meeting in Festus. The CSB found that better equipment maintenance and quality assurance procedures would have prevented the release. In addition to recommending changes at DPC Enterprises, the Board called on Jefferson County to improve its community notification systems for chemical emergencies. The CSB also called on the chlorine industry and hose distributors to collaborate in making chlorine hoses more readily identifiable throughout the supply chain.

Current Investigations

Formosa Plastics (Illiopolis, Illinois).—On April 23, 2004, five workers were fatally killed and three others were seriously injured when an explosion occurred in a polyvinyl chloride (PVC) production unit at a Formosa Plastics plant located east of Springfield, Illinois. The explosion forced a community evacuation and lighted fires that burned for several days at the plant. The CSB is conducting a full investigation of this accident.

MFG Chemical Inc. (Dalton, Georgia).—On the evening of April 12, 2004, a chemical reactor overheated at the MFG Chemical manufacturing plant, releasing hydrochloric acid and allyl alcohol. The resulting gas cloud sent 184 people to a local hospital and forced the evacuation of nearby residents. The CSB is conducting a full investigation of this accident.

Giant Industries (Gallup, New Mexico).—On April 8, 2004, four workers were seriously injured when highly flammable gasoline components were released and ignited at the Giant Industries Ciniza refinery in northwestern New Mexico. Unknown to personnel, a shut-off valve connecting to a distillation column was apparently in the open position, leading to the release and subsequent explosions. The CSB is conducting a full investigation of this accident.

DPC Enterprises (Glendale, Arizona).—On November 17, 2003, there was a release of chlorine gas from a DPC Enterprises chlorine repackaging facility near Phoenix. Fourteen people, including ten police officers, required medical evaluation for possible chlorine exposure. More than 4,000 households and businesses were ordered to evacuate. The release occurred when excess chlorine vapors from a rail car unloading operation were diverted to a recapture system known as a scrubber. The scrubber malfunctioned, releasing the gas.

Hayes Lemmerz (Huntington, Indiana).—On the evening of October 29, 2003, a series of aluminum dust explosions severely burned two workers, injured a third, and caused property damage to an automotive parts manufacturing plant in Huntington, Indiana, near Fort Wayne. One of the severely burned men subsequently died. CSB plans to issue its final investigation report on this accident in fall 2004.

Isotec (Miamisburg, Ohio).—On September 21, 2003, a violent explosion destroyed an underground distillation tower at the Isotec chemical manufacturing plant in Miamisburg, Ohio, injuring one worker. The explosion ruptured a carbon monoxide gas pipe and led to a precautionary overnight evacuation of about 2000 residents. CSB expects to issue a case study report on this accident in summer 2004.

Honeywell (Baton Rouge, Louisiana).—On July 20, 2003, there was a release of chlorine gas from the Honeywell chemical plant in Baton Rouge, Louisiana. The accident resulted in the hospitalization of four plant workers and required residents within a half-mile radius to shelter in their homes. On July 29, 2003, a worker was fatally injured by exposure to antimony pentachloride when a gas cylinder released its contents to the atmosphere. On August 13, 2003, two plant workers were hospitalized for exposure to hydrofluoric acid. CSB is investigating all three incidents; on March 30, 2004, the Board convened a community meeting in Baton Rouge to present its preliminary findings and receive comments from residents.

CTA Acoustics (Corbin, Kentucky).—On February 20, 2003, an explosion and fire seriously damaged the CTA Acoustics manufacturing plant, fatally injuring seven workers. The facility produced fiberglass insulation for the automotive industry and used a combustible phenolic resin powder as a binder for the fiberglass. CSB investigators have found that the initial explosion and fire occurred on a production line that was partially shut down and being cleaned at the time of the incident. During the cleaning, a thick cloud of dust dispersed around the line. The dust was likely ignited by a fire that spread from the production line's oven, which had malfunctioned earlier and was being operated with its door open.

On July 8, 2003, the Board held a community meeting in Corbin attended by several hundred people. Board investigators presented their preliminary findings and fielded questions and comments from concerned residents and workers. The Board's investigation is now continuing with a detailed examination of components of the malfunctioning oven. Investigators are also examining why many CTA personnel were unaware of the catastrophic potential of resin dust that had accumulated on surfaces around the plant. The Board expects to issue its final report on this investigation in late 2004.

Technic Inc. (Cranston, Rhode Island).—On February 7, 2003, a worker was seriously injured in an explosion at a plant that manufactures precious metal processing chemicals. The explosion occurred during maintenance on a ventilation system connected to multiple chemical reactors, evidently due to an accumulation of reactive material inside. CSB plans to issue its final report on this investigation in summer 2004.

West Pharmaceutical Services (Kinston, North Carolina).—On January 29, 2003, an explosion and fire destroyed the West Pharmaceutical Services plant causing six deaths, dozens of injuries, and hundreds of job losses. CSB investigators have found that the fuel for the explosion was a fine plastic powder used in producing rubber goods. This polyethylene dust accumulated above a suspended ceiling over a manufacturing area at the plant and provided the major energy for the blast.

On June 18, 2003, the Board held a community meeting in Kinston, attended by several hundred people. Board investigators presented their preliminary findings and took questions and comments from the audience. The Board's final report is expected in late 2004.

Hazard Studies and Bulletins

Dust Hazards.—Prompted by the fatal dust explosions at West Pharmaceutical Services, CTA Acoustics, and Hayes Lemmerz in 2003, the CSB has launched a systematic investigation of dust explosion incidents over the last several decades. Preliminary reviews point to a number of other tragic events in recent years, including major fires and explosions at the Malden Mills factory in Lawrence, Massachusetts (December 1995); the Ford Motor River Rouge plant in Dearborn, Michigan (February 1999); the Jahn Foundry in Springfield, Massachusetts (February 1999); and Rouse Polymerics International in Vicksburg, Mississippi (May 2002). These accidents caused numerous deaths and injuries as well as extensive property damage and economic losses.

A main purpose of the hazard study will be to assess the overall effectiveness of current codes and standards for preventing dust explosions. At present, the U.S. Occupational Safety and Health Administration (OSHA) does not have specific standards for controlling combustible dust hazards in many industrial facilities. National standards are in place for dust hazards in coal mines and grain handling facilities. The Board plans to examine whether current regulations are adequate and also how to improve awareness of dust hazards among industrial managers nationwide.

Sodium Hydrosulfide Handling.—As an outgrowth of the Board's November 2002 Georgia Pacific investigation, CSB staff are conducting a review of other incidents involving sodium hydrosulfide, the chemical which reacted at a Georgia Pacific paper mill to release toxic hydrogen sulfide gas from a process sewer, killing two contract workers and injuring eight others. CSB expects to issue a safety bulletin highlighting good practices for handling sodium hydrosulfide in summer 2004.

Nitrogen Asphyxiation Hazards.—In June 2003 the CSB completed a nationwide review of incidents similar to the March 1998 nitrogen asphyxiation incident at Union Carbide in Hahnville, Louisiana, which the CSB investigated. The new CSB study identified a total of 85 incidents that occurred in the United States between 1992 and 2002 and involved exposure to dangerous nitrogen-enriched, oxygen-poor atmospheres. Together these incidents caused 80 deaths and 50 injuries. The CSB developed a safety bulletin on nitrogen asphyxiation hazards, highlighting a variety of good practices to avoid such incidents. The CSB also developed a short safety pamphlet and training slide presentation on nitrogen hazards.

Safety Recommendations Program

Recommendations are the CSB's principal tool for promoting chemical safety. Each recommendation has one or more specific recipients, who are the parties best able to carry out the recommended action to improve safety. Once the Board has issued a recommendation, CSB recommendations staff encourage adoption and track implementation activities. The Board aims for a cumulative 80 percent acceptance rate for our recommendations.

We have continued to receive excellent cooperation from recommendation recipients over the past year and have received numerous responses indicating positive actions underway or planned. In fiscal year 2003, the CSB successfully closed 10 outstanding safety recommendations. While these safety actions represent important progress that will help prevent accidents, the Board will continue to work for faster progress in this area. As we have increased our output of investigation reports and safety recommendations, our ability to track adoption of those recommendations has not kept pace. As a result, the CSB will this year be doubling the amount of staff time allocated for closing recommendations. The Board has just completed hiring a senior-level recommendations staff supervisor, who will oversee the program and will report directly to the CEO.

The recommendations program continues to deliver important safety improvements around the country. Earlier, I mentioned how the Board's recommendations have motivated New York City to modernize its 86-year-old fire code. Earlier, in March 2003, the Board completed an investigation of a catastrophic chemical fire in Brazoria County, Texas, south of Houston. The Board found that the county had

no fire code for unincorporated areas, and as a result a facility that stored more than a million gallons of combustible petrochemicals lacked basic fire protection—such as smoke alarms, sprinklers, and fire walls. A small fire that started overnight spread to engulf and destroy the entire multi-acre facility, which had employed about 100 workers. Less than a week after receiving a safety recommendation from the CSB, Brazoria County supervisors voted to adopt the International Fire Code.

The Board continues to press for effective actions on the control of reactive hazards—the dangers associated with uncontrolled chemical reactions at industrial sites. The Board's 2002 hazard study, Improving Reactive Hazard Management, documented 167 serious reactive chemical accidents over the past two decades. Those accidents caused more than 100 fatalities as well as numerous injuries and huge property losses. The CSB found that more than half the chemicals involved in these accidents are currently exempt from Federal process safety regulations. In September 2002 the Board called on OSHA and EPA to revise those rules to broaden coverage of reactive hazards.

In June 2003, the Board organized and co-sponsored (with OSHA and EPA) a daylong stakeholder roundtable meeting in Washington, DC, to discuss possibilities for reforming the process safety rules. The Board was highly encouraged by statements from both industry and labor representatives at the meeting in favor of broader regulatory coverage for reactive chemicals. All parties recognized the seriousness of the problem and the need for more actions to prevent catastrophic accidents. In August 2003, 2 months after the meeting and less than a year after the Board's hazard study, New Jersey acted to add reactive chemicals to the State's list of regulated "extraordinarily hazardous substances"—an action that will result in additional safety controls among New Jersey chemical plants. The Board continues to hope that similar action will be forthcoming at the Federal level and is working toward that end.

CSB Expands Community and Web-Based Outreach

The CSB has found great value in conducting its public business in the communities that are directly impacted by chemical accidents. CSB public and community meetings have garnered hundreds of audience participants and received widespread news coverage among local and regional news media, reaching audiences that number in the millions. The CSB's objective, scientific investigations are proving to be one of the most important ways that community members can learn about the causes of chemical accidents and ways they can participate with companies to help prevent future occurrences.

Over the past year, the Board has held public meetings, community meetings, and hearings in Louisville, Kentucky; Pascagoula, Mississippi; Festus, Missouri; Kinston, North Carolina; Corbin, Kentucky; Baton Rouge, Louisiana; and twice in New York City. The Board has continued to offer free webcasts of significant public meetings, which reach hundreds of additional viewers who are unable to attend the meetings in person.

In August 2003, the Board launched a completely revised version of its popular website, CSB.gov, with streamlined access to CSB accident reports, video webcasts, safety recommendations, and other information. Selected information is now being made available in the Spanish language as well as English, and we plan to increase this service in coming months. In December 2003 the Board launched a new live incident news service from CSB.gov, with updates from around the world every 15 minutes, a popular feature among safety professionals who track chemical accidents.

INSPECTOR GENERAL OVERSIGHT

During fiscal year 2004, the CSB will be transitioning to a new Inspector General (IG) shared with the Environmental Protection Agency. In January 2004, the CSB received its last program audit report from its outgoing Inspector General, the IG of the Department of Homeland Security (formerly the IG of the Federal Emergency Management Agency). That report included 11 new recommendations for improving agency operations. The CSB responded to all 11 recommendations and will be moving forward with implementation over the coming year.

While the report highlights some important areas for improvement, particularly in the tracking of chemical incidents and open safety recommendations, I was pleased by the generally positive conclusions of this final audit report. The Inspector General found, for example, that ". . . the CSB increased its productivity and stability under new management during the past year. The CSB is progressing toward meeting its statutory responsibilities and has increased the number of investigations it performs." (IG Report, p. 1) Of note to the committee will be the outgoing Inspector General's assessment that "the CSB lacks the resources to investigate all accidents within its purview."

HOMELAND SECURITY

In accordance with new committee report language this year, the CSB has sought discussions with the Department of Homeland Security (DHS) on a new Memorandum of Understanding (MOU). The MOU will describe terms of cooperation between the two agencies. The Board will report back to the committee by June 2004 on its progress, and we look forward to further support and encouragement from the committee to promote the swift negotiation and completion of this agreement.

I also draw the committee's attention to recent Board findings that have important ramifications for homeland protection. CSB's investigations typically include an examination of the adequacy of local emergency response to chemical accidents. Three of our recent investigations revealed a lack of sufficient local preparation for a major chemical event. I refer to Board investigations at First Chemical Corporation in Pascagoula, Mississippi; Isotec in Miamisburg, Ohio; and DPC Enterprises in Festus, Missouri.

These investigations found that local authorities have difficulty notifying residents of a chemical release and informing them of the appropriate safety actions, such as evacuation or sheltering. In Missouri, lack of adequate planning beforehand prevented emergency responders from containing a serious chlorine release for several hours. If the wind had been blowing in a slightly different direction that day, the plume would have drifted over a residential area, with potentially grave consequences. While I believe all these communities are working aggressively to address the gaps that were uncovered, it is likely that other communities around the country may have similar shortcomings in their preparations to survive a terrorist attack on a chemical plant.

We communicated the Board's concerns in this area to Homeland Security oversight committee members in correspondence last year. We also anticipate discussing these concerns with DHS officials as we proceed with an interagency agreement. I thank the committee for seeking the Board's assistance and cooperation on these vital homeland security issues. As the foregoing examples show, I believe this is an area where the Board can make a positive contribution.

CONCLUSION

The last 18 months mark a major turnaround for the Chemical Safety Board. Following several years of organizational challenges, the CSB is now producing considerable value for the taxpayers—issuing reports, studies, and recommendations that safeguard workers, plants, and the public from chemical accident hazards. The Board is back on track as a strong, nimble Federal agency that works closely with industries and communities that suffer deadly chemical disasters. The CSB's work helps to save lives and make plants and communities safer. I urge the committee's support for modest budget increases that will allow the Board to be even more effective in the future.

NONDEPARTMENTAL WITNESSES

[CLERK'S NOTE.—The following testimonies were recieved by the Subcommittee on VA, HUD and Independent Agencies for inclusion in the record. The submitted materials relate to the fiscal year 2005 budget request.

The subcommittee requested that public witnesses provide written testimony because, given the Senate schedule and the number of subcommittee hearings with Department witnesses, there was not enough time to schedule hearings for nondepartmental witnesses.]

PREPARED STATEMENT OF THE AMERICAN SOCIETY FOR MICROBIOLOGY

The American Society for Microbiology (ASM) appreciates the opportunity to submit testimony on the fiscal year 2005 appropriation for the Environmental Protection Agency (EPA). The ASM is the largest single life science organization in the world, comprised of more than 43,000 members. ASM members are involved in research to improve human health and the environment and work in academic, industrial, medical, and governmental institutions worldwide. The ASM's mission is to enhance the science of microbiology, to gain a better understanding of life processes, and to promote the application of this knowledge for improved health, and for economic and environmental well-being.

The EPA's mission is to protect human health and to safeguard the natural environment (air, water, and land). The ASM believes that sound public policy for environmental protection depends on adequately funded programs of intramural and extramural research based on scientific peer review to assure that support is awarded to research that has both quality and relevance. The Nation spends comparatively little on environmental research, even though health and the environment are often integrally related. It is essential that the EPA's Science to Achieve Results Research (STAR) program and Indoor Air Quality research, Clean and Safe Water research, and Surface Water Protection and Drinking Water research programs be adequately funded in the EPA budget.

Unfortunately, the EPA budget proposes a 12 percent funding cut for EPA science and technology programs below the fiscal year 2004 allocation, despite the importance of these programs to addressing increasingly complex environmental problems. ASM urges Congress to provide increased funding for EPA science and technology programs. EPA depends on excellent research programs to evaluate risk, develop and defend protective standards, anticipate future health and environmental threats, and to identify solutions to environmental problems.

STAR GRANTS PROGRAM

EPA's Office of Research and Development (ORD) manages the STAR grants program, which is a competitive, peer-reviewed, extramural research grants program intended to increase access to the Nation's best scientists and engineers in academic and other non-profit research institutions. Research sponsored by the STAR program allows the EPA to fill information gaps that are not addressed completely by its intramural research programs, and to respond to new and emerging issues that the agency's laboratories are not able to address.

The EPA budget requests a 35 percent, or $35 million, cut in funding for the STAR grants program from fiscal year 2004. The National Academy of Sciences (NAS) has urged the continuation of and investment in the STAR program. In 2003, the NAS released a report titled, "The Measure of STAR: Review of the U.S. Environmental Protection Agency's Science to Achieve Results (STAR) Research Grants Program", which argues that the STAR grants are a critical means for the agency to access scientific expertise that it does not have in-house, and to respond quickly to emerging issues.

Since its inception in 1995, STAR research projects have resulted in articles in highly respected, peer-reviewed journals, and have already helped to improve our understanding of the causes, exposures and effects of environmental pollution and microorganisms in the environment. ASM urges Congress to fully restore funding for the STAR grants program to the fiscal year 2004 level of $100 million. At present, STAR focuses on critical research areas, including the health effects of particulate matter, drinking water, water quality, global change, ecosystem assessment and restoration, human health risk assessment, endocrine disrupting chemicals, pollution prevention and new technologies, children's health, and socio-economic research.

A typical STAR grant is funded at $500,000, with full funding the first year, and may last up to 3 years. With the proposed budget request, approximately 70 fewer individual research projects will be awarded. The proposed 35 percent cut in funding for the STAR program would:

—Eliminate 50 grants in fiscal year 2005 across all areas of the ecological research program.

—Redirect $5 million from research to a pollution prevention outreach program in another part of the EPA. Redirecting these funds would eliminate $3 million in STAR funding, which is EPA's contribution to the EPA-National Science Foundation (NSF) partnership.

—Cut $4.9 million, which would eliminate the entire STAR grant research program on endocrine disruptors. The funds would otherwise have supported research on the extent to which humans and wildlife are exposed to endocrine disruptors, an area that the NAS and the World Health Organization have identified as an important research gap.

—Eliminate STAR research in fiscal year 2005 on how and where mercury moves through the environment.

—Eliminate ORD's contribution to the five EPA established, university-based centers affiliated with 22 universities to address concerns about hazardous substances in the environment.

STAR FELLOWSHIP PROGRAM

The EPA's Graduate STAR Environmental Fellowship Program has been an outstanding success in attracting some of the best young talent to environmental research. Examples of research conducted in the STAR program include new methods of classifying biologically impaired watersheds and the human health effects of particulate matter. This type of research is unique to the EPA and is integral to its role as steward of the environment. Unfortunately, the EPA budget proposes a 40 percent, or $4 million, cut for fiscal year 2005.

ASM believes the Fellowship program is one of the initiatives the Federal Government must fully support to ensure that the Nation is prepared to answer the complex scientific questions of the future. Both the public and private sectors will benefit from a steady stream of well-trained environmental specialists. More than 1,300 applicants compete each year for approximately 100 fellowships through a rigorous merit review process.

The proposed cut of the fellowship program will significantly reduce the number of fellowships granted. ASM urges Congress to restore funding for the STAR fellowship program to its fiscal year 2004 level of $10 million. Additionally, ASM shares the concern raised by the EPA's Science Advisory Board (SAB) that without the Fellowship program, the EPA may be unable to replace many of the EPA scientists nearing retirement with top-level scientists. This issue will become more pronounced as time goes on, increasing the need for more support for this fellowship program.

WATERBORNE PATHOGENS

Although the American public enjoys safe drinking water, waterborne disease outbreaks caused by pathogenic bacteria, viruses, and parasites continue to be reported periodically. Surface water and groundwater sources can be contaminated with many different types of chemical substances and microorganisms. Furthermore, the disinfection process itself creates a number of potentially toxic chemical byproducts. EPA conducts the necessary research to provide a strong scientific foundation for standards that limit the public's exposure to drinking water contaminants and disinfection byproducts. This research supports major regulatory activities including the Microbial/Disinfection Byproduct Rules, and future decisions on unregulated pathogens and chemicals. EPA is conducting research on waterborne pathogens, arsenic, disinfection byproducts, and other chemical contaminants to protect the Nation.

INDOOR AIR QUALITY

Every breath we take, indoors and out, we inhale not just life-sustaining oxygen but dust and smoke, chemicals, microorganisms, and particles and pollutants that float on the air. The average human inhales approximately 10 cubic meters of air daily. Because most people spend about 22 hours each day indoors, poor indoor air quality (IAQ) affects both public health and national productivity. At present, a shortage of IAQ research leaves much unknown about cause-and-effect specifics, but there is little doubt that contaminated buildings are attracting more attention as occupants develop often vague symptoms followed by remediation, litigation, and other costly outcomes.

Although IAQ issues are often viewed as a problem of modern buildings, connections made between air and disease date to ancient times. Long before the germ theory of disease and its indictment of pathogenic microorganisms, humans associated foul miasmas like "sewer gas" with infectious diseases such as malaria. Initially, prevention of disease transmission by infectious pathogens became the principal concern of early public health advocates. Today we understand that airborne nonpathogenic organisms, fragments of microbial cells, and by-products of microbial metabolism also cause problems. ASM believes that more research is needed in this area for the safety and protection of human health.

CONCLUSION

Well-funded research is needed to address emerging issues affecting the environment and human health. For EPA to fulfill its mission to protect human health and to safeguard the natural environment, ASM urges Congress to increase funding for the EPA's science and technology programs to their fiscal year 2004 level.

The ASM appreciates the opportunity to provide written testimony and would be pleased to assist the subcommittee as it considers its appropriation for the EPA for fiscal year 2005.

SCHEDULE OF FEDERAL AWARDS 2004

Federal Grantor/Pass-through Grantor/Program Title	Cost Center	Federal CFDA Number	Program or Award Amount	Grants Receivable 1/1/2004	Receipts or Revenue Recognized	Disbursements/ Expenditures	Grants Receivable 12/31/2004
MAJOR PROGRAMS:							
Resident Postdoctoral Research	783	93.283	$999,381.00	$89,902.49			$89,902.49
Total Major Programs			999,381.00	89,902.49			89,902.49
OTHER FEDERAL ASSISTANCE:							
HHS:							
NIGMS-MARC	789	93.88	431,300.00				0
Environmental Micoorganisms	694	93.856	10,000.00				0
DNA Repair and Mutagenesis	457	93.393	25,000.00				0
Summer Institute	848	93.856	24,000.00	532.99			532.99
Conf Biofilms	425	93.121	25,000.00	25,000.00			25,000.00
Environmental Pathogens	694	93.856	10,000.00				0
Microbial Triggers of Disease	666	93.855	5,000.00				0
Candida and Candidiasis	434	93.121	10,000.00				
National Science Foundation:							
Plant Biotechnology	678	47.074	15,000.00				0
Pathogens	697	47.074	110,000.00	33,608.72			33,608.72
Sub Contract BioSciEd Net	787	47.076	100,000.00	30,838.75			30,838.75
Beyond Microbial Genomics	691	47.074	15,000.00				
U.S. Department of Energy:							
DNA Repair and Mutagenesis	457	81.049	20,000.00				0
Prokaryotic Development	472	81.049	10,000.00				0
Geobiology	675	81.049	15,000.00				0
Microbial Ecology and Genomics	676	81.049	25,000.00				0
Multicellular Cooperation	671	81.049	15,000.00				0
Systems Microbiology	691		10,000.00	6,461.06			6,461.06
USDA:							
Conference Salmonella	421	10.206	10,000.00	10,000.00			10,000.00
Pre-harvest Food Safety	663	10.001	5,000.00	5,000.00			5,000.00
Pre-harvest Food Safety	663	10.2	25,000.00	19,350.00			19,350.00
Pre-harvest Food Safety	663	10.206	10,000.00	7,000.00			7,000.00
Conf Salmonella Pathogenesis	421	10.206	10,000.00				0
EPA:							
Microbial Eolocy	676	66.5	20,000.00				0

Infectious Disease GI Tract	670	66.606	50,000.00				0
PO HHS/FDA Pre-harvest Food	663		10,000.00	10,000.00			10,000.00
PO US Dept of Army	475		10,000.00				0
Total Other Awards			1,025,300.00	147,791.52	0.00	0.00	147,791.52
Total Federal Awards			2,024,681.00	237,694.01	0.00	0.00	237,694.01

PREPARED STATEMENT OF THE AMERICAN SOCIETY FOR MICROBIOLOGY

The American Society for Microbiology (ASM) appreciates the opportunity to submit testimony on the fiscal year 2005 appropriation for the National Science Foundation (NSF). The ASM is the largest single life science membership organization in the world, comprised of more than 43,000 members. The ASM's mission is to enhance the science of microbiology, to gain a better understanding of life processes, and to promote the application of this knowledge for improved health, and for economic and environmental well-being.

The NSF is the premier source of Federal support for mathematic, scientific, and engineering research and education across many disciplines. NSF support plays a critical role in the health of the Nation's academic system, which is the source of new ideas and human resources in science. Although NSF represents less than 4 percent of the total Federal funding for research and development (R&D), it accounts for approximately 13 percent of all Federal support for basic research and 40 percent of non-life-science basic research at U.S. academic institutions. NSF's broad support for basic research, particularly at U.S. academic institutions, provides not only a key source of funds for discovery in many fields, but also unique stewardship in developing the next generation of scientists and engineers. NSF is also the principal Federal agency charged with promoting science and engineering education at all levels and in all settings, from pre-kindergarten through career development. This helps ensure that the United States has world-class scientists, mathematicians and engineers, and well-prepared citizens.

ASM appreciates the support that both the Congress and the administration have demonstrated for the National Science Foundation through the enactment of the NSF Authorization Act of 2002 (Public Law 107–368). Public Law 107–368 authorizes a 5-year period of 15 percent annual budget increases for the NSF. We encourage Congress to act upon their commitment and increase funding for NSF by 15 percent, or $837 million, for fiscal year 2005, raising the NSF budget to $6.4 billion. Increasing NSF's budget by 15 percent will allow for additional investments in grants, fellowships, and in cross-cutting research priorities like Biocomplexity in the Environment, and Nanoscale Science and Engineering. This recommendation is consistent with that of the Coalition for National Science Funding.

RESEARCH GRANT FUNDING

Fundamental research in the biosciences has laid the foundation for exploring the human genome and now offers new possibilities for understanding the living world from molecules to organisms to ecosystems, providing new discoveries applicable to health, environment, agriculture, and energy. The fiscal year 2005 budget request for NSF is $5.57 billion, a 3 percent or $167 million increase over fiscal year 2004. This current level of funding will provide for a 2.2 percent increase in the average size of awards to $142,000 per year for an average duration of 3 years, assuming there will be a decrease in the number of awards from fiscal year 2004. For core research areas of the biological sciences, it will increase the average size of awards to $190,750 (median award size $140,250) per year for 3 years from $181,670 (median award size $138,070) per year in fiscal year 2004. However, the number of research grants will drop by 2.5 percent, and the funding rate will drop by 1 percent to 19 percent.

Improving productivity of researchers requires increasing the average award size. ASM applauds efforts to increase the average award size, but is disappointed with the decrease in the number of research grants that will be funded. Increasing NSF's budget by 15 percent would allow NSF to increase the size of the awards and increase the number of grants awarded.

The biological sciences program provides support for research to advance understanding of the underlying principles and mechanisms governing life. Research ranges from the study of the structure and dynamics of biological molecules, such as proteins and nucleic acids, through cells, organs and organisms, to studies of populations and ecosystems. It encompasses processes that are internal to the organism as well as those that are external, and includes temporal frameworks ranging from measurements in real time through individual life spans, to the full scope of evolutionary time.

BIOCOMPLEXITY IN THE ENVIRONMENT

As the world faces significant scientific and societal challenges, including the prospect of rapid environmental and climatic changes, biological threats, and the complicated question of long-term environmental security, the NSF has developed an interdisciplinary program called Biocomplexity in the Environment (BE). BE is de-

signed to give NSF the capability to respond to the demand for new approaches to investigating the interactions of all living things at all levels—from their molecular structures to genes to organisms to ecosystems to urban centers—and the environment. Fundamental study of complex environmental systems is a key element of local, national, and global security and critical to the development of new scientific and technological capabilities.

Microorganisms are key components of soils and aquatic environments, and play profoundly important roles in the distribution and activity of plants and animals. Understanding the distribution and activities of microorganisms is essential for addressing numerous environmental challenges. However, only a small percentage of Earth's microbial species are known, which leaves large gaps in our ability to predict the directions of environmental change.

Two priority areas within BE are relevant to the enhanced fundamental understanding of microorganisms important to nature and to human health. These priority areas are:

—Microbial Genome Sequencing is an interagency effort with the U.S. Department of Agriculture (USDA) which uses high throughput sequencing of microorganisms of fundamental biological interest, agriculture, forestry, food and water quality, or value in understanding potential agents of bioterrorism. Genome sequence information will provide the basis for understanding the physiology, pathology, and ecology of these organisms. This knowledge can be applied to detection of organisms and to understanding microbial adaptation to extreme environments, which could lead to the economic uses of microorganisms. Emphasis will also be placed on sequencing of microbes and their association with other organisms, such as plants, animals, and other microbes.

—Ecology of Infectious Diseases is an interagency partnership with the National Institutes of Health (NIH) for the development of predictive models and discovery of principles for relationships between environmental factors and transmission of infectious agents. Potential benefits include the development of disease transmission models, understanding unintended health effects of environmental change, and improved prediction of disease outbreaks, emergence, and reemergence. Examples of environmental factors include habitat transformation, biological invasion, biodiversity loss, and contamination.

This effort to expand multidisciplinary research will result in more complete understanding of natural processes, of human behaviors and decisions in the natural world, and ways to use new technology effectively to sustain life on earth. The President has requested level funding for BE in fiscal year 2005. Increasing NSF's budget by 15 percent would allow NSF to increase its investment in the BE effort.

NANOSCALE SCIENCE AND ENGINEERING

The Nanoscale Science and Engineering effort encompasses the systematic organization, manipulation and control of matter at atomic, molecular, and supramolecular levels. With the capacity to manipulate matter at the nanometer scale (one-billionth of a meter), science, engineering, and technology are realizing revolutionary advances, in areas such as individualized pharmaceuticals, new drug delivery systems, more resilient materials and fabrics, catalysts for industry and computer chips.

NSF has been a pioneer among Federal agencies in fostering the development of nanoscale science. ASM supports the President's request of $305 million in fiscal year 2005, a 20.3 percent increase over fiscal year 2004, for the Nanoscale Science and Engineering effort. Of this amount, $5.85 million will go the Biological Sciences, a 10.2 percent increase over fiscal year 2004. A total of $174 million will be used for Fundamental Research and Education, and of this:

—$24.5 million will be devoted to Biosystems at the Nanoscale, a $3.5 million increase over fiscal year 2004. Biosystems at the Nanoscale support the study of biologically based or inspired systems that exhibit novel properties and potential applications. Potential applications include improved drug delivery, biocompatible nanostructured materials for implantation, exploiting functions of cellular organelles, devices for research in genomics, proteomics and cell biology, and nanoscale sensory systems, such as miniature sensors for early detection of cancer.

—$11.5 million for Nanoscale Processes in the Environment to support studies on nanoscale physical and chemical processes related to the trapping and release of nutrients and contaminants in the natural environment. Potential benefits include artificial photosynthesis for clean energy and pollution control, and nanoscale environmental sensors and other instrumentation.

—$22.2 million devoted to Multi-scale, Multi-phenomena Theory, Modeling and Simulation at the Nanoscale, to support theory, modeling, large-scale computer

simulation and new design tools and infrastructure in order to understand, control, and accelerate development in new nanoscale regimes and systems.

Research at the nanoscale is needed to advance the development of the ultrasmall technology that will transform electronics, materials, medicine and many other fields.

NATIONAL ECOLOGICAL OBSERVATORY NETWORK

The National Ecological Observatory Network (NEON) will be a continental scale research instrument consisting of geographically distributed infrastructure, networked via state-of-the-art communications, for integrated studies to obtain a predictive understanding of the Nation's environment. It will transform ecological research by enabling studies on major environmental challenges at regional to continent scales. Scientists and engineers will use NEON to conduct real-time ecological studies spanning all levels of biological organization and temporal and geographical scales.

The President has requested a $12 million increase for NEON over fiscal year 2004 for a total of $16 million in fiscal year 2005. In fiscal year 2004, $4 million was allocated to the Biological Sciences Directorate to develop the NEON Coordinating Consortium (NCC) and Project Office. These units will refine the NEON project, scope, budget, and schedule for research infrastructure. The President has requested level funding for fiscal year 2005 for finalizing the development of the NCC and Project Office, and for funding research on enabling technologies. The remaining $12 million will go to the Major Research Equipment and Facilities Construction Account to initiate construction of the first two NEON observatories.

It is estimated that 1,400 field biologists will use NEON annually. A larger number of scientists, students, resource managers, and decision makers will make use of NEON data, both directly and indirectly, through the network capabilities and data distribution and sharing technologies via the network and the internet. Increasing NSF's budget by 15 percent would allow NSF to increase its investment in NEON. NEON is a resource that has the potential to transform ecological research.

CONCLUSION

The NSF plays a key role in support of basic science in the United States and knowledge gained from NSF studies directly benefits industry and contributes to the Nation's economy and international competitive position. The NSF is in a singular position among all the Federal research and development agencies to support fundamental research in important areas including, microbiology and molecular biology. ASM urges Congress to protect ongoing and future U.S. scientific and technological advancements by supporting a 15 percent budget increase in fiscal year 2005 for the NSF. The ASM also believes NSF should continue to emphasize fundamental, investigator initiated research, research training, and science education as its highest priorities.

The ASM appreciates the opportunity to provide written testimony and would be pleased to assist the subcommittee as it considers its appropriation for NSF for fiscal year 2005.

PREPARED STATEMENT OF THE ASSOCIATION OF STATE DRINKING WATER ADMINISTRATORS

INTRODUCTION

The Association of State Drinking Water Administrators (ASDWA) is pleased to provide testimony to the VA, HUD and Independent Agencies Subcommittee on Fiscal Year 2005 Appropriations for the U.S. Environmental Protection Agency. ASDWA represents the State drinking water programs in each of the 50 States and territories in their efforts to ensure the provision of safe, potable drinking water to more than 275 million consumers nationwide. ASDWA's primary mission is the protection of public health through the effective management of State drinking water programs that implement the Safe Drinking Water Act (SDWA).

TODAY'S MESSAGE

States Need Increased Federal Support

State drinking water programs strive to meet their public health protection goals through two principal funding programs—the Public Water System Supervision Program (PWSS) and the Drinking Water State Revolving Loan Fund Program

(DWSRF). Since enactment of the 1996 Safe Drinking Water Act Amendments, the State role in public health protection has increased dramatically in both scope and complexity. Since September 2001, State drinking water programs have accepted additional responsibilities to work with all public water systems to ensure that critical drinking water infrastructure is protected and that plans are in place to respond to a variety of possible emergency scenarios.

HOW STATES USE FEDERAL FUNDS

The PWSS Program

To meet the requirements of the SDWA, States have accepted primary enforcement authority for oversight of ongoing regulatory compliance and technical assistance efforts for 160,000 public water systems to ensure that potential health based violations do not occur or are remedied in a timely manner. Going beyond these longstanding core responsibilities, since 1996, State drinking water programs have participated in the development and implementation of more than 20 new regulations and strategic initiatives designed to enhance the protection of public health. States are also implementing an array of proactive initiatives to protect public health from "source to tap"—including source water assessments and controls; technical assistance with water treatment and distribution; and enhancement of overall water system capacity. State activities go far beyond simply ensuring compliance at the tap.

The DWSRF Program

The DWSRF program is less than 10 years old, having been created under the SDWA Amendments of 1996. In that short period of time, State drinking programs have accomplished much. Through prudent fiscal management and oversight, States have managed to leverage their resources to fund nearly $7 billion in low or no interest loans to more than 3,000 communities. Of those totals, approximately 74 percent of the loans and 40 percent of the dollars have gone to smaller communities serving populations of less than 10,000 people.

New Security Responsibilities

Since the terrorist attack in September 2001, States have taken extraordinary measures to meet the security-related needs of the drinking water community. State drinking water programs have endeavored to respond to the significant number of requests for assistance, information, and financial support from the systems under their purview and to determine how best to ensure that drinking water supplies are protected in the event of further terrorist activities. States have also been instrumental in providing support and assistance to systems in assessing whether a contamination event has occurred and, if so, evaluating the magnitude of the public health implications. States have devised training and technical assistance programs, initiated new communications structures, and begun the work of integrating the concepts of enhanced security concerns throughout all aspects of the drinking water program.

WHY INCREASED FUNDING IS NEEDED

States must accomplish all of the above-described activities and take on new responsibilities while responding to escalating pressures to further cut their budgets, streamline their workforces, and operate with less State-provided financial support. State drinking water programs have always been expected to do more with less and States have always responded with commitment and ingenuity. However, State drinking water programs are now in crisis.

In 2002, ASDWA asked each State to complete a self-analysis of their program needs. All 50 State drinking water programs responded. The results, compiled into a document entitled "Public Health Protection Threatened by Inadequate Resources for State Drinking Water Programs: An Analysis of State Drinking Water Programs Resources, Needs, and Barriers", document a shortfall of approximately $230 million between the funds available to States and the amount needed to fully implement State drinking water programs. This ever-widening gap is projected to grow to approximately $370 million by 2006.

Although the 1996 SDWA Amendments authorized the PWSS Program at $100 million per year and the DWSRF at $1 billion per year; through fiscal year 2003, the last year for which comparable figures are available, funds for neither program were requested or appropriated at the authorized amount. Through fiscal year 2003, States and territories received only 87 percent of the PWSS authorization and just 82 percent of authorized levels for DWSRF funds that enable them to make loans to drinking water systems. In fiscal year 2003, although the PWSS appropriation

was increased to $102.6 million, the amount has been reduced by an across-the-board rescission and the approximately 7 percent taken off the top to meet EPA tribal and direct implementation needs. No increase was provided for the DWSRF. These actions, in effect, have amounted to a net decrease in funds each year as the spending power of these dollars steadily declined due to inflation and cost of living increases. Meanwhile, the demands on State drinking water programs have increased exponentially, as discussed earlier.

States must contribute a 25 percent match to be able to receive Federal PWSS program funds and 20 percent to receive their DWSRF funding allocation. Because the needs are so great, States also bring additional dollars to the table through fee programs, general fund allocations, and other sources. However, many States no longer have the luxury—or ability—to continue to overmatch their contributions to support and sustain Federal programs.

FISCAL YEAR 2005 REQUEST LEVELS AND SDWA PROGRAM OBLIGATIONS

The PWSS Program

This year, the State PWSS program request level in the administration's budget has increased to $105.1 million. If approved, and unless the request amount suffers another rescission, this action would provide an additional $2 million for States to use for public health protection activities. While States are appreciative of these new funds, they are a literal drop in the bucket (an average of $40,000 per State), in view of the magnitude of the needs documented in the aforementioned State resource needs report. Substantial new appropriations are needed for the PWSS program and we would recommend that the subcommittee double the requested level to begin to address the State resource gap or at least provide funding that would represent substantial movement in that direction. These new dollars are sorely needed so that States can manage to maintain effective implementation of all of their pre-1996 core responsibilities and take on an overwhelming list of additional tasks, programs, and regulatory implementation requirements such as those for the arsenic, radionuclides, and microbial disinfection byproducts rules. States also must continue in their responsibilities to ensure that public health is protected through preventive measures such as waterborne disease surveillance, risk communication, sanitary surveys, laboratory certification, permitting, and emergency response.

ASDWA respectfully requests that the subcommittee appropriate an amount substantially greater than the requested amount of $105.1 million in recognition of the current State drinking water resource gap in order to support the PWSS Program for fiscal year 2005. (Doubling of the requested amount would be in the range of the current gap.)

The DWSRF Program

The fiscal year 2005 DWSRF program request in the President's budget is once again $850 million. The primary purpose of the DWSRF is to improve public health protection by facilitating water system compliance with national primary drinking water regulations through the provision of loans to improve drinking water infrastructure. The 1999 EPA Drinking Water Infrastructure Needs Survey indicated that water system needs total $150.9 billion over the next 20 years to comply with SDWA mandates and that $102.5 billion is needed today to address pressing public health needs. In 2002, EPA developed its own "gap analysis" and reported that drinking water capital needs over a 20-year period (2000–2019) are estimated to range from $154 billion to $446 billion with a point estimate of $274 billion. Of note is that neither of these assessments included the impacts of security upgrades now being required of water systems. Despite these documented needs, the maximum DWSRF appropriation has been $850 million. Without significant increases, the DWSRF will never be able to meet the SDWA compliance and public health protection goals for which it was designed.

ASDWA respectfully requests that the subcommittee appropriate at least $2 billion to support the DWSRF Program for fiscal year 2005 and further requests that, in the absence of authorizing legislation for fiscal year 2004 and beyond, the backlog of $3.48 billion in unfunded authorizations through fiscal year 2003 also be appropriated to assist States and water systems in meeting current public health and security related infrastructure needs.

Security Responsibilities

The fiscal year 2005 budget request includes $5 million for State drinking water programs to continue to expand their security activities, particularly for small and medium systems. States are obligated to provide technical assistance, training, and support as drinking water systems strive to meet the security requirements imposed by the Bioterrorism Act of 2002. Since September 11, States have worked to provide

accurate and timely information to the drinking water community on potential threats, effective countermeasures, and available technical assistance to enhance the physical and cyber security programs of water utilities. States have developed coordinated communications processes within and across State government, with appropriate Federal agencies, and with the drinking water utilities under their purview to ensure that immediate response can be made in the event of a credible threat or event.

ASDWA respectfully requests that the subcommittee appropriate at least $5 million to support State drinking water program security initiatives in fiscal year 2005.

STATE ACCESS TO DWSRF FUNDS

ASDWA's own research into State program needs to sustain the effectiveness of this public health program under the DWSRF shows that States face significant barriers in accessing and utilizing the funds effectively: 62 percent of the States cannot meet the multiple match requirements (basic program access plus additional match dollars to be able to use certain set-aside funds) attached to the DWSRF and 76 percent of all State drinking water programs have difficulty in overcoming the inherent tension between use of the fund for administrative versus infrastructure needs. One "no cost" solution would be to eliminate the dollar-for-dollar match requirement for the 10 percent program management set-aside. (The current dollar-for-dollar match requirement is on top of an existing 20 percent match for the fund as a whole; thus making it, in reality, a 120 percent match requirement.) This action would require no new funds and would go a long way toward helping State drinking water programs meet their obligations under the SDWA.

ASDWA advocates an amendment to the DWSRF provisions at SDWA Section 1452(g)(2) that would eliminate the additional dollar-for-dollar match requirement for States to access the 10 percent set-aside for program implementation activities and would appreciate the support of the Appropriations Committee in this regard.

CONCLUSION

A strong drinking water program supported by the Federal-State partnership will ensure that the quality of drinking water in this country will not deteriorate and, in fact, will continue to improve—so that the public can be assured that a glass of water is safe to drink no matter where they travel or live. States are willing and committed partners. Additional Federal financial assistance is needed, however, to meet new regulatory and security needs. In 1996, Congress provided the authority to ensure that the burden would not go unsupported. In 2004, ASDWA asks that the promise of that support be realized.

ASDWA appreciates the opportunity to provide this testimony to the subcommittee for its consideration and stands ready to work with the subcommittee to ensure the continued protection of public health through provision of safe drinking water.

PREPARED STATEMENT OF THE AMERICAN GEOLOGICAL INSTITUTE

Chairman and Members of the subcommittee, I appreciate this opportunity to present testimony on behalf of the American Geological Institute (AGI) in support of fiscal year 2005 appropriations for the National Science Foundation (NSF). The fundamental research funded by NSF has fueled our Nation's economic growth and contributes to improvements in our health, safety, and quality of life. This subcommittee has shown leadership in expanding the Federal investment in fundamental research, leadership that will be even more critical in the coming year. AGI urges the subcommittee to provide the requested amount for the EarthScope project in the Major Research Equipment, Facilities and Construction account and to go beyond the President's request by expanding support for the Geosciences Directorate within the Research and Related Activities account. Both EarthScope and the core programs of the Geosciences Directorate represent an important investment in the future of our Nation and our planet.

AGI also supports the Coalition for National Science Funding and its stated target of a 15 percent increase in total funding for the Foundation. This is the amount specified in Public Law 107–368 enacted in December 2002.

AGI is a nonprofit federation of 42 geoscientific and professional societies representing more than 100,000 geologists, geophysicists, and other earth scientists. Founded in 1948, AGI provides information services to geoscientists, serves as a voice for shared interests in our profession, plays a major role in strengthening geo-

science education, and strives to increase public awareness of the vital role the geosciences play in society's use of resources and interaction with the environment.

Geoscience research plays an increasingly important role in an ever-growing range of scientific and societal problems, and Federal investments in geoscience research should increase accordingly. Global climate change, natural disasters, energy resources, and water quality are just a few of the issues that benefit from improved geoscience knowledge and understanding. Federal investments in geoscience R&D continue to pay enormous dividends, and both the Federal Government and the Nation clearly have a stake in maintaining the health of the basic science on which applications and policy decisions ultimately must be based.

NSF support for geoscience research activities covers the entire spectrum from individual investigators to major research centers and large research programs. Many of the most creative and important advances in geoscience research continue to be made by individual investigators and small research teams that are the backbone of the research and graduate education system. NSF should maintain and enhance support for this vital component of geoscience research.

As noted in the NSF budget request, the Foundation has placed a special emphasis on investments in the physical sciences. We applaud the foundation's emphasis on the need to restore balance and hope that the subcommittee views this commitment to the physical sciences broadly, including the many subdisciplines of the geosciences within that terminological umbrella. While the decline in funding for many non-biomedical disciplines is real, any such refocusing should remain broad enough to ensure the multidisciplinary nature of today's science, mathematics, engineering, and technology research. A balance must be found that maintains NSF's hallmark of supporting the most promising ideas in research and education.

NSF GEOSCIENCES DIRECTORATE

The NSF Geosciences Directorate is the principal source of Federal support for academic earth scientists and their students who are seeking insight into the processes that ultimately sustain and transform life on this planet. The President has requested a small increase (about 2 percent) for this directorate as a whole, including a 2.7 percent increase to the Earth Sciences Division and a 2 percent increase to the Ocean Sciences Division. Moreover, within the $728 million requested for the directorate, there are funds targeted at NSF-wide priorities, which are primarily broad interdisciplinary research and education efforts. Recognizing that these agency priorities areas can result in cutting-edge research and technology, we are nonetheless concerned that the President's request would jeopardize the directorate's core programs to fund what should be complementary initiatives. By meeting the authorized funding level within the Research and Related Activities account, the subcommittee would allow NSF to strengthen core research by increasing the number and duration of grants.

NSF MAJOR RESEARCH EQUIPMENT ACCOUNT: EARTHSCOPE

AGI urges the subcommittee to support the NSF Major Research Equipment, Facilities and Construction budget request of $50.8 million for EarthScope. Taking advantage of new technology in sensors and data distribution, this multi-pronged initiative—begun thanks to the subcommittee's support in fiscal year 2003—will systematically survey the structure of the Earth's crust beneath North America. The fiscal year 2005 request includes continued support for deployment of three components: a dense array of digital seismometers that will be deployed in stages across the country; a 4-km deep borehole through the San Andreas Fault, housing a variety of instruments that can continuously monitor the conditions within the fault zone; and a network of state-of-the-art Global Positioning System (GPS) stations and sensitive strainmeters to measure the deformation of the constantly shifting boundary between the Pacific and North American tectonic plates. AGI supports development in conjunction with NASA of the fourth component, a satellite-based Synthetic Aperture Radar mission that can measure changes in the Earth's crust after earthquakes and volcanic eruptions.

EarthScope has broad support from the earth science community with endorsements from a number of AGI's member societies, including the Association of American State Geologists, Geological Society of America, Seismological Society of America and Society of Exploration Geophysicists. EarthScope has received a very favorable review from the National Research Council, which released a report in 2001 entitled Review of EarthScope Integrated Science.

All data from this project will be available in real time to both scientists and students, providing a tremendous opportunity for both research and learning about the Earth. Involving the public in earth science research will increase appreciation of

how such research can lead to improvements in understanding the environment and a better quality of life. As noted by the National Research Council report: "EarthScope provides an excellent opportunity to excite and involve the general public, as well as K–12 and college students, to work together with the earth science community to understand the earth on which they live." EarthScope can also provide a mechanism to integrate a broad array of earth science research data in a unified system to promote cross-disciplinary research and avoid duplication of effort.

NSF SUPPORT FOR EARTH SCIENCE EDUCATION

Earth science plays a unique and essential role in today's rapidly changing world. Most human activities involve interactions with the planet Earth, and citizens need a basic understanding of our planet in order to make informed decisions about the delicate balance between resource use and environmental protection. NSF can improve the Nation's scientific literacy by supporting the full integration of earth science information into mainstream science education at the K–12 and college levels. The inclusion of earth science as a key component in the National Science Education Standards developed by the National Academy of Sciences presents a tremendous opportunity to achieve this goal.

AGI strongly supports the Math and Science Partnership (MSP) program as it has existed at NSF. This is a competitive peer-reviewed grant program and funds are only awarded to the highest quality proposals. Shifting the MSP program entirely to the Department of Education would mean that all MSP funds would be distributed to States on a formula basis. This would provide no incentive for top researchers to continue to participate in this important program and would limit the flexibility of States to target areas of greatest need. The NSF's MSP program focuses on modeling, testing and identification of high-quality math-science activities whereas the Department of Education program does not. Both the NSF and Department of Education MSP programs are complimentary to each other and are both necessary to continue to reach the common goal of providing world-class science and mathematics education to elementary and secondary school students. AGI opposes the transfer of the MSP from NSF to the Department of Education.

We encourage the Education and Human Resources directorate to expand its interaction with the Geosciences directorate to further integrate research and education activities in the geosciences. Improving geoscience education to levels of recognition similar to other scientific disciplines is important because:

—Geoscience offers students subject matter that has direct application to their lives and the world around them. Civilization depends on responsible use of Earth's natural resources, including energy, minerals, and water. Moreover, geoscience plays a key role in environmental protection.

—Geoscience exposes students to a diverse range of interrelated scientific disciplines. It is an excellent vehicle for integrating the theories and methods of chemistry, physics, biology, and mathematics.

—Geoscience awareness is a key element in reducing the impact of natural hazards on citizens—hazards that include earthquakes, volcanic eruptions, hurricanes, tornadoes, and floods.

We urge NSF to continue playing an active role in the major transformation that is taking place in geoscience education. For example, at the college level, geoscience curricula are changing to better incorporate environmental issues and changing employment opportunities. Improved teaching methods and new educational technology, combined with improvements in college and pre-college geoscience curricula, may help capture and hold the curiosity and enthusiasm of students and better prepare them for the workplace of the 21st century. At the graduate and postdoctoral level, fellowships are increasingly critical in the geosciences because students, following the lead of industry and consumer needs, are conducting research that crosses traditional departmental, disciplinary, and funding boundaries.

Yet some Americans, particularly those of lower income, are still significantly underrepresented in geoscience education. The problem is substantially worse at the graduate level. It is unlikely that any profession, including the geosciences, can flourish without greater participation by all Americans, including those from historically underrepresented groups such as ethnic minorities, women, and people with disabilities. Continued NSF leadership is needed to increase recruitment and retention of students from these groups through improved access to education and research experiences. We must all work together to address the underlying factors that prevent such participation.

I appreciate this opportunity to provide testimony to the subcommittee and would be pleased to answer any questions or to provide additional information for the record.

PREPARED STATEMENT OF THE UPPER MISSISSIPPI RIVER BASIN ASSOCIATION

The Upper Mississippi River Basin Association (UMRBA) is the organization created in 1981 by the Governors of Illinois, Iowa, Minnesota, Missouri, and Wisconsin to serve as a forum for coordinating the five States' river-related programs and policies and for collaborating with Federal agencies on regional water resource issues. As such, the UMRBA has an interest in the budget for the water programs of the U.S. Environmental Protection Agency (EPA).

STATE POLLUTION CONTROL GRANTS (SECTION 106)

UMRBA supports the administration's proposed 11 percent increase in funding for Section 106 State Pollution Control Grants. However, it is important to recognize that this $22 million increase would be dedicated entirely to two specific efforts—i.e., grants to enhance State monitoring and support for implementing confined animal and stormwater permitting. Special monitoring grants totaling $17 million would be targeted to critical information needs, including refined biological assessment methods, probability-based designs, landscape models and other predictive tools, remote sensing to determine where additional monitoring is needed, and targeted monitoring to support implementation of total maximum daily loads (TMDLs). Addressing these critical monitoring needs is at the foundation of the States' ability to successfully implement their Clean Water Act responsibilities. Elsewhere in its budget, EPA is also requesting an additional $3 million for complementary information management efforts within EPA, including improvements to the Storage and Retrieval System (STORET) that the States and others use to archive, analyze, and exchange water quality data.

The other $5 million in new Section 106 funding would help the States meet the increased permitting workload associated with new Federal requirements for concentrated animal feeding operations (CAFOs) and Phase II stormwater regulations. EPA estimates that the universe of regulated facilities has increased ten-fold, further stressing the States' already under-resourced permitting programs. This additional funding, while not sufficient to fully meet the increased demands, is absolutely essential to the States' ability to serve the regulated community.

Under the President's budget, funds in the baseline Section 106 program would remain static. This is the Federal money that is combined with the States' matching dollars to support the core State water quality programs, including water quality assessment and monitoring, water quality planning and standard setting, total maximum daily load development, point source permitting, and training and public information. Adequate funds are particularly critical to supporting the States' development and implementation of TMDLs. The tasks associated with developing TMDLs for impaired waters include watershed characterization, computer modeling and related analyses, allocation of permissible loads, development of TMDL reports and plans, and public outreach and stakeholder development. These responsibilities have the potential to overwhelm State agency resources that are in many cases already strained. Under the fiscal year 2004 budget of approximately $200 million, the five States in the Upper Mississippi River Basin received $21.5 million in Section 106 funding. Continuation of this funding is fundamentally important to the States' ability to carry out their responsibilities under the Clean Water Act.

CLEAN WATER STATE REVOLVING FUNDS

The UMRBA is deeply concerned about the lack of support in the administration's fiscal year 2005 budget proposal for the Clean Water State Revolving Fund (CWSRF), which helps address wastewater infrastructure needs. The CWSRF is widely acknowledged as having been pivotal in improving the Nation's water quality. In fiscal year 2004, the five Upper Mississippi River Basin States received a total of approximately $177 million in CWSRF funding. However, the President is again proposing to cut the CWSRF by almost 37 percent in fiscal year 2005. This would mean $850 million for the CWSRF, rather than its authorized and historical level of $1.35 billion. Given the flexibility to redirect wastewater funds to the Drinking Water State Revolving Fund (DWSRF), even less than $850 million might well be available for the wastewater SRFs. While the flexibility to shift between these two programs can help the States address their most pressing needs, it is no substitute for adequate funding. EPA's own estimates show multi-billion dollar annual funding gaps for clean water and drinking water infrastructure over the next 20 years. While the Upper Mississippi River States would agree with EPA's fiscal year 2005 budget justification that "successfully closing this gap will require more than federal financial assistance," they most definitely do not agree that the appropriate response to this daunting challenge is to reduce the current level of Federal support

still further. The high demand for these funds underscores the need to reauthorize CWSRF funding and increase annual Federal appropriations to at least $3 billion.

STATE NONPOINT SOURCE GRANTS (SECTION 319)

Citing increased resources for the USDA's agricultural conservation programs, the administration has requested $209.1 million for the Section 319 state nonpoint source grant program, a 12 percent cut from the $237.5 million appropriated in fiscal year 2004. Nonpoint sources are one of the major causes of water pollution in the Upper Mississippi River Basin, which drains the Nation's agricultural heartland. Consequently, the proposed reduction in Section 319 funding is particularly troubling to the UMRBA. For each of the past 4 years, the five States in the Upper Mississippi River Basin have been allocated a total of $34 million in nonpoint source grants. While the UMRBA welcomes and supports the expansion of USDA conservation programs, it continues to be essential to fund the Section 319 program as well. Without adequate funding, Section 319 cannot work in tandem with the USDA's conservation programs, and certainly cannot address other pressing nonpoint source needs unrelated to agriculture, such as Phase II stormwater work. Thus, at a minimum, UMRBA urges Congress to maintain funding for State nonpoint source grants at the fiscal year 2004 level of $237.1 million, recognizing that continued progress in addressing nonpoint pollution will require significantly increased resources.

WATER QUALITY INDICATORS AND ASSESSMENT METHODS

Developing sound, scientifically defensible water quality indicators and assessment methods is a nationwide challenge, but nowhere more so than on the country's big rivers. In order to make real progress in meeting this challenge, EPA must exhibit strong and consistent leadership. However, while the need for improvements in this area is broadly acknowledged, the President's fiscal year 2005 budget request represents a significant diminution in EPA's commitment to the very programs that fund this research. Specifically, under the administration's proposal, $22.7 million in ecosystems research under the Science to Achieve Results (STAR) program would be eliminated. This program of competitive, peer-reviewed grants funds cutting edge research on a variety of critical questions, including the development of biological indicators for use in assessing water quality on big rivers. Similarly, the Central Basin Integrated Assessment, part of EPA's Environmental Monitoring and Assessment Program (EMAP), has been significantly curtailed and EPA does not intend to provide any additional funding in fiscal year 2005. However, the Central Basin EMAP still offers promise in advancing monitoring and assessment for the large rivers of the Mississippi River Basin. It is critical to maintain funding for STAR grants and EMAP if we are to advance the science behind water quality indicators and assessment methods. Without such funding, the States' ultimate ability to implement their Clean Water Act responsibilities on the Upper Mississippi and other big rivers will be jeopardized.

HYPOXIA ACTION PLAN AND WATERSHED GRANTS

The UMRBA is disappointed that the administration's fiscal year 2005 budget proposal does not include additional new resources to address the recommendations in the Hypoxia Action Plan, submitted by the Mississippi River/Gulf of Mexico Watershed Nutrient Task Force in January 2001. The States in the Upper Mississippi River Basin have consistently said that reductions in nutrient inputs to the Gulf of Mexico and monitoring to evaluate the effectiveness of these efforts will only be possible if significant new budgetary resources are provided by the Federal Government. While the States continue to support the goals and strategies set forth in the Action Plan, little progress will be made to reduce the Gulf hypoxic zone and improve water quality conditions throughout the basin without a major Federal financial commitment.

If anything, there is even less emphasis on Gulf hypoxia than in the administration's fiscal year 2004 budget proposal, which identified implementation of the Hypoxia Action Plan as a focus of its Targeted Watershed Grants. While the President is requesting an increase of $5 million for the watershed grants, $10 million of the $25 million total would be set aside for efforts to reduce nutrients from wastewater treatment plants on the Chesapeake Bay. Another $4 million would be reserved for projects involving water quality trading, leaving only $11 million for other priorities nationwide. This level of resources is simply not adequate to make progress on a problem with the complexity and spatial scope of Gulf hypoxia.

PREPARED STATEMENT OF THE SANTA CLARA VALLEY WATER DISTRICT

PERCHLORATE CLEANUP IN SANTA CLARA COUNTY

Background.—The perchlorate originated from a former highway safety flare manufacturing plant owned by Olin Corporation, which was operated for 40 years. Operations ceased in 1996, and perchlorate contamination was discovered in 2000. The Central Coast Regional Water Quality Control Board (Regional Board) is providing regulatory oversight of the contamination case, which has affected several hundred drinking water supply wells. Groundwater is currently the only source of drinking water in this area and over 2,000 families are being provided with bottled water or treated groundwater. Significant concerns remain regarding this community's exposure to perchlorate in their drinking water and perchlorate accumulation in agricultural crops and livestock. To address these concerns and ensure that the groundwater basin in this area is aggressively restored and cleaned up, the Santa Clara Valley Water District (District) is requesting Federal assistance. We request funding to facilitate a prompt and complete cleanup of groundwater resources in the Llagas Valley, Santa Clara County.

Perchlorate Investigation and Cleanup Status.—To date, the District has sampled about 1,000 water supply wells in the Llagas Valley. In addition, Olin Corporation has sampled about 600 wells. Results to date show more than 450 wells with detectable perchlorate above 4 parts per billion. Bottled water is currently being delivered to over 1,200 families and businesses in the area. Olin Corporation has installed perchlorate removal systems on three wells for two small water systems in the San Martin area that serve a total of about 450 customers.

The full extent of perchlorate contamination has not yet been determined. Olin Corporation has installed a groundwater cleanup system at their former manufacturing facility. However, they have not yet presented a plan for cleaning up the 9½ mile long plume of contamination, controlling additional plume movement, or long-term solutions for well water users who currently rely on bottled water. Olin has advised State officials that they are not prepared to commit to cleanup of perchlorate impacts to private wells until a State or Federal Maximum Contaminant Level (MCL) for perchlorate is established. Adoption of an MCL at the State and Federal levels has been delayed.

Additional funding is necessary to determine the best long-term solution for the entire groundwater basin and initiate cleanup efforts. Funding for District-led initiatives will help break a regulatory deadlock with Olin that is currently preventing meaningful action to protect well owners.

Fiscal Year 2004 Funding.—One and three quarters of a million dollars was appropriated for Perchlorate activities ($1 million under State and Tribal Assistance Grants and $750,000 under Environmental Programs and Management account). The 2004 funding will be used to further the District efforts to restore clean water supplies to local families whose wells are affected by perchlorate. Project ideas include a point-of-use drinking water treatment system installation program, residential wellhead treatment pilot studies, and well installation to provide design criteria for a remediation system.

Fiscal Year 2005 Funding Recommendation.—It is requested that the committee support an appropriation add-on of $4 million from the United States Environmental Protection Agency in fiscal year 2005 ($2 million under State and Tribal Assistance Grants and $2 million under Environmental Programs and Management account).

PREPARED STATEMENT OF THE CITY OF AVONDALE, ARIZONA

AVONDALE WASTE WATER EXPANSION PROJECT

Chairman Bond, Ranking Member Mikulski, subcommittee members, thank you for allowing me to testify in support of $3.2 million in funding for the expansion of the City of Avondale's waste water treatment facility through the fiscal year 2005 VA, HUD and Independent Agencies Appropriations bill. We are grateful that the subcommittee funded this important project at $600,000 to begin designing this mandated expansion, and we look forward to your continued support of this important project.

Mr. Chairman, let me state it bluntly—we are in a desperate situation. The City of Avondale has experienced exponential growth as the sixth fastest growing city in the second fastest growing State in the Nation. In 1990, the population was approximately 16,800. Today, the City has nearly tripled in size to more than 50,000 residents. It is estimated that the population will almost double to 80,000 by 2010. In

1995, it was estimated that the City's population growth would not reach 80,000 until 2020. This rapid and sudden expansion, in conjunction with the economic downturn, places City finances at a premium to meet its needs to provide water and wastewater capacity that serves the expected population growth. As you may know, Avondale has a majority of minority races (overwhelmingly Hispanic), and a population that is moderate- to low-income. Fourteen percent of Avondale's residents live at or below the poverty line.

The City of Avondale has exhausted all State and local funding options prior to seeking Federal assistance. In fact, in 2000, the city passed a one-half of 1¢ sales tax to fund street, water and sewer projects. The City used this funding source for the first expansion of the Wastewater Treatment Plant, which was completed in January 2003. The previous 2 years' economic downturn, resulting in declining sales tax revenue, has left the city with limited local funds for the next expansion of the Treatment Plant, and the City does not have voter authorization to issue bonds required by the State Revolving Fund.

As you know, the EPA mandates that current treatment facilities must be expanded once they reach 80 percent capacity. Even with the recently completed expansion of the facility, it is estimated that the Avondale facility will reach over 80 percent by 2008. Knowing that time and money is needed to design such a large project, the City has begun the necessary preliminary permitting, environmental and pre-design processes in anticipation of the master plan and construction, which will be aided by the $600,000 of Federal STAG funds received in fiscal year 2004, and the fiscal year 2005 request. With Federal funding, however, the city will increase the current 6.4 MGD capacity of the plant to 10 to 12 MGD, while also increasing the capacity of the plant to reuse treated water for irrigation or recharge purposes, and allow the plant to treat effluent to supplement the city's potable water supply.

Furthermore, under the Clean Water Act's outdated formula Arizona ranks last in per-capita and per-need funding under the State Revolving Fund that is designed to help communities finance infrastructure projects. This funding inequity has created problems for communities like Avondale that have limited means but that must still meet Federal water quality standards. The only fair way to rectify this inequity would be for the Federal Government to provide the necessary funds to complete the mandated expansion of the facility.

It is important to note that the City of Avondale's improved and expanded wastewater treatment facility will do more than provide wastewater services to the residents. It will also provide treated effluent that will dramatically reduce its need for potable water supplies. The expansion will also enable the City to better meet its State-mandated 100-year water supply by recharging the remaining effluent into the ground for future use, allowing nature to further purify the water in order for it to be used for future potable purposes.

Not only will this expansion allow the City to remain in compliance with strict local, State and Federal regulatory requirements, it will also add treatment processes that will allow the City to reuse the treated wastewater for irrigation purposes, thereby recharging this valuable resource. Recharging treated wastewater will allow the City to reduce its dependence on imported water sources such as the Colorado River, which benefits all municipalities relying on the river.

Finally, it is important to note that $600,000 included in the fiscal year 2004 VA, HUD and Independent Agencies Appropriations bill was a critical first step because the waste water plant is reaching full capacity. However, it is critically important to keep this project on an optimal funding schedule to ensure the project is completed before the treatment plant reaches maximum capacity. With that in mind, we can utilize $3.2 million in fiscal year 2005 toward completion of this $20 million project of which the City will provide 53 percent of the funding.

This project serves a broad public purpose in three ways: (1) it will allow the City to continue to provide the necessary sewer service for our residents; (2) will benefit the rest of Arizona by helping to cut down on the amount of scarce water the City uses, because the plant also treats the water to allow it to be re-used for irrigation purposes; and (3) will allow the city to treat the effluent to bring it up to Class A standards and to recharge it into the ground to be withdrawn later as potable water.

Again, I ask that you support the City's request for $3.2 million from the STAG account in the fiscal year 2005 VA, HUD and Independent Agencies Appropriations bill for the expansion of our waste water treatment plant. Thank you in advance for your consideration of this request.

PREPARED STATEMENT OF THE K–12 SCIENCE, TECHNOLOGY, ENGINEERING & MATHEMATICS EDUCATION COALITION

We encourage you to continue the Federal commitment to math and science education by maintaining the peer-reviewed Math and Science Partnerships (MSPs) at the National Science Foundation (NSF) and supporting robust funding for both the U.S. Department of Education (ED) and the NSF Math and Science Partnership programs.

We urge you to oppose the administration's budget proposal that would phase-out the NSF MSP program and establish a new Federal grant administered by the Secretary of Education that would, in effect, limit individual States' discretion to target much-needed funds for local science and mathematics education reforms.

We believe that the MSPs at both the Department of Education and at NSF are necessary and complementary. Without one, the other is significantly weakened.

The competitive, peer-reviewed, NSF MSPs seek to develop scientifically sound, model, reform initiatives that will improve teacher quality, develop challenging curricula, and increase student achievement in mathematics and science. The funds appropriated under NCLB for the ED MSPs go directly to the States as formula grants, providing funds to all States to replicate and implement these initiatives throughout the country.

While we support the administration's proposal to increase funding for the ED MSPs, we oppose the creation of a new $120 million ED grant program that runs counter to congressional intent by focusing only on math and reducing State flexibility to target funds to areas of greatest need. We encourage you to oppose new restrictions on the additional funding slotted for the State-based ED MSPs.

In summary, we strongly urge Congress to: (1) reject the administration's proposed phase-out of the NSF MSP program; (2) oppose additional restrictions to the ED MSP program; and (3) provide robust funding for both MSP programs.

PREPARED STATEMENT OF THE VILLAGE OF WELLINGTON, FLORIDA

Mr. Chairman and members of the subcommittee, on behalf of the Village of Wellington, we are pleased to submit this statement for the record in support of our request for funding in the amount of $3,000,000 for The Village's Water Cleanup and Phosphorus Removal Project. We respectfully request that this funding be provided through an appropriation to the Environmental Protection Agency and that the funding be included in the fiscal year 2005 Appropriation Bill for VA/HUD and Independent Agencies.

PROJECT EXECUTIVE SUMMARY

The 1994 Everglades Forever Act (EFA) established water quality goals for the restoration and preservation of the Everglades Protection Area. It also identified Basin B within the Village of Wellington as an area that will need to meet the new phosphorus standard by December 31, 2006 for its stormwater discharges into the Arthur Marshall Loxahatchee National Wildlife Refuge (Conservation Area No. 1).

The Acme Basin B Discharge project is one of 55 that comprise the Comprehensive Everglades Restoration Plan (CERP). The Basin B drainage area is part of the Acme Improvement District, which was created by the State of Florida in 1953 to provide drainage for agricultural land in central Palm Beach County. During the 50 years since its inception, land uses within the improvement district have changed dramatically. The Acme Improvement District now serves the Village of Wellington and over 50,000 residents. Basin B consists of 8,680 acres of low-density development located in the southern half of the Improvement District. The western boundary of Basin B abuts the Loxahatchee Refuge.

The benefits created by the CERP Acme Basin B Discharge project are largely related to restoration of the natural environment. The health of the Loxahatchee Refuge and Everglades National Park will be enhanced with improved quality and quantity of water generated from within the basin. Specifically, the project will provide the equivalent of 28.5 million gallons of water per day to the Everglades, which, without the project, would be needlessly sent to the ocean via the Lake Worth Lagoon.

The Village has been working diligently to arrive at a solution to meet the EFA requirements in an economic and technically feasible manner. The actual phosphorus standard will be adopted by the Florida Department of Environmental Protection (FDEP) through the Environmental Regulatory Commission (ERC). Therefore, the Village has been evaluating numerous alternatives to be used, to arrive at a Basin B Water Quality Clean Up Solution.

Some of these alternatives that have been, or are still being, evaluated, are:

—A water quality improvement Pilot Program with CH2M Hill Constructors, Inc.

—Development of a Best Management Practices (BMP) Ordinance with phosphorous fertilizer limitations and livestock waste handling procedures among others.

—Preparation of a Request for Proposals and obtaining responses for a "Multi-Purpose Stormwater Management Program" as a design/build/operate (DBO) contract.

—Development of Basin B Water Quality Clean Up alternatives for further evaluation by the South Florida Water Management District (SFWMD) through its study consultants, Burns & McDonnell, and Brown & Caldwell.

—Work with SFWMD and the U.S. Army Corps of Engineers through a Cooperation Agreement with SFWMD to develop a Basin B Water Quality Clean Up Plan as an already federally authorized Other Project Element (OPE) of the Comprehensive Everglades Restoration Plan (CERP).

—Implementation of a detailed water quality monitoring program to identify "hot spots" within Basin B for potential individual site specific clean up.

As part of its Basin B Water Quality Clean Up Initiative, the Village of Wellington assembled a "Surface Water Action Team" (SWAT) comprised of key personnel and expert consultants. The SWAT Team, while continuing to work on many of the above initiatives, is presently working on a Phase II BMP Ordinance, along with an updated Cooperative Agreement with SFWMD.

The ongoing water quality monitoring program has indicated a fairly significant decrease in average phosphorus concentrations since 1999. In 1999, the average Basin B phosphorous concentration discharged to the Loxahatchee Refuge was 189 parts per billion (ppb). In 2002, the average concentration has dropped to 88 ppb, which is a 53.4 percent decrease in phosphorus levels. Although inconclusive, it is likely that the implementation of the BMP Ordinance played a part in this decrease in phosphorus concentrations.

To date, the Village of Wellington has made a considerable financial investment of approximately $3.25 million, not including internal staff hours, in an effort to meet the standards set by the Everglades Forever Act requirements.

CONCLUSION

The Village of Wellington would appreciate the subcommittee's favorable consideration of our request for $3 million for fiscal year 2005 in the EPA portion of the subcommittee's bill to support the Village's Water Cleanup and Phosphorus Removal Project.

Thank you for your consideration of our request.

PREPARED STATEMENT OF THE PEOPLE FOR THE ETHICAL TREATMENT OF ANIMALS (PETA)

Chairman Bond, Ranking Member Mikulski, and Members of the subcommittee, People for the Ethical Treatment of Animals (PETA) is the world's largest animal rights organization, with 800,000 members and supporters. We greatly appreciate this opportunity to submit testimony regarding the fiscal year 2005 appropriations for the Environmental Protection Agency (EPA). Our testimony will focus non-animal chemical toxicity tests that are available to replace animal tests currently required by the EPA.

As you know, the EPA requires substances such as pesticides, industrial chemicals, and others to be tested for, among many other hazards, their rates of skin corrosion, skin absorption, and skin irritation. Traditionally, these particular tests have involved smearing chemicals on animals' shaved backs, often causing effects ranging from swelling and painful lesions to wounds where the skin is totally burned through.

Fortunately, there are non-animal test methods that are just as effective, if not more so, for these three endpoints. "Human skin equivalent" tests such as EpiDerm™ and EpiSkin™ have been scientifically validated and accepted in Canada, the European Union, and by the Organization for Economic Cooperation and Development (OECD), of which the United States is a key member, as total replacements for animal-based skin corrosion studies. Another non-animal method, Corrositex™, has been approved by the U.S. Interagency Coordinating Committee on the Validation of Alternative Methods. Various tissue-based methods have been accepted in Europe as total replacements for skin absorption studies in living animals. In fact, in 1999 the EPA itself published a proposed rule for skin absorption testing using a non-animal method that, as of this writing, has still not been final-

ized. Government regulators in Canada accept the use of a skin-patch test in human volunteers as a replacement for animal-based skin irritation studies (for non-corrosive substances free of other harmful properties).

However, the EPA continues to require the use of animals for all three of these endpoints, despite the availability of the non-animal tests.[1]

In fiscal year 2002, the subcommittee allocated the first-ever appropriation for the EPA to research, develop, and validate non-animal methods. The appropriation was in the amount of $4,000,000 and was to be used for "non-animal, alternative chemical screening and prioritization methods, such as rapid, non-animal screens and Quantitative Structure Activity Relationships." However, to date, the EPA has refused to provide a detailed accounting of how this appropriation was spent and exactly what non-animal testing methods received these funds.

We respectfully request that the subcommittee include the following report language:

"The Administrator of the EPA is required to report to Congress no later than December 1, 2004, regarding the use of Corrositex™ and 'human skin equivalent' tests such as EpiDerm™ and EpiSkin™ for skin corrosion studies, in vitro methods using skin from a variety of sources (e.g. human cadavers) for skin absorption studies, and human volunteer clinical skin-patch tests (for chemicals first determined to be non-corrosive and free of other harmful properties) for skin irritation studies. The Administrator should describe the reasons for which the agency has delayed accepting the aforementioned methods for regulatory use as total replacements for their animal-based counterparts, exactly what steps the agency is taking to overcome those delays, and a target date by which the agency intends to accept these methods for regulatory use."

PETA also supports the testimony submitted by the Doris Day Animal League requesting that targeted existing resources in the EPA's Science and Technology account for the Office of Research and Development be used to fund specific validation studies of non-animal test methods to speed their acceptance by the agency.

Animal Tests Cause Immense Suffering

Traditionally, the degree to which corrosive materials are hazardous has been measured by the very crude and cruel method of shaving rabbits' backs and applying the test substance to the animals' abraded skin for a period of hours. As one can imagine, when highly corrosive substances are applied to the backs of these animals, the pain is excruciating. In skin absorption tests, the rate at which a chemical is able to penetrate the skin is measured by shaving the backs of rats and smearing the substance on them for an exposure period of up to 24 hours. They are eventually killed, and their skin, blood, and excrement are analyzed. A similar method is used to test for skin irritation, except the unfortunate subjects are again rabbits, who are locked in full-body restraints. A test chemical is applied to their shaved backs, and the wound site is then covered with a gauze patch for normally 4 hours. A chemical is considered to be an irritant if it causes reversible skin lesions or other clinical signs, which heal partially or totally by the end of a 14-day period. Animals used in the above tests are not given any painkillers.

These Tests Have Never Been Proven to be Relevant to Humans

None of the animal tests currently used for skin corrosion, absorption, or irritation has ever been scientifically validated for its reliability or relevance to human health effects. Animal studies yield highly variable data and are often poor predictors of human reactions. For example, one study, which compared the results of rabbit skin irritation tests with real-world human exposure information for 65 chemicals, found that the animal test was wrong nearly half (45 percent) of the time in its prediction of a chemical's skin damaging potential (Food & Chemical Toxicology, Vol. 40, pp. 573–92, 2002).

Validated Methods Exist Which do not Harm Animals

Fortunately, test methods have been found to accurately predict skin corrosion, absorption, and irritation.

EpiDerm™ and EpiSkin™ are test systems comprised of human-derived skin cells, which have been cultured to form a multi-layered model of human skin. The Corrositex™ testing system consists of a glass vial filled with a chemical detection fluid capped by a membrane, which is designed to mimic the effect of corrosives on

[1] The EPA may allow the use of EpiDerm™, however it will apparently require confirmatory testing on animals of any negative non-animal test results. This sets an unjustified precedent of requiring confirmatory testing of validated non-animal tests with non-validated animal tests.

living skin. As soon as the corrosive sample destroys this membrane, the fluid below changes color or texture.

For skin absorption tests, the absorption rate of a chemical through the skin can be measured using skin from a variety of sources (e.g. human cadavers). The reliability and relevance of these in vitro methods have been thoroughly established through a number of international expert reviews, and have been codified and accepted as an official test guideline of the OECD.

Instead of animal-based skin irritation studies, government regulators in Canada accept the use of a skin-patch test using human volunteers. (The chemical is first determined to be non-corrosive and free of other harmful properties before being considered for human studies.)

Non-animal Test Methods Can Save Time, Money, and Yield More Useful Results

Whereas animal testing can cost more than $1,800, EpiDerm™ costs on average less than $800. Unlike animal testing that can take 2 to 4 weeks, Corrositex™ testing can provide a classification determination in as little as 3 minutes and no longer than 4 hours, and costs less than $200 per chemical tested.

Tissue culture methods to test for skin absorption allow researchers to study a broader range of doses, including those at the actual level of exposure that occurs in the occupational or ambient environment, which is not possible with the animal-based method.

Many non-animal methods can yield results with greater sensitivity and at a lower cost than animal-based methods. Protocols are more easily standardized, and the variations among strains and species are no longer a factor.

The EPA Continues to Require the Use of Animals

Despite the ethical, financial, efficiency, and scientific advantages of the above non-animal methods, the EPA continues to require and accept the unnecessary use of animals in tests for skin corrosion, absorption, and irritation.

Summary

Non-animal methods are available now to replace animal-based methods to test substances for skin corrosion, absorption, and irritation. There simply is no excuse for continuing to cause animals to suffer when non-animal tests are available.

We therefore hereby request, on behalf of all Americans who care about the suffering of animals in toxicity tests, that you please include language in the report accompanying the fiscal year 2005 VA, HUD and Independent Agencies Appropriations bill stating that:

"The Administrator of EPA is required to report to Congress no later than December 1, 2004, regarding the use of Corrositex™ and 'human skin equivalent' tests such as EpiDerm™ and EpiSkin™ for skin corrosion studies, in vitro methods using skin from a variety of sources (e.g. human cadavers) for skin absorption studies, and human volunteer clinical skin-patch tests (for chemicals first determined to be non-corrosive and free of other harmful properties) for skin irritation studies. The Administrator should describe the reasons for which the agency has delayed accepting the aforementioned methods for regulatory use as total replacements for their animal-based counterparts, exactly what steps the agency is taking to overcome those delays, and a target date by which the agency intends to accept these methods for regulatory use."

PETA also supports the testimony submitted by the Doris Day Animal League requesting that targeted existing resources in the EPA's Science and Technology account for the Office of Research and Development be used to fund specific validation studies of non-animal test methods to speed their acceptance by the agency.

Thank you for your consideration of our request.

PREPARED STATEMENT OF THE STATE AND TERRITORIAL AIR POLLUTION PROGRAM ADMINISTRATORS AND THE ASSOCIATION OF LOCAL AIR POLLUTION CONTROL OFFICIALS

The State and Territorial Air Pollution Program Administrators (STAPPA) and the Association of Local Air Pollution Control Officials (ALAPCO) appreciate this opportunity to provide testimony regarding the fiscal year 2005 proposed budget for the U.S. Environmental Protection Agency (EPA), particularly regarding grants to State and local air pollution control agencies under Sections 103 and 105 of the Clean Air Act.

STAPPA and ALAPCO are the national associations of air quality officials in 53 States and territories and more than 165 metropolitan areas across the country. The

Clean Air Act gives State and local air quality officials the primary responsibility for implementing our country's clean air program. These agencies must work to limit or prevent emissions of a variety of pollutants from many different sources. These include particulate matter, ground-level ozone, toxic air pollution, and acid rain, among others. In order to protect public health, State and local air pollution control agencies are responsible for implementing myriad activities and programs. These include, among others, developing State Implementation Plans, monitoring ambient air quality, developing inventories of emissions, formulating air pollution control strategies, providing compliance assistance to the regulated community, issuing permits to sources, inspecting facilities, carrying out enforcement actions, and providing public education and outreach. In addition to maintaining the fundamental and ongoing elements of their programs, State and local air agencies must, at the same time, address new and emerging problems.

RECOMMENDATION

Section 105 of the Clean Air Act authorizes the Federal Government to provide grants up to 60 percent of the cost of State and local air quality programs, while State and local agencies must provide a 40 percent match. The reality is that the Federal share represents only approximately 25 percent of the total State/local air budget, while State and local governments provide 75 percent (not including income from the Title V permit fee program).

It is estimated that the total amount spent on State and local efforts to implement the Clean Air Act is approximately $900 million. A study that the U.S. Environmental Protection Agency (EPA) and STAPPA and ALAPCO conducted several years ago concluded that State and local programs faced a deficit of approximately $163 million, meaning that the total needed is over $1 billion. If EPA were to support 60 percent of that total, as the Clean Air Act envisioned, Federal grants would amount to $600 million annually.

Unfortunately, the administration has recommended a total of $228.6 million in fiscal year 2005 for grants to State and local air quality agencies under Sections 103 and 105 of the Clean Air Act, which is far short of the $600 million that is needed. To make matters worse, over the past decade, Federal grants for State and local air agencies to operate their programs have decreased by 25 percent in terms of purchasing power (when adjusted for inflation).

In light of the need for a substantial increase, the budget request is insufficient to support State and local air agency efforts. However, we recognize that Congress must address many competing needs and cannot fund many activities and programs as fully as necessary. Therefore, although we believe that air pollution poses a significant threat to public health and should be among our highest priorities, we are recommending that Federal grants to State and local air quality agencies be increased by only $100 million above the President's request in fiscal year 2005, for a total of $328.6 million. While this will not fill the gap entirely, it will provide a much needed increase to State and local air quality efforts. Unless State and local air quality programs receive a substantially greater boost in funding, they will continue to face a serious financial shortfall, which will adversely affect their ability to protect and improve air quality. This shortfall will only become worse as greater demands are placed on their programs.

AIR POLLUTION POSES SEVERE HEALTH AND ENVIRONMENTAL RISKS

In spite of the best efforts of air quality regulators, air pollution poses a serious threat to public health and the environment. In fact, we know of no other environmental problem that presents a greater risk. It is a pervasive and universal danger—all of us breathe. We have no choice in the matter. While some of us can choose to eat certain foods or select what we drink, we have no option but to breathe the air that is in our midst.

Unfortunately, the fact is that many, if not most, people in the United States are exposed to unhealthful levels of air pollution. In this country, over 170 million tons of pollution are emitted into the air each year. An astounding 133 million people live in areas of the country that violate at least one of the six health-based National Ambient Air Quality Standards (NAAQS). Many millions are exposed to toxic air pollutants that cause cancer and other health problems. When we consider our children, who are among our most sensitive and precious populations, the bad news mounts. In 1996, all children lived in counties in which the combined estimated concentrations of hazardous air pollutants exceeded a 1-in-100,000 cancer risk benchmark; approximately 95 percent lived in counties in which at least one hazardous air pollutant exceeded the benchmark for health effects other than cancer. Between 1980 and 1995, the percentage of children with asthma doubled, to 7.5 percent, and

by 2001, 8.7 percent of all children had asthma. These figures are nothing less than shocking.

The following is greater detail about just a few types of air pollution that we face.

The first is fine particulate matter—or $PM_{2.5}$. The U.S. Environmental Protection Agency has established a new standard for $PM_{2.5}$. While the agency has not yet officially designated which areas of the country violate the standard, we know one thing: $PM_{2.5}$ poses the greatest health risk of any air pollutant, resulting in as many as 30,000 premature deaths each year. Additionally, fine particles are responsible for a variety of adverse health impacts, including aggravation of existing respiratory and cardiovascular disease, damage to lung tissue, impaired breathing and respiratory symptoms, irregular heart beat, heart attacks and lung cancer. Based on preliminary data, it appears that $PM_{2.5}$ concentrations in over 120 counties throughout the United States exceed the health-based standard.

We have faced an uphill battle against ground-level ozone, or "smog." In spite of our efforts, levels of ozone in some parts of the country actually increased during the past 10 years, and in 33 national parks, ozone has risen by more than 4 percent. A significant factor in this trend is the increase we have experienced in nitrogen oxide (NO_X) emissions, which are not only a precursor to ozone, but also a contributor to such public health and welfare threats as acid rain, eutrophication of water bodies, regional haze and secondary $PM_{2.5}$. Over the past 20 years, NO_X emissions have increased by almost 9 percent, largely due to emissions from nonroad engines and diesel vehicles. Current data show that almost 300 counties measure exceedances of the 8-hour ozone standard.

Another concern is the serious public health threat posed nationwide by emissions of hazardous air pollutants (HAPs). According to EPA's most recent National-Scale Air Toxics Assessment, more than 200 million people in the United States live in areas where the lifetime cancer risk from exposure to HAPs exceeds 1 in 100,000 and approximately 3 million face a lifetime cancer risk of 1 in 10,000. To put this in context, consider that EPA has established 1 in 1,000,000 as the generally acceptable level of risk. These figures demonstrate that HAP emissions are a nationwide threat. It will require a significant level of effort to reduce the risk they pose to all of us.

One HAP that is especially worrisome is mercury. Air emissions are responsible for much of the mercury that is found in fish. This is a significant problem, especially for those who rely on fish as an important part of their diets. In this country, in 1999–2000, approximately 8 percent of women of child-bearing age had at least 5.8 parts per billion of mercury in their blood (children born to women with blood concentrations above that number are at some increased risk of adverse health effects). Due to public health concerns about the consumption of mercury in contaminated fish, 45 States, territories and tribes have issued advisories to the public about elevated concentrations of mercury in the fish that is caught in their water bodies.

The magnitude of the air quality problem and the associated health effects make it clear that significantly increased funding for the control of air pollution should be a top priority.

SOURCES OF FUNDING FOR STATE AND LOCAL AIR POLLUTION CONTROL PROGRAMS

State and local air pollution control programs are funded through a variety of sources. These include State and local appropriations; the Federal permit fee program under Title V of the Clean Air Act; State and local permit and emissions fee programs and Federal grants under Sections 103 and 105 of the Clean Air Act. Section 103 traditionally funds specific monitoring efforts (e.g., particulate matter or air toxics monitoring). Section 105 supports the fundamental elements of State and local air quality efforts, including, but not limited to, the personnel needed to run the programs.

As discussed above, State and local contributions provide a disproportionate share of air budgets. Unfortunately, not only have Section 105 grants failed to equal the percentage of the total air budget that the Clean Air Act envisioned, they have actually declined by 25 percent in terms of purchasing power during the past decade, from $224 million to $168 million in 2003 dollars. This decrease has come at the same time that State and local responsibilities have steadily increased. We have attached to this testimony a chart that illustrates Section 105 grants from fiscal year 1993-fiscal year 2003, adjusted for inflation (based upon U.S. Department of Labor inflation statistics).

Since Federal grants to State and local air agencies have not risen commensurately with their needs, and in fact have declined in terms of purchasing power, State and local air agencies have attempted to accommodate deficiencies in their

budgets. They have tried to maximize efficiencies (i.e., working better and smarter), trim any "fat" from their budgets, disinvest programs that are not essential and raise revenues on the State and local levels. Unfortunately, even those measures are not enough to accommodate the shortfall.

Many believe, mistakenly, that the permit fee program under Title V of the Clean Air Act Amendments of 1990 was the answer to the State and local air agencies' financial problems. Unfortunately, those revenues do not solve the funding problems for several reasons. First, the fees only support the operating permit program and must not be used for other activities. Second, fees only apply to major sources and do not cover the significant costs related to non-major sources, which include minor source permits, monitoring, enforcement, compliance assistance, etc. Third, the current fees already are substantial and there would be considerable resistance to any increases. Fourth, fee revenue is decreasing due to reductions in emissions, on which they are based. Finally, increases in costs for air quality programs (except for permit programs themselves) are not addressed by permit fee programs.

The Title V fee program, while essential to State and local efforts, is not the solution to the funding shortfall. Federal grants must be expanded to meet the significant resource requirements.

EPA/STATE/LOCAL STUDY RECOGNIZED NEED FOR FEDERAL AIR GRANT INCREASES

Several years ago, EPA, in cooperation with STAPPA and ALAPCO, conducted an intensive effort to identify the activities that are necessary for State and local agencies to carry out and estimate the amount of Section 105 grants needed. The study concluded that a total increase of approximately $163 million over Federal grant levels would be needed for State and local air agencies to operate a good (not perfect) program in fiscal year 1999. In spite of the significant funding shortfall identified by the EPA needs assessment study, sufficient budget increases in operating programs have not been forthcoming. Furthermore, since that time, State and local responsibilities have continued to increase, only widening the funding gap.

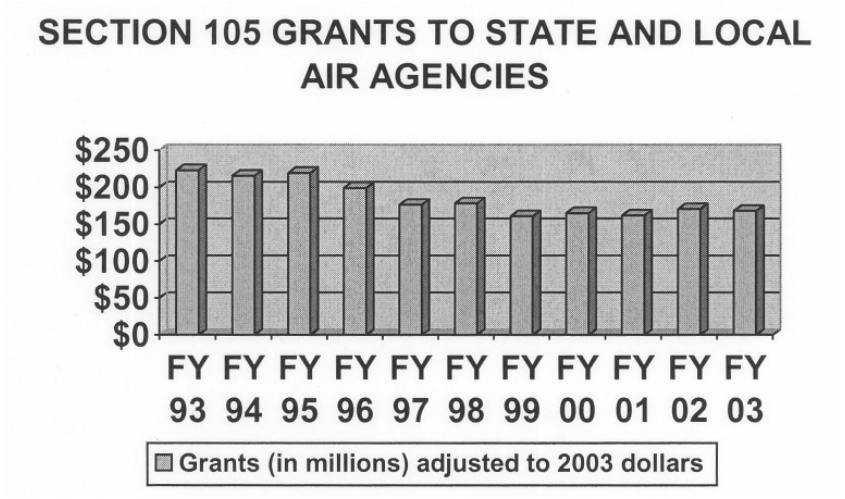
HOW WOULD AN INCREASE BE USED?

State and local air agencies have identified several high-priority activities on which they would spend increased grant funds. For example, they will be required to develop State Implementation Plans—plans to implement the 8-hour ozone standard, which is an effort that will require significant resources. This will be especially onerous for smaller agencies, including local agencies, that have very limited resources. In addition, State and local air quality agencies are facing many other responsibilities for which additional funds are needed. These include the following, among others: improve emission inventories of toxic air pollution; increase the frequency of inspections of major and minor sources; meet the various Federal and public expectations under Section 112 (air toxics); expand criteria pollutant monitoring; improve risk assessment capacity; reduce concentrations of fine particulates; increase public outreach efforts; improve small business compliance assistance; purchase replacements for equipment that has outgrown its expected usage; increase the number of air toxics monitoring locations to better characterize baseline concentrations and localized impacts; and improve modeling tools to determine emission reductions needed.

CONCLUSION

Federal grants to State and local air pollution control agencies are severely inadequate; accordingly, there are many critical activities that are not being carried out, or implemented as well as could be. Many of these activities are the foundation of the Nation's air quality program and are, therefore, essential. Without additional Federal grants, and the flexibility to target them to the activities that are most appropriate in individual States and communities, State and local air agencies will find it increasingly difficult to obtain and maintain healthful air quality. Accordingly, we recommend an increase of $100 million above the President's fiscal year 2005 request for grants to State and local air quality agencies.

Thank you for this opportunity to provide our testimony. We will also supply you with a report entitled, "The Critical Funding Shortfall of State and Local Air Quality Agencies", which we have prepared to provide additional detail about State and local air agencies' funding difficulties. Please contact us if you have questions or require any additional information.



PREPARED STATEMENT OF THE NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES

On behalf of the National Association of State Universities and Land-Grant Colleges (NASULGC), thank you for your support of academic research. We appreciate the opportunity to provide recommendations for science and technology funding at NSF, EPA and NASA for fiscal year 2005.

NATIONAL SCIENCE FOUNDATION

As a member of the Coalition for National Science Funding, NASULGC supports a 15 percent increase for NSF over the fiscal year 2004 enacted level, for a total of $6.415 billion. This increase is necessary to put NSF on the "doubling" track that Congress and the President endorsed less than 18 months ago by passing the National Science Foundation Authorization Act of 2002. We also oppose the proposed transfer of the Math-Science Partnership to the Department of Education, because it is well-run by NSF and should remain a competitive grant program rather than shifting to block grants. The current system, in which NSF's program focuses on the modeling, testing and identification of high-quality math and science activities whereas the Department of Education focuses on their dissemination, is the most desirable and effective approach to address our nation's math-science education needs.

Within the Research and Related Activities (R&RA) account, we would like to call your attention to three Directorates of particular interest to the environmental science community: Geosciences, Polar Programs and Biological Sciences. We ask that you provide these accounts with increases equal to the overall R&RA increase. The President's budget proposal restricts them all to miniscule increases of approximately 1 or 2 percent. We support the President's requested $58.3 million increase for Major Research Equipment, Construction and Facilities, and urge you to fully fund EarthScope, the National Ecological Observatory Network, the Scientific Ocean Drilling Vessel, and the Rare Symmetry Violating Processes projects.

ENVIRONMENTAL PROTECTION AGENCY

NASULGC recommends $790 million in fiscal year 2005 for the EPA Science and Technology account and $10 million for the Office of Environmental Education (OEE). This amount would restore the proposed 12 percent cut in the President's budget and provide a small increase to maintain ongoing programs. Without sound science, EPA will be unable to correctly identify and develop sound management and mitigation strategies for critical environmental problems. Cuts to EPA S&T account would result in drastic reductions in essential extramural research funded by the Office of Research and Development (ORD) and education and outreach carried out by OEE.

One of the most effective programs for improving the agency's science capabilities is the Science to Achieve Results (STAR) program. Despite the National Research Council's recent strong endorsement of STAR in its report, "The Measure of STAR," the President's budget proposes a cut of approximately 35 percent. We urge you to restore STAR funding to $100 million for competitive grants and $10 million for graduate fellowships. The small investment EPA ORD makes in STAR is functionally one of its most important, because STAR is not a stand-alone grants program. It is coordinated with EPA program and regional offices, and targeted at high-priority needs that support the agency's mission. The program is leveraged by the participation of other Federal agencies and the private sector, and involves thousands of research scholars in universities. These investigator-initiated research grants are significantly expanding the number of scientists conducting EPA-related research and enhancing the overall quality of EPA S&T. STAR graduate fellowships are also an excellent investment in the next generation of scientists and engineers, and provide opportunities for some of the brightest minds to develop the skills to enhance and replenish this Nation's environmental science expertise. STAR funding is a very important tool in the effort to address the future workforce needs of EPA.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

NASULGC opposes the delays in planned scientific missions and the long-term cuts to the Earth Science Enterprise (ESE) proposed in the President's budget. While we appreciate the President establishing space exploration as a priority, the shifts in funding proposed would impact a number of missions that have been carefully planned for years, in both Space and Earth Science. This change in priorities was developed over a comparatively short time with little community input. Therefore, we recommend that NASA engage the National Academy of Sciences to set the science goals of the exploration initiative and examine the impact of deferred programs, including within ESE.

The long-term decline in funding for ESE forecast in the fiscal year 2005 proposal is very distressing. ESE plays a key role in our understanding of the earth and its atmosphere, and sustainable funding for these programs should not be abandoned. The proposed cuts to Earth Science Application programs would adversely affect funding for partnerships that are turning important findings into practical applications—such as fire hazard prediction and water availability, farming and forestry, and urban and regional planning. Partnerships between NASA and the academic community provide the agency with flexibility to deal with an aging workforce and the wave of anticipated retirements. We urge you to provide, at a minimum, the fiscal year 2004 appropriated level of $91 million for Earth Science Applications. We support the requested levels of $141 million for the NPOESS Preparatory Project and $99 million for the Climate Change Research Initiative.

ABOUT NASULGC

NASULGC is the Nation's oldest higher education association. Currently the association has over 200 member institutions—including the historically black land-grant institutions—located in all 50 States. The Association's overriding mission is to support high quality public education through efforts that enhance the capacity of member institutions to perform their traditional teaching, research, and public service roles.

Thank you for the opportunity to share our views with the committee.

PREPARED STATEMENT OF THE NATIONAL COALITION FOR HOMELESS VETERANS

The National Coalition for Homeless Veterans appreciates the opportunity to submit recommendations on fiscal year 2005 appropriations for and program management issues related to the U.S. Department of Veterans Affairs (VA), U.S. Department of Housing and Urban Development (HUD), and U.S. Interagency Council on Homelessness (ICH).

The National Coalition for Homeless Veterans (NCHV), established in 1990, is a nonprofit organization with the mission of ending homelessness among veterans by shaping public policy, promoting collaboration, and building the capacity of service providers. NCHV's nearly 250 member organizations in 42 States and the District of Columbia provide housing and supportive services to homeless veterans and their families, such as street outreach, drop-in centers, emergency shelter, transitional housing, permanent housing, recuperative care, hospice care, food and clothing, primary health care, addiction and mental health services, employment supports, educational assistance, legal aid and benefit advocacy.

The VA estimates that more than 299,000 veterans are homeless on any given night; more than 500,000 experience homelessness over the course of a year. Conservatively, 1 of every 3 homeless adult males sleeping in a doorway, alley, box, car, barn or other location not fit for human habitation in our urban, suburban, and rural communities has served our Nation in the Armed Forces. Homeless veterans are mostly males (2 percent are females). Fifty-four percent are people of color. The vast majority are single, although service providers are reporting an increased number of veterans with children seeking their assistance. Forty-five percent have a mental illness. Fifty percent have an addiction.

America's homeless veterans have served in World War II, Korea, the Cold War, Vietnam, Grenada, Panama, Lebanon, anti-drug cultivation efforts in South America, Afghanistan, and Iraq. Forty-seven percent of homeless veterans served during the Vietnam Era. More than 67 percent served our Nation for at least 3 years and 33 percent were stationed in a war zone.

Male veterans are twice as likely to become homeless as their non-veteran counterparts, and female veterans are about four times as likely to become homeless as their non-veteran counterparts. Like their non-veteran counterparts, veterans are at high risk of homelessness due to extremely low or no income, dismal living conditions in cheap hotels or in overcrowded or substandard housing, and lack of access to health care. In addition to these shared factors, a large number of at-risk veterans live with post traumatic stress disorders and addictions acquired during or exacerbated by their military service. In addition, their family and social networks are fractured due to lengthy periods away from their communities of origin. These problems are directly traceable to their experience in military service or to their return to civilian society without appropriate transitional supports.

Contrary to the perceptions that our Nation's veterans are well-supported, in fact many go without the services they require and are eligible to receive. One-and-a-half million veterans have incomes that fall below the Federal poverty level. Neither the VA, State or county departments of veteran affairs, nor community-based and faith-based service providers are adequately resourced to respond to these veterans' health, housing, and supportive services needs. For example, the VA reports that its homeless treatment and community-based assistance network serves 100,000 veterans annually. With an estimated 500,000 veterans experiencing homelessness at some time during a year and the VA reaching only 20 percent of those in need, 400,000 veterans remain without services from the department responsible for supporting them. Likewise, other Federal, State, and local public agencies—notably housing and health departments—are not adequately responding to the housing, health care and supportive services needs of veterans. Indeed, it appears that veterans fail to register as a target group for these agencies.

We urge Congress to make a public commitment and take immediate action to ensure access to housing, income, and health security for those who have nobly served our Nation.

VETERANS AFFAIRS APPROPRIATIONS AND PROGRAM MANAGEMENT RECOMMENDATIONS

Appropriations for VA Homeless Programs.—The landmark Homeless Veterans Comprehensive Assistance Act of 2001 (Public Law 107–95) establishes new program authorities and reauthorizes long-standing homeless programs within the VA. While the authorization law set explicit funding levels for many of the VA homeless programs and authorities, actual annual spending levels are set by the VA Secretary via allocation of funds from the VA health care account, which are appropriated by Congress.

We are extremely disappointed that the VA, in the three budget cycles since passage of Public Law 107–95, has neither implemented each of its provisions nor allocated funds from the VA health care account to the Department's homeless programs at the levels authorized in the statute.

Accordingly, we request the subcommittee to ensure that sufficient funds are included in the fiscal year 2005 VA budget for the Department's homeless programs. Further we urge the subcommittee to include specific instructions in bill language or report language (as appropriate) directing the Secretary to allocate specific funding amounts from the VA appropriation to the following VA homeless programs:

—$75 million for the Homeless Provider Grant and Per Diem program, the fiscal year 2005 level authorized by Public Law 107–95. The GPD program provides competitive grants to community-based, faith-based, and public organizations to offer transitional housing or service centers for homeless veterans.

—$45 million for the Health Care for Homeless Veterans (HCHV) program. This level of funding would enable VA to continue to support 134 existing HCHV

teams across the country that provide targeted outreach, medical treatment, and referral services to homeless veterans.

—$51 million for the Domiciliary Care for Homeless Veterans (DCHV) program. This level of funding would enable VA to continue to support 35 existing DCHVs across the country that provide residential rehabilitation supports to homeless veterans.

—$10 million for the purpose of expanding domiciliary care capacity (either directly or via contract with nonprofit homeless veteran service providers), the total level authorized for DCHV expansion in fiscal year 2003 and fiscal year 2004. VA did not exercise this authority in either fiscal year.

—$10 million for Compensated Work Therapy and CWT/Therapeutic Residences. This level of funding would enable VA to continue to support existing CWT and CWT/TR activities.

—$6 million for the VA staffing component of the HUD–VASH program. Under this program VA disburses Housing Choice Vouchers and provides case management services to 1,780 chronically homeless veterans.

—$5 million for a demonstration grant program for homeless veterans with special needs, the fiscal year 2005 level authorized by Public Law 107–95.

—$6 million to establish dental care services for certain homeless veterans, as authorized by Public Law 107–95. The CBO estimate that accompanied Public Law 107–95 estimated this provision to cost $6 million annually. VA implementation of this authority has been mixed.

—$750,000 for technical assistance grants for nonprofit community-based groups, the fiscal year 2005 level authorized by Public Law 107–95.

—$500 million increase over the fiscal year 2004 level of VA spending on mental health and substance abuse care, in part to implement provisions of Public Law 107–95 requiring the VA to ensure that each primary care facility of the Department develops and carries out plans to provide mental health services and substance abuse services.

—$27 million for additional comprehensive homeless service centers, as authorized in Public Law 107–95. The CBO estimate that accompanied Public Law 107–95 estimated this provision to cost $27 million annually.

Of the programs and authorities above, we call special attention to our recommendations for the Homeless Provider Grant and Per Diem program and the Homeless Veteran Service Provider Technical Assistance program, as these are most germane to the community-based, faith-based, and local public organizations we represent.

The Homeless Provider Grant and Per Diem Program provides competitive grants to community-based, faith-based, and public organizations to offer transitional housing or service centers for homeless veterans. The GPD program is an essential component of the VA's continuum of care for homeless veterans, assuring the availability of social services, employment supports, and direct treatment or referral to medical treatment. VA reports that in fiscal year 2002, GPD grantees provided 11,013 "episodes of care" at an average 85 days length of stay per episode—and at an average cost of only $1,674 per episode. Using this figure, an increase of the GPD allocation from its current $70 million to its full authorized level would enable VA to provide a bridge from homelessness to long-term rehabilitation or permanent housing for 3,345 more homeless veterans. We urge the subcommittee to include report language with the fiscal year 2005 VA–HUD appropriations measure urging the Secretary to allocate VA appropriations to the GPD program at the $75 million authorized level.

The Homeless Veteran Service Provider Technical Assistance Program makes competitive grants to organizations with expertise in preparing grant applications to provide technical assistance to nonprofit community-based and faith-based groups with experience in providing assistance to homeless veterans in order to assist such groups in applying for homeless veterans grants and other grants addressing problems of homeless veterans. Community-based and faith-based organizations serving homeless veterans rely on a complex set of funding and service delivery streams with multiple agencies in order to assemble comprehensive housing and supportive services. These providers face a capacity gap around managing this complexity. We are proud to have successfully competed for funding under this program. We believe we have been effective stewards of the TA funds and look forward to participating in future competitions. We urge the subcommittee to include report language with the fiscal year 2005 VA–HUD appropriations measure urging the Secretary to allocate VA appropriations to the homeless veteran service provider TA program at the $750,000 authorized level.

Capital Asset Realignment (CARES).—We are committed to assisting the men and women who have served our Nation in the military in accessing adequate nutrition,

decent shelter, safe, affordable, and permanent housing, health care, and employment assistance or income supports. With that goal in mind, we work to ensure that organizations, agencies, and groups desiring to assist veterans with these most fundamental human needs secure the public and private resources, including capital assets, necessary to provide opportunities and supports to them. Hence we were and remain quite active in participating in the VA's Capital Asset Realignment for Enhanced Services (CARES) process.

With an estimated 500,000 veterans homeless at some time during a year and the VA reaching only 20 percent of those in need, 400,000 veterans remain without services from the department responsible for supporting them. In the mean time, numerous VA properties sit vacant or underutilized. We had hoped that the CARES process would have been the moment when homeless veteran needs could be finally aligned with VA property availability, thus making a major stride toward ending homelessness for our Nation's veterans. In particular, we had hoped that the process would have elicited from the VA a commitment to fully implement the McKinney-Vento Title V (surplus property) program. Sadly, the Draft National CARES plan submitted by the Department to the CARES Commission failed to articulate a coherent national plan to deploy its capital assets to maximize housing and supportive services opportunities for homeless veterans, and further, neglected to even reference the McKinney-Vento Title V program.

We are pleased that the Commission surfaced our concern in its final report to the Secretary. The Commission recommended that "any study involving excess or surplus property should consider all options for divestiture, including outright sale, transfer to another public entity, and a reformed EUL process. VA should also consider using vacant space to provide supportive services to homeless veterans" (p. 3–33).

While the Commission recommends a helpful first step, we are urging the Department to be even more vigorous in ensuring that vacant or underutilized VA properties are first made available to organizations serving those in greatest need rather than continuing to gather dust or being converted to commercial purposes. We urge the subcommittee to include report language with the fiscal year 2005 VA–HUD appropriations measure urging the Secretary to take the following actions with regard to management of capital assets:

—issue a Department-wide directive that articulates that surplus, excess, unutilized or underutilized VA properties shall first be made available on a no-cost or lowest-cost basis to nonprofit or public organizations responding to the human needs of veterans (and low-income persons in general secondarily), with a preference for organizations experienced in serving homeless veterans;
—establish as a Departmental goal the establishment of at least 50,000 additional supportive housing units for homeless veterans on VA property and instruct VISNs to develop concrete action plans for reaching this goal;
—instruct VISNs to identify and advertise properties currently or potentially suitable and available for disposition under the McKinney-Vento Title V program;
—instruct VISNs to use the Title V criteria for determining suitability for homeless uses when conducting these property assessments; and
—take action to ensure the Department's full compliance with the Title V program; prepare an analysis of VA property acquisition and disposition statutes, regulations, and policy guidance and their intersection with the Title V program; and recommend or adopt any changes needed in order for the VA to fully participate in the Title V program.

HUD APPROPRIATIONS AND PROGRAM MANAGEMENT RECOMMENDATIONS

Appropriations for HUD–VASH.—The Housing and Urban Development-Veterans Affairs Supportive Housing (HUD–VASH) program provides permanent housing subsidies and case management services to homeless veterans with mental and addictive disorders. VA screens homeless veterans for program eligibility and provides case management services to enrollees. HUD allocates rental subsidies from its Housing Choice Voucher program to the VA, which then distributes them to the enrollees. Rigorous evaluation of the program conducted by the VA's Northeast Program Evaluation Center (NEPEC) indicates that HUD–VASH significantly reduces days of homelessness for veterans plagued by mental and addictive disorders. HUD currently allocates 1,780 housing choice vouchers under this program.

The Homeless Veterans Comprehensive Assistance Act of 2001 (Public Law 107–95) authorizes HUD to allocate 500 additional HUD–VASH vouchers to VA in each of fiscal year 2003 through fiscal year 2006. Congress authorized the additional vouchers because those currently in circulation have been fully utilized by formerly homeless veterans, and only a small number become available each year to veterans

who are now ready to resume living in the community. Inexplicably, HUD has not requested funding for additional HUD–VASH vouchers in any of its past three budget submissions to Congress. This failure is particularly perplexing given that the administration, with Congressional support, has made a commitment to ending chronic homelessness. Yet, the HUD–VASH program, which addresses the very population addressed by the chronic homeless initiative, remains frozen.

We urge the subcommittee to include in the fiscal year 2005 HUD appropriation at least $13.5 million explicitly for the HUD–VASH program. This level of funding assumes an average annual cost per voucher of $7,000 and would sustain the current 1,780 HUD–VASH vouchers in circulation, fill the backlog of 1000 additional authorized vouchers that were not put into circulation in fiscal year 2003 and fiscal year 2004, and fund 500 additional HUD–VASH vouchers authorized for fiscal year 2005.

Appropriations for HUD McKinney-Vento Programs.—HUD McKinney-Vento programs (Emergency Shelter Grant, Supportive Housing, Shelter Plus Care, and Section 8 Moderate Rehabilitation Single Room Occupancy for Homeless Individuals) provide access to emergency shelter, transitional and permanent housing, and support services for homeless people across the Nation. From a veteran perspective, HUD McKinney-Vento programs are especially important for financing housing and services that the VA itself is not authorized to offer (e.g., emergency shelter, permanent housing), services that VA is not authorized to delegate to nonprofit organizations (e.g., case management services), and health and supportive services to homeless veterans who live far from VA medical centers or outside the range of VA homeless outreach teams. We urge the subcommittee to include at least $1.8 billion for HUD McKinney-Vento programs in fiscal year 2005 VA–HUD appropriations legislation. In addition, we support the administration's request for the Samaritan Initiative, which includes a $50 million component for HUD and a $10 million component for VA.

HUD McKinney-Vento Program Management.—HUD McKinney-Vento programs are the largest source of Federal funding for emergency shelter, transitional and permanent housing, and support services for homeless people. Despite comprising between one-quarter and one-third of the homeless adult population overall, homeless veterans do not receive nearly that proportion of McKinney-Vento resources. Homeless veterans are inadequately served by many general homeless assistance organizations because such agencies fail to identify veterans as they enter their programs and thus do not know to refer them to VA programs for which they may eligible or to homeless veteran service providers with specialized expertise. In addition, some regional and local homeless assistance planning bodies are not permitting homeless veteran service providers or VA representatives to participate meaningfully in their planning and priority setting processes. Our efforts to persuade HUD to take action to ensure fairness in the allocation of resources for and focused attention to veterans experiencing homelessness have fallen on deaf ears. We urge the subcommittee to include report language with the fiscal year 2005 appropriations measure urging the Secretary to issue HUD McKinney-Vento application or program guidance as follows:

—require applicants for HUD McKinney-Vento homeless assistance funds to develop specific plans for housing and services to homeless veterans. The veteran plans should inventory existing and proposed targeted homeless veteran programs in the service area; identify the unique housing and services needs of homeless veterans in the service area; outline a strategy for addressing services gaps; address how homeless assistance providers will screen housing and services users for military service experience; and describe processes for referring homeless veterans to VA or nonprofit homeless veteran service providers in the service area (if any exist).

—require collaboration between continua of care established for the purpose of competing for HUD McKinney-Vento homeless assistance funds and Community Homelessness Assessment, Local Education, and Networking Groups (CHALENGs) established by VA medical centers for the purpose of identifying and addressing unique needs of homeless veterans in their service areas.

—require that continua of care established for the purpose of competing for HUD McKinney-Vento homeless assistance funds include at least one homeless veteran service provider, at least one homeless veteran, and representatives of the VA medical center(s) and Veterans Benefit Administration regional offices within the service area of the continuum.

Housing Assistance for Low-Income Veterans.—While the Federal Government makes a sizeable investment in homeownership opportunities for veterans, there is no parallel national rental housing assistance program targeted to low-income veterans. Veterans are not well-served through existing housing assistance programs

due to their program designs. Low-income veterans in and of themselves are not a priority population for subsidized housing assistance. And HUD devotes minimal attention to the housing needs of low-income veterans, as exemplified by the long-standing vacancy in the position of special assistant for veterans programs within the Office of Community Planning and Development. It is imperative that Congress elevate national attention to the housing assistance needs of our Nation's low-income veterans. We urge the subcommittee to include report language with the fiscal year 2005 VA–HUD appropriations measure instructing the Secretary to:

—conduct a quantitative and qualitative study of a representative sample of low-income veterans to determine the extent of housing insecurity among this population, including their barriers to rental housing assistance and homeownership and their past or current homelessness or risk for future homelessness.

—amend the guidelines for public housing authority plans for public housing and Section 8 and consolidated plans to include veterans sections. The new sections should identify veteran housing needs, priority veteran housing needs, and articulate a veteran housing strategy. In addition, the guidelines should instruct jurisdictions to include veterans, veterans service organizations, homeless veteran service providers, and VA representatives in the public participation processes used to develop the plans.

—develop a guide for assisting low-income veterans in accessing Federal, State, and local housing assistance resources and services.

—develop a guide for assisting veterans service organizations and homeless veteran service providers in accessing Federal, State, and local housing assistance funds and housing and community development planning processes.

—fill the vacancy in the Special Assistant for Veterans Programs position within the Office of Community Planning and Development.

ICH APPROPRIATIONS AND PROGRAM MANAGEMENT RECOMMENDATIONS

We are pleased that the Secretary of Veterans Affairs will assume the position of Chair of the U.S. Interagency Council on Homelessness in April 2004. This occasion provides a tremendous opportunity for the Federal Government to focus on the needs of homeless veterans that are best met through agencies other than the VA itself. We have urged the VA Secretary to use his position as ICH Chair to focus on the following interagency efforts: prevent future homelessness of separating service members (DOD, DOL, VA), ensure the housing security of low-income veterans (HUD, Ag), ensure homeless veteran and veteran service provider access to mainstream programs and funding streams (DOL, HHS, HUD); and deploy excess and surplus Federal capital assets to best address the needs of homeless persons (DOD, VA, GSA, HUD, HHS). We urge the subcommittee to include report language with its fiscal year 2005 appropriation measure urging ICH to declare its 2004–2005 operating cycle as the "year for homeless veterans" and charging ICH to address homelessness prevention among separating service members, housing security of low-income veterans, veteran and veteran service provider access to mainstream resources and services, and government-wide capital asset management. In addition, we urge the subcommittee to include $1.5 million for ICH as requested by the administration.

CONCLUSION

The National Coalition for Homeless Veterans appreciates the opportunity to submit recommendations to Congress regarding the resources and activities of HUD, VA, and ICH. We look forward to continuing to work with the Appropriations Committee in ensuring that our Federal Government does everything within its grasp to prevent and end homelessness among our Nation's veterans. They have served our Nation well. It is beyond time for us to repay the debt.

PREPARED STATEMENT OF THE SAVE AMERICORPS COALITION

As members of the Save AmeriCorps Coalition, we are writing to urge you to support the President's fiscal year 2005 funding request of $452 million for AmeriCorps grants and the National Service Trust. We very much appreciate the increase in funding that you provided last year. This year's request reflects a 2 percent increase over last year's funding level. These funds are critical if AmeriCorps is to continue to strengthen and renew our communities through service, and achieve the goal of having 75,000 AmeriCorps members this year.

In his 2002 State of the Union address, President Bush called upon "every American to commit at least 2 years . . . to the service of your neighbors and your Na-

tion." Community based organizations and national nonprofit organizations responded to the President's call. They reported large increases in the number of people wanting to serve their communities through AmeriCorps programs across the Nation.

AmeriCorps members serve with more than 2,100 local and State nonprofit organizations, public agencies, and faith-based organizations funded through State commissions as well as with national nonprofit AmeriCorps programs including Teach for America, the National Association of Community Health Centers, the Red Cross, Habitat for Humanity, City Year, and Public Allies, the National Association of Service and Conservation Corps, and Jumpstart.

AmeriCorps members teach in underserved schools, tutor and mentor youth, build affordable housing, provide public health services, prevent forest fires and do disaster relief, run after-school programs, and help communities respond to disasters. Hundreds of AmeriCorps State programs clean rivers and streams, enrich after school programs, support local law enforcement, deliver services to the elderly, and meet other needs defined by the communities they serve. Since September 11, the AmeriCorps program has expanded its work in public safety, public health and disaster relief to assist in homeland security.

During the funding debate last year, virtually every governor, more than 150 mayors, hundreds of university presidents, and corporate and civic leaders publicly recognized the good that AmeriCorps has accomplished since its creation 10 years ago. More than 100 editorials provided ample evidence of how AmeriCorps members improved their communities.

This overwhelming bipartisan support reinforced support for the programs. Because of your efforts last year, local communities throughout the Nation will continue to be served by as many as 75,000 AmeriCorps members. To sustain this level of service, we urge you to fund AmeriCorps at the level proposed by President Bush in his fiscal year 2005 budget.

This year the Corporation for National and Community Service has embarked on a rulemaking process that could affect the future of AmeriCorps as much as any substantial reduction in funding. The Coalition has submitted a series of recommendations to the Corporation that we believe can make AmeriCorps stronger, more efficient, and more responsive. A summary of that statement follows. We have attached the entire submission for the Record.

RECOMMENDATIONS FOR RENEWING AMERICORPS—AND DELIVERING ON PRESIDENT BUSH'S NATIONAL CALL TO SERVICE THROUGH AMERICORPS

In response to the questions raised in the Notice Inviting Preliminary Public Input in Advance of Rulemaking, which appeared in the Federal Register on March 4, 2004, the Save AmeriCorps Coalition has prepared recommendations based on the following principles:

—Affirm the intentions of the National and Community Service Trust Act of 1993 with regard to the purpose, quality and sustainability of AmeriCorps programs;
—Support the role of Governors and States to decide what is best for their communities;
—Promote competition and reward quality;
—Encourage innovation, entrepreneurship and replication of successful programs;
—Protect and strengthen the public-private partnership that is the hallmark of AmeriCorps; and
—Build-up and improve the national service infrastructure based on 14 years of experience.

New rules should support the intent of Congress as reflected in the National and Community Service Act of 1990, later amended in 1993, and should build on what we have learned over the last 14 years about what works. We believe that the law must serve as a point of reference in considering any reforms to AmeriCorps. We are concerned that some of the proposals, especially those related to sustainability, reflect neither the spirit nor the letter of the enacted legislation and are being considered without hearings or review by the authorizing committees in the Senate and the House.

In the National and Community Service Trust Act of 1990, as amended in 1993, Congress set the following goals for AmeriCorps:

—"To meet the unmet human, educational, environmental and public safety needs of the United States;
—"To renew the ethic of civic responsibility and the spirit of community throughout the United States;

—"To expand educational opportunity by rewarding individuals who participate in national service with an increased ability to pursue higher education or job training;

—"To encourage citizens of the United States, regardless of age, income, or disability, to engage in full-time or part-time national service;

—"To reinvent government to eliminate duplication, support locally established initiatives, require measurable goals for performance, and offer flexibility in meeting those goals;

—"To expand and strengthen existing service programs with demonstrated experience in providing structured service opportunities with visible benefits to the participants and community;

—"To build on the existing organizational service infrastructure of Federal, State and local programs and agencies to expand full-time and part-time service opportunities for all citizens; and

—"To provide tangible benefits to the communities in which national service is performed." Sec. 2. [42 U.S.C. 12501].

We are confident that by working together we can succeed in strengthening, rather than weakening, the national service field through rulemaking. It is in this spirit that we offer the following recommendations:

—*We support a definition of sustainability that reflects the language in the original law and includes strong and broad based community support*.—New rules should affirm the definition of sustainability—which includes "strong and broad based community support" as a criterion—in the 1993 amendment to the National and Community Service Act of 1990. Demonstration of such support may include but not be limited to: partnerships at the local level; volunteers serving with, and supported by, AmeriCorps members; endorsement from public officials; funding diversification; etc. Several of the rulemaking proposals being considered with regard to sustainability including time limits and reducing the Federal share of the cost per member are not consistent with current law. The National and Community Service Trust Act of 1993 defines sustainability as "evidence of the existence of (A) strong and broad-based community support for the programs; and (B) multiple funding sources or private funding for the program." We strongly support this definition of sustainability and oppose any definition that eliminates strong and broad-based community support as a criterion or that suggests that sustainability should mean operating AmeriCorps programs with declining levels of Federal support. Congressional authorizers wisely understood that sustainability involves more than financial support and is critical to the sustainability and success of AmeriCorps programs.

—*Time limits on program participation in AmeriCorps would decrease sustainability, stifle competition, and discourage private investment*.—Time limits contradict the original legislative intent to invest in quality programs that meet community needs.

—*(A) Time limits go against the fundamental, American idea of competition*.—CNCS should fund quality programs that offer the best return on taxpayer dollars by ensuring that competition for funding is in no way limited or restricted by time or amount. Evidence indicates that competition is bringing new programs into AmeriCorps. A recent survey conducted by America's Service Commissions, reported that 90 percent of the AmeriCorps portfolio has turned over since the first funding cycle. (Only 64 of over 800 current AmeriCorps State grantees have been funded since 1994). Of the 40+ national nonprofit grantees, only a handful received their first funding in 1994. Competition has ensured a dynamic "marketplace" for AmeriCorps funding.

—*(B) Time limits would lead to a decrease in sustainability*.—The presumption that in order to increase a grantee's sustainability, the Corporation's support for a program or project should decrease over time contradicts the original legislation, which seeks to, "expand and strengthen existing service programs with demonstrated experience in providing structured service opportunities with visible benefits to participants and the community." Gradual reductions in program funding would disinvest in programs that are meeting the sustainability objectives as defined in current law.

—*(C) When Federal funding is cut over time, private sector funding disappears—killing AmeriCorps' hallmark of a public-private partnership that works*.—Many private sector funders contribute to AmeriCorps because they know their funding is leveraged through public sector support. Some private funders would withdraw support if CNCS funding was no longer available, as demonstrated by a decrease in private sector support for some AmeriCorps programs in 2003–2004, when Federal AmeriCorps funding was cut. Rather

than promoting sustainability, setting time limits decrease sustainability and result in the closure of some programs.

—*States know best*.—The Corporation should support the spirit and practice of devolution and allow governors, State commissions, and parent organizations—which best understand local need and capacity—the maximum flexibility to manage for sustainability and inform national guidelines set by the Corporation. Specific calibrations should be managed by State commissions, as well as national directs who should be held to the same standards as these commissions. States must be given maximum flexibility to ensure quality, accountability, and effectiveness, including the ability to devise matching requirements with aggregate percentages as a goal. State commissions are best able to determine how to balance their State-wide portfolio between programs struggling to meet match requirements with those that can overmatch, thus effectively sharing resources throughout their diverse regions.

The Corporation should also devise rules that recognize that certain regions of the country, including many low-income, minority, and rural communities, lack private sector funders to offset program costs. A "one-size-fits-all" match—particularly a large non-Federal match—would pose such a hardship that the communities that most need AmeriCorps services would almost certainly lose them. Community members could no longer serve to improve their own communities.

—*AmeriCorps is a public-private partnership that works—but is easily destroyed by abandoning Federal investment*.—It is imperative that the Corporation not abandon the public-private partnership by dramatically scaling back Federal support over time. Private sector partners insist that one of their primary motivations for investing in specific AmeriCorps programs is that the public-private partnership enables all parties to leverage their investments. AmeriCorps program directors continually stress that Federal funds attract private dollars. There is no evidence that shows the private sector is either willing or able to absorb the Federal Government's share in the AmeriCorps partnership. Congress never intended that non-Federal sources would pick up the lion's share of AmeriCorps costs. It is essential that CNCS accurately count all private sector investment in AmeriCorps. Currently, the Corporation only requires organizations to report on funding raised to meet the required match, and additional leverage is not accounted for. Only by full accounting of all contributions to AmeriCorps can the Corporation have a true understanding of how Federal investment is leveraged.

—*Use AmeriCorps members as tools to build capacity*.—One way to increase sustainability is to allow AmeriCorps members to perform the same capacity building activities that VISTA members do, including raising funds to support programs and services. We propose that AmeriCorps members be permitted to enhance their program's sustainability—and develop new skills—by allowing them to participate in the same capacity-building activities as AmeriCorps*VISTA members. We support extending these long-standing authorities to all AmeriCorps members, without making them the exclusive focus of the program.

—*AmeriCorps is highly cost-effective when compared to other successful service providers*.—The Corporation should revert to the fiscal year 2003 cost per member of $12,800 and should adjust for inflation thereafter. The Federal share of the cost per member has already declined in real terms over the past decade. In 7 years, the cost per FTE has increased only 9 percent (from a low of $11,250 in 1998 to $12,400 in 2004) while the mandatory minimum living allowance has been cost-of-living-adjusted by 18 percent in the same time frame (from $8,340 in 1998 to $10,200 in 2004). This means that increasing percentages of program operating costs have been absorbed by private and other public sector funders. In 2004, the minimum living allowance has been increased while the cost per member was decreased, resulting in a $700 per member cut to programs. Furthermore, mandated health insurance costs have risen by over 100 percent while the average cost per member grew by only 3 percent. The net result is that programs are being starved of operating dollars. Such changes are so destabilizing that some programs have already closed.

—*To leverage non-Federal funds, the Coalition supports increasing the match requirement for program costs from the statutory set level of 25 percent to 33 percent*.—Programs, especially those in rural and poor urban areas, already find it difficult to secure private sector support. The Coalition would nonetheless support increasing the match requirement from the 25 percent supported by the statute to 33 percent, provided governors, States and parent organizations have maximum flexibility to meet or exceed match requirements in the aggregate. Programs have already exceeded the statutory requirement of 25 percent by

meeting a 33 percent match for program operating costs over the last several years. Further increases to the match requirement would penalize programs for success and limit the number of new applicants who can afford to participate in AmeriCorps, especially those in areas where resources are scarce. Instead, the Corporation should create incentives to capture the true extent to which AmeriCorps programs are leveraging resources.

—*Challenge grants promote competition and leverage private funds*.—We agree with the goal of trying to stimulate private sector investment through incentives, such as challenge grants. The Corporation's challenge grant fund should be increased to $50 million. The National and Community Service Trust Act allowed for Federal challenge grants. We understand that the response was an overwhelming. We suggest that the Corporation provide incentives to programs by expanding the challenge grant program.

—*More efficiency and less administrative burden from the Corporation will make programs more sustainable*.—The Corporation should devise strategies for reducing the administrative burden on new programs and give States more flexibility to manage match requirements across portfolios. CNCS should disaggregate planning grants from a State's costs per FTE, and/or ensuring that States annually receive a fixed number of Education Award Only slots that they may award after a local competitive process. These two strategies will specifically benefit new grantees and will prepare them for managing larger grants and programs. New grantees require extensive training and oversight. Their expense inflates the average cost per member, and actually deters States from awarding planning grants and discourages them from bringing new programs into the AmeriCorps portfolio. State commissions report that a year of planning is advisable prior to program implementation. States should be offered a set number of EAO slots by formula allocation to allow them to gradually start new programs, bring down their average cost per member and use the remainder where it is most needed.

—*Healthcare and childcare are essential to ensuring that all Americans can serve their country*.—The Corporation should maintain the current statutory requirements for the Federal share of health costs and childcare costs to preserve equal access to AmeriCorps for all Americans. Healthcare and childcare are critical to ensuring that all Americans, regardless of income level, have the opportunity to participate in AmeriCorps. Means testing would add a significant administrative burden and expense to programs stretched thin by complex requirements. In addition, AmeriCorps members that have no other means of support would not be able to afford health coverage on the subsistence level living allowance they receive in exchange for a year of full-time service.

If childcare benefits are reduced, it is likely that low-income parents would not be able to participate in AmeriCorps. This kind of rule change would have a dramatic impact on areas like rural Mississippi, an economically depressed area where the Delta Reading Corps is composed almost exclusively of young single mothers. Members must already demonstrate that they are income eligible and have children under 13 to receive the childcare benefit and reimbursement rates are based on State parameters.

Participation in AmeriCorps should not be denied to citizens from low-income communities. AmeriCorps programs offer many disadvantaged young people the chance to develop employment and leadership skills and further their education. Therefore, rules should ensure that AmeriCorps programs allow the largest number of individuals from diverse backgrounds to serve; in particular, youth who are low-income and/or out of school. Rules should be sensitive the fact that programs whose enrollment focus is on low-income, out of school, and minority young people are likely to have challenges in certain areas including recruitment and retention of members.

—*Programs depend on the Federal contribution to member living allowance*.—The Corporation should maintain the current statutory requirements for the Federal share of the living allowance at 85 percent, which is already burdensome for many programs. The match share of the living allowance must be provided in cash and from non-Federal sources. Many programs, particularly new programs, those in rural or poor areas, stand alone national service programs and those operating within small nonprofit organizations, rely on in-kind donations to meet match obligations and raising a cash match is already a struggle.

—*The Corporation should strengthen and simplify performance measurement*.—The current performance measurement system is burdensome, confusing and time consuming and does not allow the Corporation to make most effective use of the date it collects. The Corporation should develop a standardized list of outcomes and benchmarks for which they want to collect data, and require grant-

ees to report on those that are applicable to their program's mission and model. Performance measures are critical and grantees should be held accountable, but the process needs a more realistic timeframe and simplified directions. The Corporation should design aggregated performance measurement tools for the field and provide grantees with relevant training and technical assistance. It should design separate performance measures for intermediary organizations to ensure that appropriate outcomes are designated without additional administrative burden. In addition, the Coalition urges the Corporation to require end outcomes within a more realistic and useful time frame instead of during the first year of a grant. We recommend creating standard performance measures to aggregate data in the areas of civic education and volunteer generation to eliminate time-consuming guesswork for programs. We also recommend that the Corporation allow more flexibility in WBRS reporting.

—*The "No-Refill" Rule hurts communities and schools that depend on AmeriCorps members*.—The Corporation should allow States and programs to refill AmeriCorps positions following attrition of members or to re-budget between categories. In the current system, programs cannot re-budget unused stipends and benefits or recruit or enroll new members to fill the slots left open by attrition. This rule undermines commitments to communities and schools. Programs are faced with an even larger burden as they must raise additional dollars to cover fixed costs, such as staff and administration. Because attrition is a natural and expected occurrence for every program, organizations are guaranteed a revenue shortfall by the end of the year. Administrative funds, capped at 5 percent, are also reduced proportionately to what is recovered. True costs are never captured. The inability to provide a contracted number of members to a site may mean that match funding from the site will dry up. This can put small programs out of business. According to a recent GAO survey, 80 percent of programs surveyed commented that the no-refill rule will have a generally or very negative effect on their program (Management of AmeriCorps and the National Service Trust, January 2004, pp. 25–26).

This regulation devised in response to a crisis, has had clear, unfortunate, and unintended consequences. Refilling slots has been the practice in the past, with an historic usage rate of 75 percent. Flexibility to refill will therefore produce good results for programs and communities and will not cause a surplus to accumulate in the Trust.

—*Education Award Only slots should be a tool for State flexibility and cost-effectiveness*.—A maximum of 40 percent of the AmeriCorps portfolio should be allocated to Education Award Only programs, allowing States to reduce cost per member, and be responsive to both local resources and local needs. The Education Award Only Program was introduced in 1998 to engage more citizens in service and to lower the average cost per member. State commissions should have the flexibility to award Education Award Only slots to ensure that the overall portfolio cost per member is within the prescribed maximum and that programs that need funding or provide more comprehensive service have the funding they need. This allows for wide variation in geographic location, market analysis and funding capacity.

—*Properly trained corps members from all educational levels and backgrounds can be successful tutors and mentors*.—Paraprofessional requirements for tutoring programs will unnecessarily reduce the number of opportunities to serve and limit the number of citizens who can give back to their communities. The Corporation should focus on the quality, frequency and effectiveness of member training and performance measurement rather than imposing paraprofessional requirements on individual members. AmeriCorps members—senior citizens as well as young people—make excellent and effective tutors for children and youth. In addition to tutoring young people, these members offer a consistent presence for children and often serve as informal mentors to their tutees. An independent evaluation of Experience Corps, a program that engages Americans over the age of 55 in vital public and community service, showed that 69 percent of students that were tutored by Experience Corps members, who receive rigorous training but are not required to be paraprofessionals, improved by at least one grade level. The Corporation should not require that every member be a high school graduate or have earned a GED because this may disqualify people who have the capacity to be successful tutors.

—*To improve efficiency and effectiveness, grant cycles should match needs of programs and the Corporation*.—To accommodate the large number of programs that serve in schools, the Corporation should adjust the timing of the grants cycle to a full year between the date of the RFP and the date of the grant award, from June to June. The Corporation should award grants no later than

June 1 so that members may be recruited on or very near that date and enrolled. CNCS should clarify that members are allowed to be enrolled as of the award notification date, not the contract execution date. The current time frame does not work for programs with a July 1 start date, who need to recruit members to begin service at the start of the school year. Currently the Corporation requires grantees to have a signed contract in place prior to charging costs or earning hours, and in some States, programs have waited as many as 8 months for contracts to be in place because of the involvement of other government agencies or fiscal agents.

—*The Corporation should simplify the grant process by offering 3-year grants with a simple renewal process*.—A longer grant cycle would increase efficiency, reduce administrative burdens and costs, reduce paperwork, and ensure continuity in planning. The Corporation can simplify the grants process and reduce the administrative burden on programs by maximizing the use of Progress Reports, developing 3-year budgets from the beginning with new budgets annually, and allowing State commissions to approve continuations and changes. For new grantees, the Corporation should consider amending the initial grant term to 2 years to weed out underperforming programs. Those programs that are successful after 2 years would be eligible to compete for 3-year funding.

—*The Corporation should develop separate guidelines to foster the development of both new and existing professional corps*.—While professional corps programs can and should meet many of the criteria that other AmeriCorps programs meet, there are some critical distinctions between professional corps and other service corps that should be addressed, including the timing of the grants cycle, which adversely affects teacher corps and other programs operating in schools. In addition, some of the guidelines designed for AmeriCorps programs do not fit professional corps and should be modified.

—*The Corporation should build on the systems and efficiencies offered by State commissions, not repeat them*.—The Corporation has a network of State commissions that act as grantmaking entities in every State save one. These organizations have boards that provide diverse views to policy and program development and serve as stewards of the grant-making processes, ensuring their integrity. The Corporation should eliminate processes that repeat these activities at the Federal level and focus some of those resources on the existing State commission network. In addition to saving the resources spent on the peer review process, it could include a reconstruction of the recruitment, training and technical assistance systems as well.

We offer these suggestions in the spirit of strengthening AmeriCorps within the bounds of the current law. We appreciate the invitation to offer our comments, and look forward to continuing the conversation with the Corporation as the rulemaking process progresses. We would be happy to provide more detail or additional information about any of the above suggestions.

PREPARED STATEMENT OF THE FEDERATION OF AMERICAN SOCIETIES FOR EXPERIMENTAL BIOLOGY

Mr. Chairman and distinguished members of the subcommittee, I am Robert D. Wells, Ph.D., President of the Federation of American Societies for Experimental Biology (FASEB) and the Director of the Center for Genome Research at the Institute of Biosciences and Technology, Texas A&M University, Texas Medical Center in Houston.

Thank you for the opportunity to testify on behalf of FASEB, the largest coalition of biomedical research associations in the United States. FASEB, comprised of 22 scientific societies with more than 65,000 scientists, serves as the voice of biomedical scientists nationwide. Our mission is to enhance the ability of biomedical and life scientists to improve, through their research, the health, well-being and productivity of all people.

Let me express thanks on behalf of FASEB for the support that this committee has made to the National Science Foundation (NSF) and the Department of Veterans Affairs (VA). We believe that it has been money well spent in the public interest and that sustained investment will continue to pay extraordinary dividends in the years to come.

NSF has been the steward of America's science and engineering investments for more than 50 years and continues to support the fundamental research that leads to groundbreaking advances in science, engineering and mathematics. For this reason, we urge the subcommittee to sustain the vitality of NSF and set the Founda-

tion's budget on the doubling path, which was authorized in 2002, with an increase of 15 percent to $6.39 billion for fiscal year 2005.

For the Department of Veterans Affairs (VA), I recommend that you support an fiscal year 2005 appropriation of $460 million for the direct costs of the Medical and Prosthetics Research Program. I also urge you to support an appropriation of $45 million for improvements, upgrades and renovation of the VA's increasingly outdated research facilities. With thousands of military personnel engaged in overseas combat, this is the optimum time to invest in research that could have a direct impact on their post-deployment quality of life.

SUPPORT OF THE NATIONAL SCIENCE FOUNDATION IS CRITICAL FOR OUR NATION TO REMAIN AT THE FOREFRONT OF SCIENTIFIC DISCOVERY

The National Science Foundation is one of our Nation's most important agencies for promoting and funding scientific, mathematical, and engineering research and education. This support is across all fields of science, as well as for interdisciplinary partnerships and new frontiers of scientific inquiry, such as nanotechnology and biomedical research.

Many new products, procedures, and methods have accrued from the NSF investment in basic research. Therefore, research of this kind is essential to breakthroughs relevant to our modern world even though at the time of discovery its relevance is not suspected.

As an example, Magnetic Resonance Imaging—a technology that is highly valued in health care today—is the result of five decades of advances in mathematics, physics, chemistry, and biology. And not surprisingly, NSF supported much of the research that made MRI possible. We must continue to nurture the seed of scientific discovery from which today's technology flows.

The recent budget request proposes a 0.6 percent increase in the overall Federal basic research budget of the U.S. Non-medical Federal basic research budget will decline by 2.5 percent in fiscal year 2005. NSF is an important agency for supporting basic research. In fact, although the NSF accounts for only 4.0 percent of Federal spending for research and development, it supports nearly 50.0 percent of the non-medical basic research at our colleges and universities.

Federal support, applied broadly across all disciplines, is critical for the U.S. scientific enterprise to remain healthy and be a contributor to innovation 20 to 30 years from now. Neglect of basic inquiry, over time, will inhibit the growth of innovation and affect the country's economic stability as well as our national security.

Furthermore, the foundation's mission is imperative to ensuring the continuous stream of technological innovations that are essential to reinforcing and expanding one of America's main competitive advantages, technological leadership in the global economy.

NSF programs not only provide the underpinnings for technological innovation, but also help prepare the next generation of scientists and engineers for the jobs of the future. In a recent Department of Commerce report, manufacturers have expressed serious concerns about whether the United States was adequately preparing the next generation of workers for an increasingly high-tech workplace that requires advanced labor skills. NSF's Education Directorate provides critical support for the education and training of scientists and researchers at all levels.

NSF prides itself on investing in the best ideas from the most capable scientists and engineers, as determined by outside reviewers through a rigorous, merit-based competitive process. In 2003, it evaluated proposals based on both intellectual merit and broader society impacts and selected almost 11,000 new awards from more than 40,000 proposals. This is the lowest funding rate in a decade. Greater support would allow NSF to pursue many unmet opportunities, including the funding of more highly-rated proposals that will provide the potential for the pioneering of dramatic scientific advances.

We have all benefited from the investment in NSF, but we must not be complacent with our past successes. Increased support of basic research and the education of the next generation of scientists will be critical in expanding the United States' place at the forefront of scientific and technological innovation.

THE VA MISSION IS CENTRAL TO THE HEALTH OPPORTUNITIES AND CHALLENGES FACING OUR NATION'S VETERANS

A fundamental responsibility of the Department of Veterans Affairs (VA) is to ensure that the Nation's veterans receive the highest quality of medical care. The success of this mission is dependent upon the quality and dedication of the physicians and researchers who work at the VA Medical Centers (VAMCs). By providing a strong environment for medical research, the VA has been enormously successful in

attracting outstanding physicians to serve our veteran population. Cooperation between medical schools and VAMCs has flourished because of the ongoing state-of-the-art scientific research at the VAMCs. Furthermore, the outstanding quality of patient care in VAMCs can be directly correlated with the availability of VA research funding and the close connection with affiliated medical schools.

VA research has underwritten both the recruitment and the retention of talented physicians, including those hard-to-attract subspecialists needed to care for the aging and challenging VA patient population. VA subspecialists are predominantly bench researchers who have chosen to locate at VAMCs where they can develop and expand their research laboratories. The availability of research opportunities helps the VA to fulfill its tri-fold obligation to provide optimal care to patients, perform cutting edge research and train the next generation of clinician-scientists who are so needed to bring insight from the patient's bedside to the laboratory bench and back again to the patient.

Federally funded advances in the biological sciences have created an unprecedented opportunity for progress against the diseases and disorders that plague the veteran population. The administration's fiscal year 2005 budget proposes a devastating $20 million (5 percent) cut in the R&D appropriation. If enacted by Congress, the VA would be unable to maintain its current level of effort in advancing treatments for conditions particularly prevalent in the veteran population, including prostate cancer, diabetes, heart diseases, Parkinson's disease, mental illnesses, spinal cord injury and aging related conditions. The VA would also have to suspend its major new initiative in military deployment health research as well as delay plans to expand efforts in areas such as rehabilitation from traumatic injury, quality improvement, chronic diseases and diseases of the brain.

Three types of researchers, working together, are required for this state-of-the-art progress in clinical practice: (1) laboratory scientists, who have the knowledge and skills to unravel biological complexities and to translate their discoveries into drugs that ameliorate disease; (2) clinical researchers, who test whether new drugs and approaches are beneficial and safe; and (3) health services researchers, who evaluate the most effective and efficient ways to utilize new discoveries. No one researcher can function or translate new scientific findings without an integrative and collaborative approach to the pursuit of new medical knowledge.

Few research environments attract all three of these types of researchers. If properly supported, the VA research enterprise can continue to provide the distinctive opportunity to facilitate and nurture the important collaborations of the three, while assuring the veteran population of the best medical care.

The veterans, who have made extraordinary sacrifices for our Nation, so that we can live in freedom, have relied heavily on scientific advances for carrying out their missions, in fighting wars and defending threats to our homeland. They have also relied heavily on scientific advances for medical diagnoses and treatments they have received in the VA hospitals. The next generation of veterans will be no less reliant, and research supported by NSF today will surely provide significant benefits for them tomorrow.

RESIST PRESSURES TO DEPART FROM MERIT REVIEW

The last issue that I would like to discuss with the subcommittee does not emanate from the President's budget, but may continue to arise during congressional consideration. Congress should continue to resist pressures to depart from merit review at all Federal agencies that support scientific research, including the VA and NSF. Scientific merit review remains the best process for allocating research funds to research projects with the greatest promise. Merit review promotes an efficient and effective allocation of funds.

A foundation of modern science is the principle that scientific merit is best evaluated by peer review. Whether judging the suitability of a manuscript for publication, the selection of grants to be funded, or programmatic allocation of research funds within an organization, decisions should be based on the advice of experts who are most familiar with the science. Recognition by Congress that peer review is the fairest and most efficient mechanism for allocation of public resources to support scientific research is a major reason why the United States leads the world in biomedical research.

If departures from merit review are permitted, pressure will only intensify—and scientific opportunities will be lost. Investing scarce resources in anything other than the highest-quality science would be a disservice to the taxpayers who are funding this investment in future scientific and health improvements.

We all know that this is an incredibly difficult year for Federal budgets and that this committee's task will not be very pleasant. But as you decide how to divide up

the allocation among the various agencies and programs for which you have responsibility, I would ask you to consider how interrelated these activities truly are. The investments you make in NSF are investments made in the rest of the VA–HUD bill. I cite just two examples.

CONCLUSION

Mr. Chairman, I thank you and the subcommittee again for this opportunity to emphasize the need to adequately support the VA and NSF. While these agencies are different in purpose, I would like to again point out that scientific research is at the foundation of both of their missions. Furthermore, I encourage your support of the merit review process, which ensures the quality of work and helps maximize the public's investment in both agencies.

Thank you.

PREPARED STATEMENT OF THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS

AEROSPACE DIVISION

Mr. Chairman and members of the subcommittee, the Aerospace Division of the American Society of Mechanical Engineers (ASME) is pleased to provide this testimony on the President's fiscal year 2005 budget for the National Aeronautics and Space Administration.

INTRODUCTION TO ASME AND THE AEROSPACE DIVISION

ASME is a nonprofit, worldwide engineering Society serving a membership of 120,000. It conducts one of the world's largest technical publishing operations, holds more than 30 technical conferences and 200 professional development courses each year, and sets many industrial and manufacturing standards. The work of the Society is performed by its member-elected Board of Governors through five Councils, 44 Boards, and hundreds of committees operating in 13 regions throughout the world.

The ASME Aerospace Division has approximately 15,000 members from industry, academia and government. ASME members are involved in all aspects of aeronautical and aerospace engineering at all levels of responsibility. They have had a long-standing interest and expertise in the Nation's federally funded aerospace research and development activities at the National Aeronautics and Space Administration (NASA). In this statement, the ASME Aerospace Division's Executive Committee (herein referred to as "the Committee") will address programs that are critical to the long-term health of the Nation's aerospace enterprise.

NASA'S FISCAL YEAR 2005 BUDGET REQUEST

The Committee applauds the administration for its new space exploration initiative. One of the greatest achievements of the United States is its position of leadership in space technology, and NASA guarantees the United States a competitive edge on the world's technological stage. However, while this is potentially a great endeavor, we must not neglect other aspects of NASA's responsibilities, especially aeronautics.

While we are pleased with the administration's support for the space program, we remain concerned about the relative lack of support for the aeronautics research and technology (R&T) programs contained within NASA's Office of Aeronautics. This is the portion of the NASA budget that has the most immediate and practical benefit to the Nation, and yet the administration proposes to reduce those programs by $115 million from the fiscal year 2004 appropriation of just over $1 billion (even with fiscal year 2004 earmarks removed, this still represents a reduction of $43 million or 4.5 percent).

We appreciate that Congress faces a trying budgetary climate this year, but we urge you to not only fully fund NASA's fiscal year 2005 budget request, but to ensure adequate funding for aeronautics R&T. It is the Committee's recommendation that the aeronautics portion of the NASA budget be increased to $2 billion over the next 8 years, with a long-term target of attaining a level of 10 percent of the total NASA budget. Achieving this target would re-establish aeronautics funding, as a percentage of the NASA budget, at its pre-1990 level. Strong investments are required in fundamental engineering research in aeronautics, so as to maintain core competency and produce the technological advances needed to maintain U.S. long-term leadership.

There are also important and needed first steps being taken to focus our Nation's aeronautics research in government, as well as industry and academia, such as the formation of the Joint Planning and Development Office to develop a national plan to transform the U.S. air transportation system. Our concern is that these first steps come at a time of decreasing budgets in aeronautics and that without the investment to follow through on these first steps, nothing will happen.

AERONAUTICS RESEARCH AND TECHNOLOGY

The U.S. aeronautics enterprise is confronted with several critical challenges—a sharp decrease in the number of new commercial and military aircraft programs, a decline in the quality of the research infrastructure, and erosion in the technologically literate workforce needed to ensure pre-eminence in an increasingly competitive marketplace. The issues are not unrelated, and all are driven by dramatic reductions in Federal funding for research in aeronautics over the past decade.

Infrastructure.—There is a need to refocus on the infrastructure required to develop a new generation of advanced flight vehicles. In an era of budget cuts and fewer defense contracts, the Nation has embarked on a path where key wind tunnel and other ground test facilities are being retired. Our Committee recommends a team of experts from industry, government and academia be chartered to identify the infrastructure requirements for a robust national aeronautical R&D program aimed at developing a new generation of advanced aeronautical vehicles. In parallel, funded R&D adequate to sustain or build this infrastructure should be identified. The Nation should guard against a loss of technical expertise in the critical field of wind tunnel testing, a very real possibility in the current climate of attrition.

Workforce.—Aeronautics faces the same pressures being felt by the space industries: fewer research dollars over time has resulted in fewer companies with skilled workers capable of designing and building complex aeronautical systems. An investment in aeronautics is a matter of national welfare and strategic importance. These investments lead to high paying jobs for American workers. For example, in the manufacturing sector aerospace workers earn 50 percent more than the sector average. Also, for every aerospace job created, two additional jobs are created in the supplier base.

Aerospace companies have an aging workforce, a high percentage of which will reach retirement age in this decade. Aerospace suffers from a lack of available young workers with advanced technology degrees who can step in to replace retiring, experienced workers. The aerospace industry looks to NASA to create a demand for long-term R&T to encourage students to go to graduate school and on to companies who are doing aeronautical research.

Aeronautical Technologies Critical to U.S. Leadership.—Contrary to perception, aeronautics is not a mature industry. Exciting new opportunities exist for major advances in many areas of aeronautical technology, including automated flight vehicles, "fail-safe" avionics, new platforms/configurations, efficient propulsion, "quiet" aircraft, enhanced safety, and "zero" emissions aircraft. The Committee identified numerous technologies that are critical to the long-term health of the Nation's civil and military aviation and aeronautics technology enterprise including:

—Flight demonstrations (jointly funded by DOD and NASA) should be sustained at an annual budget level sufficient to determine the integrated performance of promising and dramatic new emerging technology opportunities.

—Research into avionics systems and their applications should be aggressively pursued because their use is pervasive and is often critical to the success of advanced aircraft developments.

—Research and development into Uninhabited Air Vehicles (UAVs) should be given sustained support addressing issues of reliability, maintainability and cost, so that the full potential of these promising aircraft can be realized.

—Quieter, more environmentally friendly aircraft engines are not only possible, but highly desirable over the near- and longer-term. More distant, but intriguing, are the possibilities for engines using alternative fuels, including hydrogen. A vigorous pursuit of these technologies is likely to pay rich dividends to the United States air transportation system and the national economy.

—Research on new and more effective prediction methodologies are sorely needed to meet the challenge of addressing the increased complexity of design decisions. Computational Fluid Dynamics (CFD) methods, for example, have evolved to the point of achieving good correlation with test results, but are so computer-time intensive as to be currently impractical for the multiplicity of calculations needed for design of optimum configurations.

—Methodologies that facilitate the development of cost-effective, extraordinarily reliable software and systems for safety critical operations should receive the strongest possible support.
—Composite-Structures research is a critical enabling technology for advanced aeronautical development, and should be vigorously supported. In particular, new advances in manufacturing techniques for large-scale composite structures are required to promote the development of a new generation of aeronautical vehicles.
—Significant new aerodynamics research is required in support of innovative and promising applications ranging from micro UAVs, to Vertical Takeoff and Landing (VTOL) regional transports to Single Stage to Orbit (SSTO) launch vehicles and hypersonic missiles.
—Essential simulation, ground, and flight-testing capabilities must be preserved and new, more productive capabilities should be developed—including physical infrastructure and personnel—so that new generations of advanced aircraft can be designed safely to be competitive in the world market.
—There is a continuing need for R&D into flight mechanics and control for new, innovative configurations including un-piloted aircraft. Research to minimize if not entirely eliminate the impact of pilot and operator errors on flight safety should be a primary focus.

We urge you to read our more detailed report on "Persistent and Critical Issues in the Nation's Aviation and Aeronautics Enterprise," prioritizing technologies critical to the long-term health of the Nation's civil and military aviation and aeronautics technology enterprise which is located on our website at http://www.asme.org/gric/ps/2003/ASMEPolicyPaper.pdf

CONCLUSION

In conclusion, we applaud the proposed fiscal year 2005 NASA budget request as the first step towards reinvigorating the Nation's space policy. We urge Congress to continue its support for NASA's long-range goals and to support real increases in the NASA Space and Aeronautics budget. NASA's fiscal year 2005 budget is the start of many opportunities and challenges and we hope that NASA's track record of meeting and exceeding the Nation's expectations will be continued into the 21st century.

PREPARED STATEMENT OF THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS

ENVIRONMENTAL ENGINEERING DIVISION

The Environmental Engineering Division (EED) of the Council of Engineering, ASME, is pleased to have this opportunity to provide written comments on the fiscal year 2005 budget request for the Environmental Protection Agency (EPA).

INTRODUCTION

ASME is a 120,000-member professional organization focused on technical, educational, and research issues of the engineering and technology community. ASME conducts one of the world's largest technical publishing operations, holds numerous technical conferences worldwide, and offers hundreds of professional development courses each year. ASME sets internationally recognized industrial and manufacturing codes and standards that enhance public welfare and safety.

This testimony represents the considered judgment of the ASME Environmental Engineering Division (EED), and does not represent a position of ASME as a whole. The ASME EED promotes the art, science, and practice of environmental engineering in all issues pertaining to the environment. Its members are engaged in a broad range of environmental engineering issues, including air, water, and waste management.

BACKGROUND

Scientists and engineers have a long-standing professional interest in research and technology to protect the environment and human health. Mechanical engineers have a breadth of subspecialties, from combustion and fluid mechanics to machine and process design and increasingly collaborate with other professionals in the course of their work. The opinions of the ASME EED reflect a diversity of opinions from ASME members who represent many disciplines. Mechanical engineers working in various subspecialties form a significant proportion of the technical workforce tackling current environmental problems.

The EPA plays an essential role in the Nation's efforts to protect human health and safeguard the natural environment. Protection of the environment is defined as action that directly or indirectly protects human health and the health of the larger ecosystem, and includes conservation and pollution prevention. Accordingly, research and development (R&D) in environmental protection includes studies pertinent to environmental health, ecology, environmental monitoring, environmental technology, pollution prevention, and related topics.

Given the impact that EPA has on the residents of the United States it is encouraging to see that the administration has requested over $100 million more for the agency in fiscal year 2005 than it did in the previous fiscal year. We note, however, that within this larger budget, the request for Science and Technology (S&T) shows a reduction of over $42 million. That is a troubling decline, and incongruous with the agency's stated goal "to further strengthen the role of science in decision-making by using sound scientific information and analysis to help direct policy and establish priorities." With this reduction, Science and Technology represents less than 9 percent of the requested EPA appropriation.

The EPA fiscal year 2005 budget is organized to support five strategic goals supported by a dedicated budget line titled "Enhance Science and Research." The resource request to support "Enhance Science and Research" for each goal and the differences in requests (in millions of dollars) between fiscal year 2004 and fiscal year 2005 are:

—Clean Air and Global Climate Change: $130.9; +2.8.
—Clean and Safe Water: $121.0; +0.5.
—Land Preservation and Restoration: $57.6; −2.3.
—Healthy Communities and Ecosystems: $394.8; −25.2.
—Compliance and Environmental Stewardship: $70.1; −7.1.

Thus the total budget request to "Enhance Science and Research" for the five strategic EPA goals represents a reduction of over $30 million when compared with funds allocated in the fiscal year 2004 appropriation.

The majority of the fiscal year 2005 S&T budget requested by EPA is allocated to the Office of Research and Development (ORD). In fiscal year 2005 this amounts to $572 million. Through research and technical assistance, ORD provides the scientific foundation for EPA's regulatory programs and decisions, assesses the state of the environment, identifies emerging issues of potential concern, and provides information and tools to support risk-based decisions. Hence the ORD administers programs addressing foundational research to improve the scientific tools used to understand and evaluate environmental health and problem-driven research designed to provide scientific solutions to high-priority environmental problems. It is a valuable national resource.

The EPA budget documentation dwells more on attempts to "prove" the quality of ORD research than on describing the fruits of ORD work. While it is essential to insure that Federal funds are used wisely and efficiently, it is extremely difficult to demonstrate the worth of research and development relying solely on current metrics. Often the true value of such investments is only apparent years after the investment is made. We hope that ORD is not overly diverted from its true mission by constant calls to prove the unprovable. The Science Advisory Board (SAB), a collection of eminent scientists that EPA has assembled, should be relied upon to provide a quality metric.

ASME EED notes that many of this administration's most controversial proposals (e.g., oil exploration in the Arctic, the reduction of allowable arsenic groundwater concentrations, the non-endorsement of the Kyoto Accords) have environmental dimensions. It is critical to protect ORD from political forces so that its peer-reviewed research results can be beyond political dispute.

Goal 1—Clean Air and Global Climate Change

The protection and rehabilitation of stratospheric ozone is one of the singularly most important global environmental issues over the long term. The budget for this aspect of the Clean Air and Global Climate Change strategic goal would increase 14.4 percent from this year to next. That is a very positive step in a year of flat overall funding. Nonetheless, proposed fiscal year 2005 funding for this program is only 2.2 percent of the total budget for the Clean Air and Global Climate Change goal. The level of funding belies the gravity of the problem it addresses.

Goal 2—Clean and Safe Water

The stated goal of the safe water aspect of this strategic goal is to "restore and maintain oceans, watersheds, and their aquatic ecosystems to [1] protect human health, [2] support economic and recreational activities, and [3] provide healthy habitat for fish, plants, and wildlife." While compelling arguments can be made for

making the protection of human health the agency's primary concern, it is disconcerting that economic and recreational activities may hold a higher priority than do those of native flora and fauna. Promotion of economic and recreational interests is best left with other departments within the government. The EPA should concentrate on its role as environment steward.

Goal 3—Land Preservation and Restoration

An ounce of prevention is worth a pound of cure. Thirteen-point-two percent ($237 million) of the Land Preservation and Restoration strategic goal budget in fiscal year 2005 is devoted to preserving land. While this amount is minor compared to the $1.5 billion (83.6 percent of the Land Preservation and Restoration budget) devoted to land restoration, it is positive to see that the land preservation portion of the budget has increased a healthy 12.4 percent from the fiscal year 2004 level of $211 million. The better land is preserved in the present, the lesser the land restoration bills will be in the future. It is reassuring to see the foresight of pollution prevention and land preservation becoming key aspects of EPA's approach to preserving the environment.

Goal 4—Healthy Communities and Ecosystems

It appears in fiscal year 2005 a greater focus will be placed on the ecosystems portion of the Healthy Communities and Ecosystems strategic goal. The funding level for ecosystems increases by 25 percent to $201 million, compared to an increase in funding for communities of only 0.2 percent. This level is still only 63 percent of the funding for communities, but is a big step towards more equitable funding between the two aspects of this strategic goal. The long-term benefits of environmental health enhance human communities as well as the natural world.

As with the 3.8 percent decline in science and research under the Land Preservation and Restoration goal, the 6.0 percent decline in Science and Research for Healthy Communities and Ecosystems from fiscal year 2004 to fiscal year 2005 is a harbinger of future problems. Tomorrow's solutions are found in today's research and development. Delaying the discovery and implementation of new, novel approaches to environmental management only increase their cost and the environmental losses incurred in the interim.

Goal 5—Compliance and Environmental Stewardship

The budget for Pollution Prevention and Innovation would grow by 22.6 percent from fiscal year 2004 to fiscal year 2005. That budget shift indicates a commitment to the concept that "pollution prevention has become a key element of initiatives to improve federal environmental management." Further, it supports EPA's stated plan to "work to improve environmental protection and enhance natural resource conservation on the part of the government, business, and the public through the adoption of pollution prevention and sustainable practices . . .". The EED fully supports the pursuit of this philosophy in environmental stewardship. Resource and energy conservation, combined with resource recycling, are critical to reducing the future costs of environmental remediation and resource recovery.

CROSS-CUTTING ISSUES

Scientific Understanding and Risk Analysis

The ASME EED notes that EPA continually refers to the need to base agency actions on "sound science." We believe that the EPA's risk-based approach, which engages all interested parties (i.e., "stakeholders"), provides a good framework for the formulation of environmental policies. The EED supports EPA's continuing effort to implement a research program that is aimed at expanding the role, and improving the state-of-the-art of environmental science as it pertains to decision-making and policy formulation.

The ASME EED supports the goal of applying "the best science" to the Nation's environmental problems but we note that many of the Nation's problems involve potential risks to the public and the environment from low levels of hazardous materials. In these instances, the scientific basis for decision making is highly uncertain since the health impacts of exposure to low levels of hazardous substances is largely unknown. The EED supports increased research in this area and notes that EPA has requested a large increase in research funding in the area of computational toxicology (+$4 million), which should help increase the understanding of the impact of low dose exposures. In the absence of definitive knowledge of the biological responses to low doses of hazardous materials, the ASME EED feels it important that EPA acknowledge the uncertainty in its risk estimates whenever communicating risk to the public.

Interactions with Other Federal Agencies

In the absence of definitive scientific data about the risks posed by small amounts of hazardous materials, EED believes that EPA must insure that corrective measures to eliminate exposure to small quantities of such materials do not themselves generate greater risks. We therefore recommend that EPA coordinate its activities with other Federal agencies to develop an integrated policy that minimizes the total risk to all parties, particularly workers. This policy must consider environmental risks to the public and to ecosystems, along with occupational risks and risks to the public due to remediation activities. It would be folly to expose workers and the public to real risks while attempting to reduce hypothetical risks to the public and the environment.

Oversight of DOE and WIPP

One of EPA's major radiation-related responsibilities is to certify that all radioactive wastes shipped by the Department of Energy (DOE) to the Waste Isolation Pilot Plant (WIPP) are permanently and safely disposed of, consistent with EPA standards. EPA conducts inspections of waste generator facilities and biennially evaluates DOE's compliance with applicable environmental laws and regulations. Every 5 years EPA must re-certify that WIPP complies with EPA's radioactive waste disposal regulations.

The budget for EPA's oversight of WIPP falls within the protection section of its radiation program. The President's request for fiscal year 2005 for radiation protection reflects a decrease of approximately $1.8 million. The reduction derives from higher priorities within EPA's budget. It is not possible to determine from the published documents what fraction of the budget reduction EPA's WIPP Program within the Office or Radiation and Indoor Air will absorb. However, several comments can be made regarding the budget proposal:

—No mention is made of the ongoing compliance recertification effort. The level of effort required to review the application for recertification, accept public comment, obtain and review additional documentation from DOE, and make a compliance decision will be significant. As the Nation's only operational, certified repository for permanent disposal of radioactive waste, WIPP comprises a key to cleanup of DOE's weapons complex.

—Performance measures for EPA's involvement at WIPP pertain solely to certification of a specified number of drums for disposal. Certainly this measure represents an important role for EPA. However, the EPA's decision to certify WIPP also included four conditions requiring continued oversight from EPA, a long-term groundwater-monitoring program, and ongoing review of changes to WIPP's operations. One of the conditions imposed by EPA on its certification of WIPP was construction of panel closure systems. Review of documents by an independent oversight group (the Environmental Evaluation Group) documents that DOE intends to request a revision to the certified panel closure design. This would represent a significant change to the EPA compliance baseline for WIPP.

These topics suggest that additional performance measures specific to conditions of the certification and the long-term monitoring program should be added to EPA's performance measures. These performance measures would serve to enhance public confidence in the facility. By contrast, the proposed performance measure reflects a desire to meet DOE's need to ship waste from its clean-up sites. Given how central a viable WIPP is to DOE's cleanup plans, EPA should carefully weigh the impact of budget reductions that support WIPP.

ENVIRONMENTAL EDUCATION/STRENGTHENING THE S&T BASE

Extramural research grants and graduate fellowships administered by the EPA would be severely cut under the President's proposed budget request for fiscal year 2005. EPA's Science to Achieve Results (STAR) graduate fellowship program would be cut by 33.5 percent relative to the fiscal year 2004 appropriation. EPA's larger STAR research grants program would be cut by approximately 30 percent, or $36 million. Approximately 93 fewer STAR research grants would be awarded, according to EPA's budget justification to Congress. Deep budget cuts in EPA's STAR programs have been proposed less than 1 year after the National Academy of Sciences (NAS) issued a laudatory report entitled The Measure of STAR.

The STAR fellowship program is the only Federal fellowship program designed exclusively for students pursuing advanced degrees in the environmental sciences and engineering. It provides funding for graduate students interested in the solution of environmental problems and allows them to undertake research in areas directly relevant to EPA's mission and objectives. It is the opinion of the EED that the

STAR fellowship program is an important investment in the future of both EPA and the Nation. The EED fully supports this program.

In fiscal year 2005, EPA will also support Association of Schools of Public Health (ASPH) fellowships. This investment will help EPA to better design its programs for human health outcomes. Under a cooperative agreement with the ASPH, eligible fellows are placed in EPA labs, centers, and offices to conduct projects that contribute to EPA's public health mission. EED supports this program and suggests that it be a model for additional fellowships in ancillary areas, particularly in occupational health.

The research portion of the Federal budget is the largest share of support for U.S. graduate students in fundamental science and engineering disciplines, through both fellowships and research grants to universities. In areas such as environmental science and national defense, a broad view across agencies, rather than a programmatic view, is necessary to ensure sufficient graduates and continuing quality in graduate programs. The EED encourages lawmakers to consider not only current programmatic needs, but also future national needs, when determining the number of graduate students to be funded by Federal programs, particularly in science and engineering disciplines. A highly trained workforce is vital to ensuring future success in resolving national science, security, and technology issues.

CONCLUSIONS

EPA's budget decisions for fiscal year 2005 indicate a philosophical commitment to pollution prevention and ecosystem preservation that the EED supports. Conversely, the marked decrease in funding for science and technology in fiscal year 2005 is disturbing. Because of the complex, multidisciplinary nature of environmental issues, it is imperative that EPA base its actions on sound science. A strong R&D program is essential for the ongoing development of science-based decision making. Reduced R&D funding will hurt the science and engineering community in the present and will, in the future, only cause larger, more expensive environmental problems for society at large.

PREPARED STATEMENT OF THE NATIONAL UTILITY CONTRACTORS ASSOCIATION

Chairman Bond, and distinguished members of the subcommittee, thank you for the opportunity to provide testimony to your committee on issues involving water and sewer infrastructure funding.

My name is Bill Bowman and I am the President of the National Utility Contractors Association (NUCA), which represents thousands of companies that provide the materials and workforce to build and maintain our Nation's network of water, sewer, gas, telecommunications, and other utility systems. I am also the Chairman of the Board of the Bowman Group, located in West Berlin, New Jersey, a company I founded more than 30 years ago with a handful of men, a backhoe, a dump truck, and a small loan. Today my company builds and maintains water, sewer, and other underground utility systems in and around Southern New Jersey and Southeastern Pennsylvania.

Let me begin by thanking the committee for its consideration and insistence in maintaining level funding for the Clean Water and Drinking Water State Revolving Fund (SRF) programs despite what have become yearly cuts proposed by the White House budget. This subcommittee's efforts to support the SRF programs have benefited millions of Americans. I know this because I see it every day I go to work.

I want to voice my industry's strong support for the U.S. Environmental Protection Agency's (EPA) Clean Water and Drinking Water SRF programs. Simply put, these essential financial programs clean up the environment, protect public health, promote economic development, and create thousands of jobs. Why then, does the administration continually propose to cut the Clean Water SRF by 40 percent when its own EPA reports that existing needs exceed $181 billion? We cannot help but notice the contradiction between the EPA's needs estimates and the President's proposed solution.

Utility contractors have been called the "true environmentalists" because we are the ones getting our boots dirty installing and repairing the infrastructure that help make our lakes and rivers safe for public use. And while I understand that your committee is under tremendous pressure to keep Federal spending in check, I urge you to boost the Federal capitalization of these funds because not only do they enhance our Nation's quality of life, but they help create thousands of good paying jobs right in our own backyards. These are jobs that cannot be exported—this work must be performed in America.

THE NEEDS

As the committee is well aware, last year the EPA released The Clean Watersheds Needs Survey (CWNS) 2000 Report to Congress, which painted a bleak picture of America's wastewater infrastructure. The CWNS documents State-by-State wastewater infrastructure needs and clearly demonstrates that the condition of our Nation's wastewater infrastructure is going from bad to worse. The CWNS presents the results of a survey of wastewater infrastructure needs conducted between April 2000 and January 2002, detailing a total need of $181.2 billion for publicly-owned wastewater collections, treatment facilities and eligible activities to control pollution from storm water and nonpoint sources. This figure represents an increase of $26.6 billion from the amount reported in the 1996 CWNS. It is important to note that previous CWNS reported 20-year modeled needs but that the 2000 CWNS represents documented needs. In other words, the 2000 CWNS provides a snapshot of what is needed today, not projected over 20 years. This change in study methods "hides" the true increase because the results compare 20-year modeled needs from 1996 against 5-year current documented needs from 2000. If the CWNS projected out 20 years, the number would be exponentially higher.

As the committee is well aware, in 2002, the EPA's Clean Water and Drinking Water Infrastructure Gap Analysis forecasted a $534 billion gap between current spending and projected needs over 20 years for water and wastewater infrastructure if Federal funding is not increased. To someone in our industry, this is a distressing report that in my experience, forecasts an environmental disaster. Even a modest 3 percent annual growth in water infrastructure spending will project to a $76 billion funding gap over the next 20 years. As a point of fact, funding for the Clean Water and Drinking Water SRF programs has remained stagnant since 1997. This analysis shows that we are not doing enough to tackle this problem.

The SRF programs are not examples of throwing good money after bad. States are making progress in repairing their infrastructure. But the infrastructure is failing at a rate that exceeds what the SRFs can currently handle.

As bad as the water infrastructure problems are across America, this committee is uniquely positioned to make a change for the better. The Gap Analysis clearly shows that a modest increase in Federal capitalization grants will limit the funding gap and assist States in addressing their water infrastructure problems.

PROBLEMS HIT CLOSE TO HOME

As representatives of NUCA before me have testified, aging wastewater infrastructure is failing in every State. Each year, sewers back up in basements 400,000 times and municipal sanitary sewers overflow on 40,000 occasions, dumping potentially deadly pathogens into the Nation's streets, waterways, and beaches. Water and sewer systems built generations ago that had projected use periods of 30, 50, and even 100 years are all reaching their useful life concurrently. Scores of American cities are under consent decrees with the EPA to fix their combined sewer overflow problems or face millions of dollars in fines. You need not look any further than right here in Washington, DC, where we are witnessing a health crisis caused by aging drinking water infrastructure resulting in dangerously high lead levels.

Sometimes it takes the intense media scrutiny during a crisis, like the lead problems in the District of Columbia, to get people to notice water infrastructure problems. In my business, I see firsthand these problems every day. What's out of sight and out of mind to most Americans is clearly visible to utility contractors. We regularly uncover pipes with gaping holes from which raw sewage escapes into the surrounding ground in residential neighborhoods. This leakage can go undetected for months, if not years. My colleagues can tell stories of finding infrastructure so old that the pipes are made out of hollowed tree trunks. To make matters worse, these systems are often within very close proximity to lakes and rivers where we swim, fish, and play.

Conditions grow substantially worse every day. We are knowingly failing to refurbish and install vital wastewater infrastructure in a meaningful way that maintains public safety, even though we have the capability to fix the rotting pipes. It's time we do so before we irreversibly contaminate our water supply, before sewer moratoriums shut down our communities, and before your constituents' sewer rates go through the roof.

The scenario is becoming increasingly clear: water and wastewater infrastructure needs are constantly on the rise while Federal capital investment is being sustained but is no longer sufficient. While inadequate Federal capitalization is provided every year, the existing infrastructure continues to age. Incidents of sewer overflows will continue to rise as the declining investment fails to keep up with the aging pipes.

This financial gap will only get worse unless a firm commitment is made and increased Federal resources are provided to needy communities.

Moreover, the current lack of adequate funding unintentionally widens the investment gap by sending the implicit message that our Nation's environmental infrastructure is not a national priority.

EFFECTIVENESS OF THE STATE REVOLVING FUND PROGRAMS

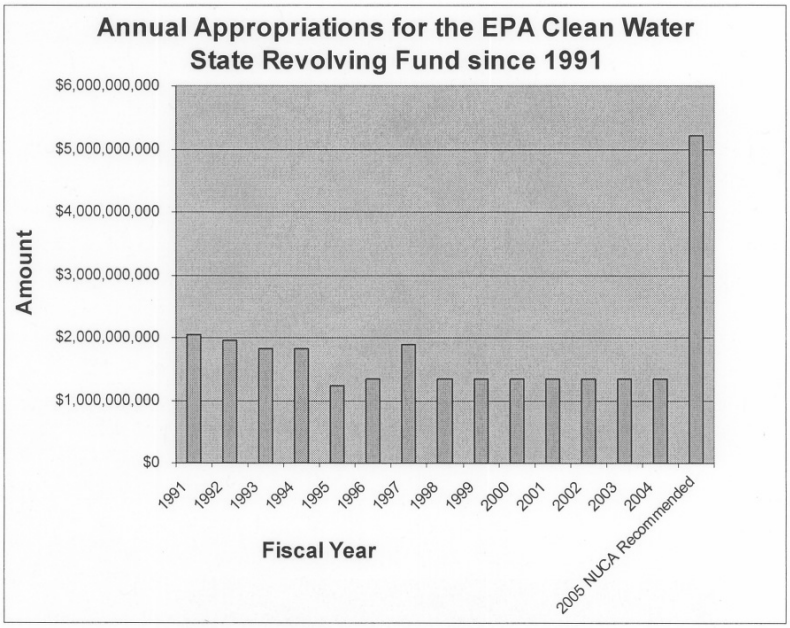
The EPA's SRF programs help ensure the quality of America's wastewater and drinking water facilities. Funding from the SRF programs provide urgently needed resources for communities across the country to address their water and wastewater infrastructure problems.

Revolving fund programs work in perpetuity. The Clean Water SRF, for example, has leveraged approximately $22.4 billion in Federal grants into more than $43 billion in revolving loans to communities. These loans are then repaid at low interest and redistributed for other priority wastewater projects within the State. The Drinking Water SRF has provided more than $6.5 billion to communities for drinking water projects and State and local activities. These projects are needed to maintain compliance with health-based standards, such as installation and replacement of failing treatment and distribution systems. The SRF programs have been hailed as the most successful federally sponsored infrastructure financing program ever.

As you know, the Clean Water SRF program originated in 1987, but authorization lapsed in 1994. Again, I want to commend this subcommittee for recognizing the effectiveness of the Clean Water SRF by continuing to appropriate funding to the program. When authorization expired in 1994, appropriations were just over $2 billion. That funding level dropped in 1998 to $1.35 billion, where it has remained. Unfortunately, this level is woefully inadequate. Immediate funding increases must be provided to begin to close the funding gap.

The administration's budget request again proposes an appalling $850 million for each SRF program. While this would represent level funding for next year's drinking water projects, the proposal reflects what would be a $500 million cut to the Clean Water SRF.

NUCA respectfully suggests there is a stark contradiction in the administration's estimation of what is needed and what should be provided to begin to address the problem. Six months after reporting needs that exceed $181 billion, this administration proposes what would reflect nearly a 40 percent reduction of an already inadequate funding level. These programs need immediate increases, not cuts.



The Clean Water SRF provides a perpetual source of funding to build and improve wastewater treatment plants; control agricultural, rural, and urban runoff; improve estuaries; control wet weather overflows; and restore brownfield sites. Recognizing its remarkable success in turning Federal capitalization grants into revolving loans, the SRF program is by all accounts an efficient, fiscally sound, and environmentally successful partnership that enhances public health, creates thousands of jobs, and improves the quality of life for communities across America.

Nearly a decade ago, our industry commissioned a report that found that for every $1 billion spent on water infrastructure, up to 55,000 jobs are created across the country. As our economy struggles to grow, it is important to note how quick and easy it is to create good, long-term construction jobs. In most States, due to advance planning and engineering work, a backlog of projects are ready to start once money arrives from the Federal Government.

Our industry has worked to move legislation that will reauthorize the Clean Water SRF program at higher funding levels in order to better ensure the appropriation of these imperative Federal resources. Water Resources Subcommittee Chairman John Duncan and Transportation and Infrastructure Committee Chairman Don Young introduced the Water Quality Financing Act of 2003 (HR 1560) last year, which would authorize $20 billion for the Clean Water SRF over 5 years and additional resources for "wet weather" projects.

NUCA fully supports HR 1560, and we look forward to advancing this legislation through the committee onto the House floor for a vote. However, while SRF reauthorization is a priority, we encourage the VA–HUD Appropriations Subcommittee to take the necessary steps to provide immediate resources to refurbish our environmental infrastructure.

Recently, the Senate passed an amendment during debate on the fiscal year 2005 Budget Resolution that increased fiscal year 2005 funding for the Clean Water and Safe Drinking Water State Revolving Fund to $5.2 billion. NUCA is recommending that the subcommittee recognize the dramatic needs and the job creation that comes with infrastructure spending and match the amount set forth in this amendment—$3.2 billion for the Clean Water and $2 billion for the Safe Drinking Water State Revolving Funds.

The House budget resolution did not include these necessary increases in funding for this vital infrastructure. NUCA encourages this subcommittee to enact the Senate's approved budget blueprint for fiscal year 2005 appropriations to the SRF programs. In fact, a diverse coalition of industry groups that includes administrators, labor unions, environmental groups, and manufacturers and NUCA has joined forces to support the Senate passed budget authorization in the final budget conference. These groups rarely work together but this issue trumps any differences they may have. Attached to this testimony is a copy of their letter sent to fiscal year 2005 budget conferees. Also attached is a letter from the Clean Water Council, a coalition of construction industry associations, in support of the Senate funding levels.

The fate of America's water quality is in your hands. The successful SRF programs play a key role in enhancing public health and safety, protecting the environment, and maintaining a strong economic base. They increase labor productivity, create scores of jobs, rehabilitate local neighborhoods, and ensure the availability of recreational use of our waterways and shorelines. They help protect the overall quality of life, from preparing a meal, to taking a shower, to simply taking a drink of water on a hot day.

People intuitively understand that their lives are directly linked to water quality and the collection and treatment of wastewater. The State revolving funds have been demonstrably efficient and effective, but clearly, more needs to be done. Sufficient Federal resources must be invested to ensure that human and environmental impacts of the multi-billion dollar funding gap are prevented. Providing $5.2 billion towards our environmental infrastructure would be a big step in the right direction.

This year, Congress is reauthorizing Federal highway and transit programs. While important, NUCA hopes the focus on the highway bill will not undermine Congress' recognition of the need to address the imperative lifelines that exist underneath the roads. The underground environmental infrastructure is falling apart by the minute.

Finally, NUCA members and utility construction industry as a whole make a tremendous and vital contribution to the American economy. In times of economic difficulty, funding construction projects provide effective ways to stimulate growth and development. Economic benefits ripple through local economies from manufactures to distributors to construction laborers, along with the induced economic benefits to our communities. Infrastructure spending is a sound Federal investment.

We strongly encourage this subcommittee to increase funding of EPA's SRF programs to $5.2 billion in fiscal year 2005. Again, thank you Chairman Bond and

Ranking Member Mikulski, for the opportunity to present testimony before your esteemed panel.

ATTACHMENT.—AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES; AMERICAN RIVERS; ASSOCIATION OF METROPOLITAN SEWERAGE AGENCIES; ASSOCIATION OF STATE AND INTERSTATE WATER POLLUTION CONTROL ADMINISTRATORS; COALITION FOR ALTERNATIVE WASTEWATER TREATMENT; NATURAL RESOURCES DEFENSE COUNCIL; NATIONAL UTILITY CONTRACTORS ASSOCIATION; WATER AND WASTEWATER EQUIPMENT MANUFACTURERS ASSOCIATION; WATER ENVIRONMENT FEDERATION

The diverse organizations above represent municipal authorities, operators of water and wastewater facilities, State water regulators and financial officers, labor organizations, contractors, manufacturers, and environmental groups dedicated to improving America's water and wastewater infrastructure. We write on behalf of our millions of members who urge you to protect human health and the environment and create hundreds of thousands of jobs by increasing the budget authority for the Environmental Protection Agency's (EPA) Clean Water and Drinking Water State Revolving Fund (SRF) programs to $5.2 billion in fiscal year 2005, as provided in the Senate budget resolution. The SRF programs help local communities meet water quality standards, protect public health, repair and replace old and decaying pipelines and treatment plants, and ensure continued progress in restoring the health and safety of America's water bodies. Authorizing $3.2 billion for the Clean Water SRF and $2 billion for the Drinking Water SRF next year would provide a badly-needed down payment to improve America's water and wastewater infrastructure.

Budget authority in the Senate budget resolution would create nearly 247,000 American jobs—three times the job creation that would come from the House budget resolution. This would aid the national economic recovery by keeping good paying jobs in local communities. Moreover, it is estimated that there are projects valued at between $3.2 billion and $4.1 billion that are ready to move forward in less than 90 days. This would create considerable jobs in the near future.

In 2002, EPA's Clean Water and Drinking Water Infrastructure Gap Analysis found that there will be a $534 billion gap between current spending and projected needs for water and wastewater infrastructure if the Federal investment is not stepped up. Moreover, last year EPA issued its Clean Watersheds Needs Survey 2000 Report to Congress, which documented existing wastewater infrastructure needs at more than $181 billion. There is no doubt of the need for increased resources toward this vital infrastructure.

When the Clean Water Act was passed more than 30 years ago, the Federal Government made a commitment to the American people to clean up the Nation's waters. Since that time the Federal Government's funding to maintain clean water infrastructure in America has decreased by 70 percent; today the Federal Government funds a mere 5 percent of national infrastructure costs. In 1996, the Safe Drinking Water Act expanded the Federal Government's role in assuring clean water for every citizen. Much has been accomplished but there is much left to be done. States, localities, and private sources addressing these problems cannot do it alone.

We support this substantial increase in water infrastructure funding next year because it takes a step toward a longer-term solution for our Nation's water needs. We again urge you to support a $5.2 billion allocation for the Clean Water and Drinking Water SRFs programs in the final Budget Resolution, and we thank you for your consideration.

ATTACHMENT.—THE CLEAN WATER COUNCIL

The Clean Water Council (CWC) is a coalition of underground construction contractors, design professionals, manufacturers and suppliers, and other professionals committed to ensuring a high quality of life through sound environmental infrastructure. The CWC strongly urges you to increase budget authority for the Environmental Protection Agency's (EPA) Clean Water and Drinking Water State Revolving Fund (SRF) programs to $5.2 billion in fiscal year 2005, as provided in the Senate budget resolution. This funding level will provide a badly-needed down payment to improve America's water and wastewater infrastructure.

Unfortunately, the administration's budget has again proposed a $500 million cut in funding for the Clean Water SRF at a time when the Nation's wastewater infrastructure needs are skyrocketing. In 2002, EPA's Clean Water and Drinking Water Infrastructure Gap Analysis found that there will be a $534 billion gap between current spending and projected needs for water and wastewater infrastructure if the Federal investment is not stepped up. Moreover, last year EPA issued its Clean Watersheds Needs Survey 2000 Report to Congress, which documented existing waste-

water infrastructure needs at more than $181 billion. The CWC believes it is contradictory for the administration to propose what would be close to a 40 percent reduction in funding for clean water projects when its own agency studies have shown an overwhelming gap between the needs and current spending and provided a snapshot of current needs that are approaching $200 billion. America's water and wastewater infrastructure needs immediate funding increases, not cuts.

The SRF programs provide a perpetual source of funding to build and improve this vital infrastructure, but the SRFs do more than clean up our environment. Funding the SRF programs at this level would create at least 238,000 American jobs. It is estimated that there are projects valued at between $3.2 billion to $4.1 billion that are ready to move forward in less than 90 days that are stalled due to the lack of funding. Importantly, the "revolving" nature of the SRF makes the program a fiscally sound partnership. For example, since its inception in 1987, the Clean Water SRF has leveraged approximately $22 billion in Federal capitalization grants into more than $44 billion in revolving loans to local communities.

The Senate budget resolution would provide $3.2 billion for the Clean Waster SRF and $2 billion for the Drinking Water SRF next year. The CWC understands that these are substantial funding increases but we believe they are justified and necessary. These funding levels will help secure our water and wastewater infrastructure while assisting the Nation's economic recovery by providing high paying jobs in local communities right here in America. The CWC requests that you support a $5.2 billion in budget authority for the Clean Water and Drinking Water SRF programs in the final budget resolution.

Members of the Clean Water Council

American Council of Engineering Companies; American Concrete Pressure Pipe Association; American Rental Association; American Road & Transportation Builders Association; American Society of Civil Engineers; American Subcontractors Association; Associated Equipment Distributors; Associated General Contractors; Association of Equipment Manufacturers; Construction Management Association of America; National Precast Concrete Association; National Ready Mixed Concrete Association; National Society of Professional Engineers; National Stone, Sand and Gravel Association; National Utility Contractors Association; Portland Cement Association; The Vinyl Institute; Uni-Bell PVC Pipe Association; Water and Wastewater Equipment Manufacturers Association.

PREPARED STATEMENT OF THE NATIONAL COUNCIL FOR SCIENCE AND THE ENVIRONMENT

SUMMARY

The National Council for Science and the Environment (NCSE) commends the Senate Appropriations Subcommittee on VA, HUD and Independent Agencies for its bipartisan leadership in support of science to improve environmental decision-making. We ask for your continued leadership by appropriating strong and growing funding for environmental research and education to address pressing national challenges.

Environmental Protection Agency.—We urge Congress to reject drastic budget cuts proposed for competitive research grants and graduate fellowships administered by the Environmental Protection Agency's Science to Achieve Results (STAR) program. The fiscal year 2005 budget request would cut the STAR research grants program by approximately 30 percent to $65 million in the fiscal year 2005 budget request. It would also cut the STAR graduate fellowship program by 33.5 percent to $6.1 million in the fiscal year 2005 budget request. We ask Congress to appropriate at least $100 million for the STAR research grants program and at least $10 million for the STAR graduate fellowship program in fiscal year 2005.

National Science Foundation.—NCSE recommends a 15 percent increase in funding for the National Science Foundation (NSF), bringing the agency's budget to $6.41 billion in fiscal year 2005. This is consistent with the National Science Foundation Authorization Act of 2002 (Public Law 107–368), which authorizes a doubling of the NSF budget in 5 years. NCSE emphasizes the need for increased funding for NSF's Environmental Research and Education (ERE) portfolio. Although the National Science Board identified this area as one of NSF's "highest priorities," funding for the ERE research portfolio would decrease by 0.2 percent to $930.2 million under the fiscal year 2005 budget request. Moreover, funding for the priority area on Biocomplexity in the Environment—the flagship program of the ERE portfolio—would be flat at $99.8 million in fiscal year 2005. NCSE urges Congress to increase fund-

ing for NSF's Environmental Research and Education portfolio by at least the same percentage as the agency's overall growth rate.

National Science Board Report.—NCSE encourages Congress to strongly support full and effective implementation of the National Science Board (NSB) report, Environmental Science and Engineering for the 21st Century, within the context of efforts to double the budget of the National Science Foundation. The lagging growth of the NSF Environmental Research and Education budget relative to the total NSF budget in recent years raises serious concerns about its status of one the agency's "highest priorities."

FEDERAL INVESTMENTS IN ENVIRONMENTAL R&D

The National Council for Science and the Environment thanks the Senate Appropriations Subcommittee on VA, HUD, and Independent Agencies for the opportunity to testify before the panel in support of appropriations for the Environmental Protection Agency and the National Science Foundation.

NCSE is dedicated to improving the scientific basis for environmental decision-making. We are supported by over 500 organizations, including universities, scientific societies, government associations, businesses and chambers of commerce, and environmental and other civic organizations. NCSE promotes science and its relationship with decision-making but does not take positions on environmental issues themselves.

Federal investments in R&D and science education are essential to the future well-being and prosperity of the Nation and deserve the highest priority of Congress. The long-term prosperity of the Nation and our quality of life are contingent upon a steady commitment of Federal resources to science and technology, and especially environmental R&D.

The Appropriations Subcommittee on VA, HUD and Independent Agencies plays the largest role in setting funding levels for environmental R&D. It has jurisdiction over agencies that account for approximately 45 percent of Federal funding for environmental R&D. Federal investments in environmental R&D must keep pace with the growing need to improve the scientific basis for environmental decision-making. In recent years, Congress has played a crucial role by supporting strong and growing Federal investments in environmental R&D. We appreciate the subcommittee's leadership and encourage its continued support in this difficult fiscal environment.

EPA STAR PROGRAMS

Extramural research grants and graduate fellowship programs administered by the U.S. Environmental Protection Agency would be severely cut under the President's budget request for fiscal year 2005. Funding for EPA's Science to Achieve Results (STAR) research grants program would be cut by approximately 30 percent, from an estimated $92 million in the fiscal year 2004 enacted appropriations bill to $65 million in the fiscal year 2005 budget request. As a result of these cuts, approximately 93 fewer competitive research grants would be awarded to scientists at universities and nonprofit institutions across the Nation, according to EPA's budget justification to Congress. Funding for EPA's STAR graduate fellowship program—the only Federal program aimed specifically at students pursuing advanced degrees in environmental sciences—would be cut by 33.5 percent, from $9.17 million in the fiscal year 2004 enacted appropriations bill to $6.1 million in the fiscal year 2005 budget request. The National Council for Science and the Environment urges Congress to restore full funding for EPA's Science to Achieve Results (STAR) research grants and graduate fellowship programs.

Rep. Vernon Ehlers, Chairman of the House Science Subcommittee on Environment, Technology and Standards, convened a hearing on March 11, 2004 that examined the proposed cuts in EPA's STAR programs. At the conclusion of the hearing, he said, "I have not heard a convincing reason today for why the STAR program was cut so dramatically. By all accounts, it is a well-run, competitive, peer reviewed program that produces high quality research. These proposed reductions should not be allowed to take effect."

EPA STAR Research Grants.—NCSE urges Congress to appropriate at least $100 million for the STAR Research Grants program in fiscal year 2005. This is the funding level proposed in the President's budget request for fiscal year 2004. Deep budget cuts in EPA's STAR program have been proposed less than 1 year after the National Academies issued a laudatory report, The Measure of STAR, which concludes that the program supports excellent science that is directly relevant to the agency's mission. According to the report, the STAR program has "yielded significant new findings and knowledge critical for regulatory decision making." The report says, "The program has established and maintains a high degree of scientific excellence."

It also concludes that the EPA STAR program complements research supported by other agencies and leverages its resources through partnerships, stating "The STAR program funds important research that is not conducted or funded by other agencies. The STAR program has also made commendable efforts to leverage funds through establishment of research partnerships with other agencies and organizations."

The EPA STAR research program compares favorably with programs at other science agencies. According to the National Academies report, "The STAR program has developed a grant-award process that compares favorably with and in some ways exceeds that in place at other agencies that have extramural research programs, such as the National Science Foundation and the National Institute of Environmental Health Sciences."

The STAR research grants program expands the scientific expertise available to EPA by awarding competitive grants to universities and independent institutions, to investigate scientific questions of particular relevance to the agency's mission. The National Academies report says, "The STAR program should continue to be an important part of EPA's research program." According to the fiscal year 2005 budget request, funding for the following STAR grants would be cut.

—*Ecosystems Protection (−$22.2 million)*.—Approximately 50 STAR grants for research on ecosystem stressors and effects would be eliminated. According to the agency's budget documents, "As a result of this reduction, STAR efforts designed to establish or improve the connection between ecosystem stressors and effects, serving as input to decisions at the regional, state, and local levels, will be discontinued."

—*Pollution Prevention (−$5 million)*.—Over 20 research grants would not be funded under the Technology for the Sustainable Environment (TSE) program, which is a collaborative effort with the National Science Foundation.

—*Endocrine Disruptors (−$4.9 million)*.—Approximately 18 STAR research grants for research on endocrine disrupting chemicals would be eliminated.

—*Mercury Research (−$2 million)*.—The approximately 5 STAR grants that support mercury research would be eliminated.

—*Hazardous Substance Research Centers (−$2.3 million)*.—A 5-year program that awarded grants for hazardous substance research would not be funded in fiscal year 2005. According to EPA, some multi-year grants would not be funded in their final year due to this cut.

—*Homeland Security Building Decontamination Research (−$8.3 million)*.—Research on building decontamination for homeland security would be completely eliminated.

—*Environmental Technology Verification (−$1.0 million)*.—One or two centers for testing the effectiveness of commercial environmental technologies would be closed.

EPA STAR Graduate Fellowships.—NCSE urges Congress to appropriate at least $10 million for the STAR graduate fellowship program in fiscal year 2005. This is the only Federal program aimed specifically at students pursuing advanced degrees in environmental sciences. According to the National Academies report, "The STAR fellowship program is a valuable mechanism for enabling a continuing supply of graduate students in environmental sciences and engineering to help build a stronger scientific foundation for the nation's environmental research and management efforts." The STAR fellowship program is highly competitive, with only 7 percent of applicants being awarded fellowships.

The President's budget request has proposed deep cuts in the STAR graduate fellowship program in the past 2 years. The budget request would have cut funding for the STAR graduate fellowship program by 50 percent in fiscal year 2004 and by 100 percent in fiscal year 2003. Under the leadership of this subcommittee, Congress restored full funding for the EPA STAR graduate fellowship program in both years. NCSE encourages Congress to restore full funding for the program again in fiscal year 2005.

Science, Technology and Education at EPA.—EPA's overall Science and Technology account faces serious reductions in the President's fiscal year 2005 budget request. This account would be cut by 11.8 percent to $689.2 million in fiscal year 2005. We encourage Congress to provide at least $790 million to fund this important function at EPA.

The fiscal year 2005 budget request proposes no funding for the EPA Office of Environmental Education. NCSE strongly encourages Congress to restore full funding of at least $10 million to support the congressionally mandated programs administered by this office. These programs provide national leadership for environmental education at the local, State, national and international levels, encourage careers re-

lated to the environment, and leverage non-Federal investment in environmental education and training programs.

NATIONAL SCIENCE FOUNDATION

Implementing the NSF Doubling Act.—The National Council for Science and the Environment urges Congress to appropriate the funds necessary to implement the National Science Foundation Authorization Act of 2002, which was passed by Congress on November 15, 2002 and signed into law by the President on December 19, 2002 (Public Law 107–368). A central goal of the Act is to double the budget of the National Science Foundation in 5 years. It authorizes a budget increase of 105 percent for the NSF, from $4.8 billion in fiscal year 2002 to $9.8 billion in fiscal year 2007. The NSF Authorization Act of 2002 is a major milestone for the NSF, the scientific community, and the Nation. It recognizes the critical connection between science and the long-term economic strength of the Nation. In order to achieve the outcomes envisioned by this bold legislation, Congress must appropriate the funding levels specified in the NSF Authorization Act.

The National Council for Science and the Environment urges Congress to appropriate $6.41 billion for the National Science Foundation in fiscal year 2005, which would be a 15 percent increase over fiscal year 2004. NCSE supports an increase of 15 percent in fiscal year 2005 in order to place NSF on the doubling track that Congress deemed necessary. Although the authorized funding level is $7.38 billion for fiscal year 2005, we understand that this may be beyond reach in the current fiscal environment.

The President's budget request would increase funding for NSF by 3.0 percent to $5.75 billion in fiscal year 2005. Of the $167 million in new funding, 45 percent would be devoted to a management initiative that would provide more staff for NSF and improve the security of its computer systems. Under the fiscal year 2005 budget request, funding for most of the disciplinary directorates, such as Biological Sciences and Geosciences, would increase by only 2.2 percent, only slightly more than the expected rate of inflation.

Expanding NSF's Environmental Research and Education Portfolio.—The National Science Foundation plays a crucial role in supporting environmental R&D. Environmental research often requires knowledge and discoveries that reach across disciplinary and institutional boundaries. The NSF recognizes this and encourages multidisciplinary environmental activities across the entire agency, as well as with other Federal agencies. The NSF has established a "virtual directorate" for Environmental Research and Education (ERE). Through this virtual directorate, NSF coordinates the environmental research and education activities supported by all the directorates and programs.

Although the National Science Board said environmental research and education should be one of NSF's "highest priorities" (see below), funding for the ERE research portfolio would decrease by 0.2 percent, from $932.1 million in fiscal year 2004 to $930.2 million in the fiscal year 2005 budget request (Table 1). This is the first time that ERE funding would decline since the National Science Board identified it as one of NSF's highest priorities in 2000. NCSE encourages Congress to support more investment in this important area of research. Given that the National Science Board has been identified environmental research and education as one of the agency's highest priorities, funding for the ERE portfolio should grow at least as rapidly as the total NSF budget. In order to achieve the $1.6 billion funding level recommended by the National Science Board, NCSE supports rapid growth in NSF's Environmental Research and Education portfolio over the next several years.

TABLE 1.—NATIONAL SCIENCE FOUNDATION: ENVIRONMENTAL RESEARCH AND EDUCATION (ERE)

[Budget Authority in Millions of Dollars]

	Environmental R&D							Change 2004 to 2005	
	Fiscal Year 1999 Actual	Fiscal Year 2000 Actual	Fiscal Year 2001 Actual	Fiscal Year 2002 Actual	Fiscal Year 2003 Actual	Fiscal Year 2004 Plan	Fiscal Year 2005 Request	Amount	Percent
Research and Related Activities (R&RA):									
Biological Sciences	$117.9	$125.3	$167.0	$174.5	$188.3	$214.1	$214.1	.....	.....
Comp. & Info. Sci. & Eng	4.0	7.0	15.1	15.1	22.1	23.9	23.9	.....	.....
Engineering	38.0	50.0	62.7	63.7	76.0	76.0	74.0	−$2.0	−2.6
Geosciences	320.9	327.9	409.4	442.8	499.1	513.1	513.1	.....	.....
Math. and Physical Sci	44.3	48.3	56.4	56.4	11.0	32.2	32.2	.....	.....
Soc., Behav. & Econ. Sci	17.8	17.3	20.1	21.7	5.0	21.9	21.9	.....	.....
Office of Polar Programs	45.3	45.3	47.5	49.8	50.9	50.9	50.9	.....	.....
Integrative Activities[1]	7.0	50.0	.....	.....	.....	.....	.....	.....	.....
Subtotal, R&RA	595.2	671.2	778.1	824.0	852.4	932.1	930.2	−2.0	−0.2
Edu. and Human Res.[2]	.....	.....	.....	.....	2.0	2.0	2.0	.....	.....
TOTAL, ERE Budget	595.2	671.2	778.1	824.0	854.4	934.1	932.2	−2.0	−0.2
TOTAL, NSF Budget	3,690.3	3,923.4	4,459.9	4,774.1	5,369.3	5,577.8	5,745.0	167.2	3.0

[1] In fiscal year 1999 and fiscal year 2000, funding for the Biocomplexity and the Environment (BE) Priority Area was included in the Integrative Activities account. Beginning in fiscal year 2001, BE funds were distributed across the directorates. Funding for BE was $54.88 in fiscal year 2001; $58.10 million in fiscal year 2002; and $79.20 million in the President's Request for fiscal year 2003.

[2] Figures for environmental funding in the Education and Human Resources account are not available prior to fiscal year 2003. Although education is not generally scored as R&D, $2.0 million for Environmental Education was included in the Education and Human Resources Directorate in the ERE budget from fiscal year 2003 to 2005 (request).

Source: NSF.

Biocomplexity in the Environment.—NCSE is especially supportive of NSF's priority area on Biocomplexity in the Environment, which is the flagship of the ERE portfolio. This priority area provides a focal point for investigators from different disciplines to work together to understand complex environmental systems, including the roles of humans in shaping these systems. It includes research in microbial genome sequencing and ecology of infectious diseases—to help develop strategies to assess and manage the risks of infectious diseases, invasive species, and biological weapons crucial to homeland security.

The Biocomplexity in the Environment priority area was reviewed by a Committee of Visitors in February 2004. The committee reported:

"This program is highly responsive to a great need for integrative research to answer non-linear complex questions. The outcomes are helpful to establishing sound science evidence for use in policy decisions, in making science relevant to the community, in including the human dimension in consideration of environmental change, and in integrating these areas of science knowledge and discovery with the need for environmental literacy among our students in formal education an the education of the general public."

We urge Congress to support this critical initiative and to consider funding it at a level of $136 million, as proposed in fiscal year 2000 budget request for NSF. After several years of rapid growth, the fiscal year 2005 budget request would provide flat funding of $99.8 million for Biocomplexity in the Environment.

NATIONAL SCIENCE BOARD REPORT ON ENVIRONMENTAL SCIENCE AND ENGINEERING

The National Council for Science and the Environment encourages Congress to support full and effective implementation of the 2000 National Science Board (NSB) report, Environmental Science and Engineering for the 21st Century: The Role of the National Science Foundation, within the context of a doubling of the budget for the NSF.

The National Science Board report sets out an ambitious set of recommendations that could dramatically improve the scientific basis for environmental decision-making. The first keystone recommendation is as follows:

"Environmental research, education, and scientific assessment should be one of NSF's highest priorities. The current environmental portfolio represents an expenditure of approximately $600 million per year. In view of the overwhelming importance of, and exciting opportunities for, progress in the environmental arena, and because existing resources are fully and appropriately utilized, new funding will be required. We recommend that support for environmental research, education, and scientific assessment at NSF be increased by an additional $1 billion, phased in over the next 5 years, to reach an annual expenditure of approximately $1.6 billion."

The report says that the National Science Board expects NSF to develop budget requests that are consistent with this recommendation. At first, growth in the Environmental Research and Education budget reflected its priority status: from fiscal year 1999 to 2001, the ERE account grew more rapidly than the overall NSF budget. However, the ERE growth rate has trailed the total NSF growth rate since that time. From fiscal year 2002 to fiscal year 2005 (request), the ERE budget grew by only 13.1 percent while the total NSF budget grew by 20.3 percent. The lagging growth of the Environmental Research and Education budget relative to the total NSF budget in recent years raises serious concerns about its status of one NSF's "highest priorities."

The National Science Board envisioned a 167 percent increase in funding for the ERE portfolio, from approximately $600 million to $1.6 billion, within the context of a doubling of the total NSF budget over 5 years. The doubling has not materialized. Nevertheless, if the Environmental Research and Education portfolio is one of NSF's highest priorities, then the growth rate of the ERE budget should not lag behind the growth rate of the total NSF budget.

The National Science Foundation has taken many steps to implement the recommendations of the NSB. Full implementation of the NSB report will require strong support from Congress and a significant increase in funding for NSF's portfolio of environmental science, engineering and education.

The National Council for Science and the Environment appreciates the subcommittee's sustained support for environmental research at the Environmental Protection Agency and the National Science Foundation. Investments in these agencies continue to pay enormous dividends to the Nation. Thank you very much for your interest in improving the scientific basis for environmental decision-making.

PREPARED STATEMENT OF THE NATIONAL ASSOCIATION OF UNIVERSITY FISHERIES AND WILDLIFE PROGRAMS

The National Association of University Fisheries and Wildlife Programs (NAUFWP) appreciates the opportunity to offer comments on the fiscal year 2005 budget for the National Science Foundation. NAUWFP is thankful for support that both the Congress and the administration demonstrated for the National Science Foundation (NSF) by enacting the National Science Foundation Authorization Act of 2002. The Act authorizes a 5-year period of 15 percent annual budget increases, placing NSF on a "doubling track," which will enhance current and future U.S. scientific and technological advancements in science. The National Association of University Fisheries and Wildlife Programs urges Congress to act on its commitment by increasing fiscal year 2005 funding for NSF 15 percent over the fiscal year 2004 enacted budget, for a total increase of $6.415 billion.

Despite tough budget times, this kind of investment is critical. NSF is one of the Nation's best tools for promoting and advancing scientific research and education. Although NSF accounts for only 4 percent of Federal Research and Development spending, it supports nearly 50 percent of the non-medical Biological Sciences research at our colleges and universities.

BIOLOGICAL SERVICES

Within the Research and Related Activities (R&RA) account, the Biological Sciences Directorate is of particular interest to the wildlife conservation and research community. The Biological Sciences Activity (BIO) supports research, infrastructure, and education at U.S. academic institutions, including NAUFWP universities.

BIO provides 65 percent of the support for basic research in non-medical aspects of the biological sciences at academic institutions. Because the majority of Federal support for the life sciences—over 85 percent—goes to health-related research funded by the National Institute of Health, NSF's contribution to the broad array of the biological sciences is highly significant and strategically focused, particularly in such areas as environmental biology and plant sciences. In nationally important issues related to wildlife and wildlife habitat, BIO-supported research enhances the understanding of how living organisms function and interact with non-living systems.

Current research includes a project investigating elk-wolf interactions in Yellowstone National Park. Results of the project will enhance knowledge of large mammalian systems and facilitate design of sound endangered species programs. Another BIO-supported research project involves modeling population density and foraging behavior of Brazilian free-tailed bats. Data from this project have shown that bats from two Texas caves provide pest control service for agricultural crops such as corn and cotton. The estimated value of protection afforded the crops by the bats amounts to as much as $258 million annually; thus conserving bat diversity and habitat is both biologically and economically beneficial.

The President's budget proposal restricts the BIO program to an increase of approximately 2 percent. We recommend you provide the Biological Sciences account with an increase equal to the overall R&RA increase, which is 4.7 percent over the fiscal year 2004 enacted level. This would equal an increase of $27.58 million for Biological Sciences, for a total budget of $614.47 million in fiscal year 2005.

TOOLS

One of the NSF's strategic goals is to support investment in Tools—state-of-the art science and engineering facilities, tools, and other infrastructure that enable discovery, learning, and innovation. Funds dedicated to this account allow NSF to revitalize and upgrade aging infrastructure, and enable progress in research and education. NAUFWP supports the President's requested $58.3 million increase for the Major Research Equipment and Facilities Construction (MREFC), within the Tools account. Increased funding for MREFC will support ongoing projects and provide funding necessary to launch proposed projects.

We urge you to support the President's request of $12 million in fiscal year 2005 for the National Ecological Observatory Network (NEON). NEON will be a continental-scale research instrument consisting of geographically distributed observatories, networked via state-of-the-art communications allowing scientists and engineers to conduct research spanning all levels of biological organization. NEON will provide researchers with important tools necessary to address ecological questions regarding habitat and wildlife conservation in the United States. Examples of research that could be addressed by NEON include: the spread of infectious diseases

like West Nile Virus and the affect of western wildfires on water quality in the central or eastern United States.

ABOUT THE NATIONAL ASSOCIATION OF UNIVERSITY FISHERIES AND WILDLIFE PROGRAMS

The National Association of University Fisheries and Wildlife Programs represents approximately 55 university programs and their 440 faculty members, scientists, and extension specialists, and over 9,200 undergraduate and graduate students working to enhance the science and management of fisheries and wildlife resources. Our affiliates conduct research on a diversity of subjects, fulfilling the information needs of fish, wildlife, and natural resource management. Individual projects are used as building blocks in comprehensive research that provides applied science information for management.

Please include this testimony in the official record. Thank you for the opportunity to share our views with the committee.

PREPARED STATEMENT OF THE NATURE CONSERVANCY

INTRODUCTION AND BACKGROUND

Mr. Chairman and members of the subcommittee, I appreciate the opportunity to submit written testimony on behalf of The Nature Conservancy for fiscal year 2005 appropriations for the U.S. Environmental Protection Agency (EPA).

The Nature Conservancy is an international, non-profit organization dedicated to the conservation of biological diversity. Our mission is to preserve the plants, animals and natural communities that represent the diversity of life on Earth by protecting the lands and waters they need to survive. The Conservancy has more than 1,000,000 individual members and 1,900 corporate associates. We have programs in all 50 States and in 27 foreign countries. We have protected more than 15 million acres in the United States and nearly 102 million acres with local partner organization globally. The Conservancy owns and manages about 1,400 preserves throughout the United States—the largest private system of nature sanctuaries in the world. Sound science and strong partnerships with public and private landowners to achieve tangible and lasting results characterize our conservation programs.

Biological diversity is important for a number of reasons. Species and natural communities harbor genetic and chemical resources that contribute to advances and products in medicine, agriculture and industry. The value of these goods is enormous. It represents, however, only a fraction of the value these ecosystems provide to humanity in terms of services, such as waste assimilation and treatment, climate regulation, drinking water, and flood control. One estimate of the value of these services for the entire biosphere is $33 trillion, which is nearly double the global gross national product (Costanza et al 1997). In addition to these benefits, the environment serves as an instrument through which educational, cultural, aesthetic and spiritual values are often expressed.

In 2000, The Nature Conservancy and the Association for Biodiversity Information released a study documenting America's astonishing natural abundance. For example, we now know the United States is home to more than 200,000 native species of plants and animals and ranks at the top in its variety of mammals and freshwater fish. Ecosystems in the United States are also among the most diverse. They range from tundra, to deserts, prairies, and various forest types. However, as many as one-third of the Nation's species are at risk and at least 500 species have already gone extinct or are missing. The single biggest threat to species survival is loss of habitat, which generally occurs as a result of human activities. Almost 60 percent of America's landscape is already severely altered.

Reversing the trend will require working at larger scales and across State and other jurisdictional lines. The Nature Conservancy is committed to this effort. For example, we have invested $1 billion in private funds over the last several years to protect critical natural areas around the United States and abroad, and we are committed to making similar investments over the next several years. These investments alone, however, will not be enough. True conservation success will be achieved only through the work of partners, including the Federal Government. Funding is needed at the Federal level to support on-the-ground conservation projects and to ensure policies that promote a sustainable environment.

SUMMARY OF RECOMMENDATIONS

EPA is responsible for administering a number of programs that protect public health and the environment. The Nature Conservancy recommends level or modest

funding increases for seven programs with which we have had direct experience and that we believe help preserve biodiversity. The seven programs include the following:

THE NATURE CONSERVANCY'S FISCAL YEAR 2005 FUNDING RECOMMENDATIONS FOR SELECTED EPA PROGRAMS

Program Name	Fiscal Year 2005 Recommendations	
	EPM Account	STAG Account
Clean Water Act State Revolving Fund (CWSRF)		$1,350,000,000
Coastal Watersheds and National Estuaries Program	[1] $50,000,000	
Non-point Source Management Program (Section 319)	16,900,000	250,000,000
Targeted Watershed Program	25,000,000	
Wetlands Protection Program	18,000,000	18,000,000
Chesapeake Bay Program	22,000,000	
Great Lakes National Program Office	17,000,000	

[1] Includes $35 million for National Estuaries Programs as authorized under the Estuaries and Clean Waters Act of 2000 and $15 million for other coastal activities.

Implementation of these programs produces benefits to public health, the environment and, by extension, biodiversity conservation. For example, loans made under the CWSRF to establish or restore riparian corridors along streams (to address non-point pollution) will improve water quality, while also improving or providing important aquatic and terrestrial habitat. Section 319 funds can be used to produce a similar range of benefits.

In general, these programs satisfy niches filled by no other Federal programs. For example, the Section 319 program, unlike Farm Bill programs, can be used to address non-point pollution from diverse sources such as urban runoff and leaking septic systems, not just pollution from agricultural sources. Its broader focus reaches more vulnerable habitats such as grassed swales that are important to grassland birds, which as a group are the most threatened in the United States.

In general, the above programs are holistic and non-regulatory in approach. The geographically focused programs, in particular, enable multiple pollution problems to be addressed in an integrated rather than singular fashion, which makes them incredibly important to biodiversity conservation. They also provide opportunities for public and private parties to collaborate to achieve mutually beneficial goals.

My remaining comments focus on two of the above programs: Coastal Watersheds and National Estuaries Program; and the Great Lakes National Program Office. Should the subcommittee request it, the Conservancy would be happy to provide documentation of the importance of the other programs not highlighted in my comments below.

COASTAL WATERSHEDS AND NATIONAL ESTUARIES PROGRAM

Through this program, the EPA provides funding to the 29 National Estuary Programs (NEPs) for development and implementation of Comprehensive Conservation and Management Plans (CCMPs). In addition, this program funds other activities benefiting coastal watersheds including partnerships to abate threats to coastal habitats and recreational waters. Key management issues addressed by the NEPs and other local coastal partnerships include habitat loss and degradation, introductions of pathogens and toxins that threaten human and aquatic health, invasive species, and freshwater inflows. This program also funds monitoring and permitting activities, such as dredging, and is examining how to curtail point source discharges into coastal waters.

Coastal watersheds contribute to the Nation's economic, environmental, and social well being. They provide habitat for various life stages of important plant and animal species, including threatened and endangered species and those having commercial or recreational value. They also harbor species that filter pollutants from water, control sedimentation, and protect against shoreline damage and floods.

Over half of the United States population lives within areas that affect coastal watersheds. Additional resources are needed to enable the NEPs and other partnerships to address the complex threats to coastal health, such as invasive species and nutrient pollution.

Increased resources for this program will enable NEPs to implement their conservation plans. Additional funding will strengthen the EPA's ability to provide seed monies to other important local coastal watershed projects that heretofore have had few funding opportunities available to them. Financing of these latter projects could

perhaps be provided through a competitive grants program to State, local, and non-governmental organizations. Additional funding could be used to expand coverage of the NEP to additional estuaries. Since 1991, 34 additional sites have either been nominated by a governor or have expressed interest in being designated as a NEP. EPA, however, has been able to select only seven nominees due to funding constraints. If the Nation is to make progress in addressing the significant management issues facing estuaries, additional funding is required for this program.

The Nature Conservancy respectfully requests an appropriation of $50 million for Coastal Watersheds and National Estuaries Program, which includes the $35 million authorized level for the NEPs and an additional $15 million for other coastal activities. The administration's request for these two programs combined is $19.2 million.

THE GREAT LAKES

EPA's Great Lakes National Program Office (GLNPO) funds and conducts programs and projects to protect, maintain and restore the chemical, biological and physical integrity of the Great Lakes—the largest freshwater ecosystem on Earth. GLNPO serves an important role of bringing together Federal, State, tribal, non-governmental and industry partners in an integrated ecosystem approach.

GLNPO collaborates with its multi-State and multi-agency partners to accomplish an agenda for ecosystem management which includes reducing toxic substances, protecting and restoring important habitats, and protecting human/ecosystem health. GLNPO combines research and monitoring with education and outreach, and it supports grants for specific activities to enhance and protect the Great Lakes environment. GLNPO advocates implementation of a community-based ecosystem approach to coordinate environmental efforts in the Great Lakes and has favored targeting the ecologically significant habitats identified in The Nature Conservancy-led Conservation Blueprint for the Great Lakes. Over the years, The Nature Conservancy's Great Lakes Program and Great Lakes State Chapters have been frequent and substantial partners with GLNPO.

The Nature Conservancy recommends an appropriation of $17 million in base funding for EPA's Great Lakes National Program Office in fiscal year 2005. This request is $1.6 million higher than the administration's request of $15.4 million. The Conservancy also supports the $5.7 million included in the President's request for the Remedial Action Plans and Lakewide Management Plans.

CLOSING

Thank you for the opportunity to provide these brief comments and for your attention to the important role EPA's programs play in protecting public health and the environment and in conserving biodiversity. While the charge to conserve biodiversity is a daunting one, public and private partnerships such as those afforded under EPA's programs offer a promise of success. The Conservancy would not be investing so heavily with its own resources if we did not believe this to be true. We look forward to continuing our work with Federal agencies, State and local governments, non-governmental organizations, and the private sector to ensure the long-term protection and sustainable use of the environment toward the ultimate goal of preserving the diversity of life on Earth. We appreciate the subcommittee's support for the EPA programs that help make this important work possible.

PREPARED STATEMENT OF THE UNIVERSITY OF MEDICINE AND DENTISTRY OF NEW JERSEY

The following is the testimony of the University of Medicine and Dentistry of New Jersey (UMDNJ), the largest freestanding public university of the health sciences in the Nation. The University is located on five State-wide campuses and contains three medical schools, and schools of dentistry, nursing, health related professions, public health and graduate biomedical sciences. UMDNJ also comprises a University-owned acute care hospital, three core teaching hospitals, an integrated behavioral health care delivery system, and affiliations with more than 200 health care and educational institutions State-wide.

We appreciate the opportunity to bring to your attention two priority projects—the Child Health Institute and the Geriatric Research Center—which are consistent with the mission of this committee.

Our first priority is the development of the Child Health Institute of New Jersey at the UMDNJ-Robert Wood Johnson Medical School (RWJMS) in New Brunswick. RWJMS is one of three schools of medicine at UMDNJ. It is nationally ranked

among the top ten medical schools in the percentage of minority student enrollment, and the top one-third in terms of grant support per faculty member. RWJMS is home to major research institutes including The Cancer Institute of New Jersey, the Center for Advanced Biotechnology and Medicine, the Environmental and Occupational Health Sciences Institute, and the Child Health Institute of New Jersey.

The Child Health Institute of New Jersey is a comprehensive biomedical research center. It will be the cornerstone institution of a major research and clinical effort to understand, prevent and treat environmental and genetic diseases of infants and children. Its development is integral to the enhancement of research at Robert Wood Johnson Medical School (RWJMS) in developmental genetics and biology, particularly as it relates to disorders that affect a child's development and growth, physically and functionally. The program will enable the medical school to expand and strengthen basic research efforts with clinical departments at the Robert Wood Johnson University Hospital (RWJUH) and, in particular, those involved with the new Bristol-Myers Squibb Children's Hospital at RWJUH, especially obstetrics, pediatrics, neurology, surgery and psychiatry.

The Institute builds on existing significant strengths in genetic, environmental and neuroscience research within UMDNJ–RWJMS and associated joint programs with Rutgers University and other research institutes. For example, the Environmental and Occupational Health Sciences Institute (EOHSI) is a National Institute of Environmental Health Sciences (NIEHS) recognized center of excellence which investigates environmental influences on normal and disordered functions; the Cancer Institute of New Jersey (CINJ), a National Cancer Institute-designated Comprehensive Cancer Center, studies disordered cell growth; and the Center for Advanced Biotechnology and Medicine (CABM) characterizes gene structure and function.

The best science requires creative scientists working in state of the art buildings using state of the art equipment. The construction of the Child Health Institute at RWJMS will fill a critical gap through recruitment of new faculty to build an intellectual atmosphere of basic molecular programs in child development and health.

Research conducted by the Institute will focus on the molecular and genetic mechanisms that direct the development of human form, subsequent growth, and acquisition of function. The scientists and students will investigate disorders that occur during the process of development to determine how genes and the environment interact to cause childhood diseases. Ultimately, we hope to identify avenues of prevention, treatment, and even cures for these disorders.

Investigations by the Institute will address basic and translational scientific issues at the molecular and mechanistic levels to advance biomedical science and improve health. For example, despite effective therapy, asthma-related health needs have risen by almost 50 percent over the past decade with hospitalization rates 4 to 5 times higher for African Americans. Methods of prevention, with attention at both micro and macro-environmental conditions, have only been partially effective. Treatment regimens are relatively unchanged. Effective prevention and treatment will require more exacting understanding of the molecular mechanisms of the stimuli-receptor reactions that elicit asthmatic attacks as well as more detailed understanding of the molecular reactions effected by cells once stimulated by environmental factors. The molecular and cellular basis of injury reactions, including reactions of an allergic nature, will be a focus of the research at the Child Health Institute. Continued exploration of the basic molecular underpinnings of injury reactions will lead to more rational methods to prevent, minimize and treat asthmatic reactions and deaths. Urban academic medical centers such as the Robert Wood Johnson Medical School are at the epicenter of the current escalation in asthma and the Child Health Institute is well positioned, in conjunction with other institutes at the medical school to address this critical issue.

The Child Health Institute will act as a magnet for additional growth in research and healthcare program development in New Jersey. The Institute will encompass 150,000 gross square feet and will house more than 40 research laboratories and associated support facilities. Fourteen senior faculty will direct teams of MDs and PhDs, visiting scientists, postdoctoral fellows, graduate students and technicians for a full complement of approximately 130 employees. The institutional goals of the Child Health Institute are to forge the scientific programs at the Institute with hospital based programs into a major center for children's health and to partner with pharmaceutical, chemical and information industries in growing opportunities in biotechnology and bioinformatics.

Construction costs for the Institute are estimated to be approximately $72 million; approximately half of this figure is generally associated with local employment. At maturity, the Institute is expected to attract $7 to $9 million of new research funding annually. The Institute's total annual operating budget is projected to be $10

to $12 million, with total economic impact on the New Brunswick area projected to be many times this amount.

The Child Health Institute has assembled over $40 million to fund its building and programs through a strong partnership among private, corporate and government entities. This support includes more than $6 million in congressionally directed appropriations for the CHI over the past 4 years, including an appropriation from this committee in fiscal year 2003; and a $1.9 million facility grant awarded by the National Center for Research Resources of the National Institutes of Health. We respectfully seek $2 million to complement support already received in Federal participation to further advance the development of the Child Health Institute of New Jersey. A critical component of the research infrastructure being developed within the Child Health Institute is an Imaging Core Facility. Through this facility, researchers will be able to better visualize the dynamics of structures within cells and cells within developing tissues. Understanding these dynamics is crucial to expanding knowledge of the processes involved in basic molecular underpinnings of normal and abnormal growth and injury reactions. Requested funding will be utilized for the purchase of analytical equipment, including laser scanning and multiphoton microscopes to fit-out this shared facility.

Our second priority is the development of a Geriatric Research Center within the Center for Aging, which is part of the UMDNJ-School of Osteopathic Medicine (SOM) in Stratford in southern New Jersey. As an osteopathic medical school, SOM places great emphasis on primary care, wellness, health promotion and disease prevention in all areas of its Mission. Enrolled students receive comprehensive instruction in the basic and clinical sciences, emphasizing the primary care of the patient. SOM also sponsors the largest graduate medical education program of all osteopathic medical schools in the Nation. An active continuing medical education program targets primary care physicians in the southern region of New Jersey. SOM's longstanding affiliation with the Area Health Education Centers provides links to hundreds of community-based agencies and health care providers, with whom the school works in partnership to address community health care needs and policy issues. For more than a decade the school has finished among the top three osteopathic schools in the Nation for research funds received from the National Institutes of Health.

In response to the growing number of elderly in New Jersey, including nearly 300,000 veterans living in the State over age 65, SOM has taken a leadership role in the development of programs and services specifically for older individuals. These activities are coordinated through the SOM Center for Aging, which was established in 1987 and designated as a center of excellence in clinical services, education and research in 1989.

The Center, whose staff represents multiple disciplines, is nationally recognized as a leader in quality care for older individuals, providing an array of services, varied educational experiences for health care professionals and research in the field of aging.

Through a comprehensive continuum of care which includes ambulatory sites, acute care, nursing homes, assisted living facilities, hospice programs, home care, adult medical day care, and senior citizen subsidized housing, the Center for Aging provides health care to both well community-residing elderly as well as those who are frail, multiply compromised and homebound.

Recognized for its strength in education and training, the Center for Aging and SOM has attained both State-wide and national prominence. In 1989 UMDNJ–SOM was the first osteopathic medical school to receive Federal funding for a 2-year geriatric medicine and dentistry fellowship program. Currently in its 14th year of Federal support, the fellowship program has been expanded to include psychiatry and psychology. The UMDNJ-School of Osteopathic Medicine, through the Center of Aging, was ranked in the top ten best graduate schools in geriatric medicine for 2004 in U.S. News and World Report. It was also recognized as "Best Medicine" in geriatrics for 2004 by Philadelphia Magazine. The Center for Aging also serves as the administering agency for the State-wide New Jersey Geriatric Education Center (NJGEC), which has been federally funded since 1990 and has received Federal recognition for its health promotion initiatives. NJGEC has provided training to more than 15,000 healthcare professionals of multiple disciplines throughout New Jersey.

As a center of excellence, the Center for Aging continues to build its research component. The Center is involved in many clinical drug trials and has several clinical and behavioral research projects underway. It is in a position to build an extensive patient database across its service continuum, and to collaborate with the other schools within the UMDNJ system in aging-related research.

Attracting more researchers to the Center is critical to achieving national prominence as a center for excellence in geriatrics. A major drawback to that goal is the lack of dedicated space to expand the Center's research laboratories.

The UMDNJ-School of Osteopathic Medicine is seeking $5 million in capital and program funds to support dedicated space and faculty for a Geriatric Research Center within the Center for Aging. Total project costs are estimated at $30 million for capital and program needs. External public and private sources, including the U.S. Department of Health and Human Services, Health Resources and Service Administration; the Administration on Aging; and the State of New Jersey; have contributed over $6 million toward activities associated with this project.

Requested fiscal year 2005 funding would provide support for the construction of the physical space to house research programs focusing on the cellular, biochemical and psychological aspects of aging. Basic science research will build on existing programs in nutrition, protein loss, free radical injury, genetic determinants of aging and disease, the cellular aging process and Alzheimer's disease. Space would also be allocated to support behavioral research, where researchers in the biopsychosocial aspects of aging will study such areas as caregiver stress, mental health problems in the elderly, end of life issues, palliative care, and behavioral management intervention strategies.

The Center's clinical and educational programs will provide the synergy needed for the development of a full range of basic science and behavioral research in the field of aging. The strength of this dual approach underscores the close relationship between the physiological and psychological aspects of growing old and will broaden opportunities to seek extramural funding for research in a variety of areas. Of key importance will be the role of the Center in translating research findings into patient care practices, thereby enhancing the health and quality of life of older Americans, including those most vulnerable and at greatest risk for poor health across our State and Nation. We respectfully seek $5 million in capital and program funds to support dedicated space for a Geriatric Research Center.

We want to thank this committee for supporting the critical needs of research and economic development throughout the Nation, and for recognizing the role that medicine and its associated technologies contribute as engines for economic growth. Thank you for your consideration of UMDNJ's priority projects—the Child Health Institute of New Jersey, and the Geriatric Research Center.

PREPARED STATEMENT OF THE ALLIANCE TO SAVE ENERGY

My name is Kateri Callahan and I serve as the President of the Alliance to Save Energy, a bipartisan, nonprofit coalition of more than 80 business, government, environmental, and consumer leaders. The Alliance's mission is to promote energy efficiency worldwide to achieve a healthier economy, a cleaner environment, and greater energy security. The Alliance, founded by then-Senators Charles Percy and Hubert Humphrey, currently enjoys the leadership of Senator Byron Dorgan as Chairman; former CEO of Osram Sylvania Dean Langford as Co-Chairman; and Representative Ed Markey and Senators Susan Collins, Jeff Bingaman, and Jim Jeffords as its Vice-Chairs. Attached are lists of the Alliance's Board of Directors and its Associate members, which I respectfully request be included in the record as part of this testimony.

I thank the subcommittee for the opportunity to testify on behalf of the members and Board of the Alliance to voice our strong support for increased Federal funding to the Environmental Protection Agency's Energy Star program in fiscal year 2005. The Energy Star program is, in our opinion, one of the government's most successful efforts to promote marketplace solutions to greater energy efficiency. The Energy Star program is an entirely voluntary program that is yielding significant economic returns to our Nation's consumers and significant environmental benefits to our Nation as a whole. Increased investment in the Energy Star program will translate to increased energy savings by taxpayers across the country. Studies estimate that every Federal dollar spent on the Energy Star program results in an average savings of $75 or more in consumer energy bills; the reduction of about 3.7 tons of carbon dioxide emissions; and an investment of $15 in private sector capital in development of energy-efficient technologies and products.

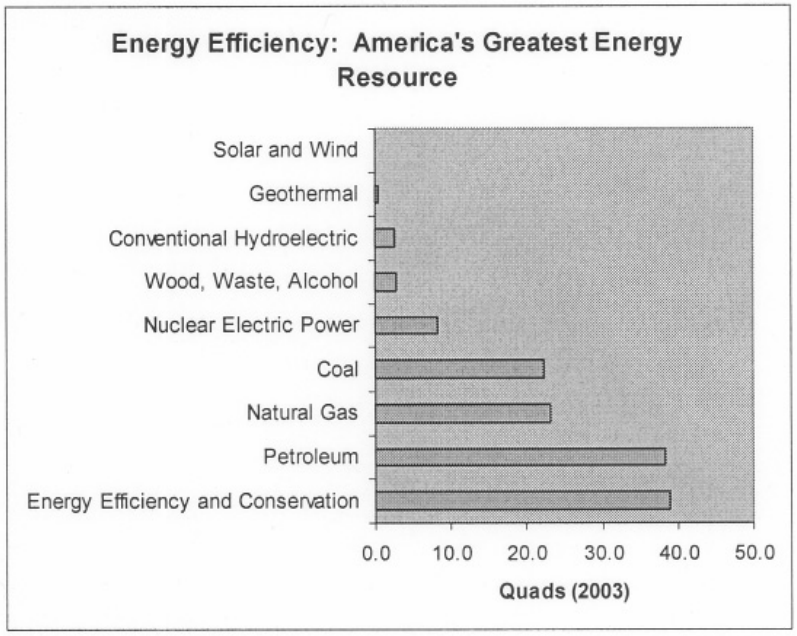
The Alliance has a long history of advocacy, as well as research and evaluation, of Federal efforts to promote energy efficiency. Congress has enacted important measures, and the administration has adopted meaningful regulations and standards that are yielding energy savings through energy efficiency; the Energy Star program is of particular note, however, as it testifies to the important achievements that can be made through cooperative partnerships between government and busi-

nesses. The Climate Protection Division at EPA, which operates the Energy Star program, works closely with manufacturers, retailers, building owners, and energy service providers, as well as State and local governments, nonprofits, and other organizations to promote energy-efficient products and buildings. As you may know, through the Energy Star program a set of rigorous guidelines that represent high energy efficiency goals are established for the products or services of the participants in order to qualify for the Energy Star label. The label is, quite simply, the "good housekeeping seal of approval." Through this important and impressive program, business and government—working in lockstep—are achieving national environmental, energy security, and economic goals.

Energy efficiency is an investment. By purchasing more efficient, smarter technologies, there is often a modest additional cost, but that additional cost is paid back many times to the consumer through lower energy bills. Energy Star helps consumers understand and realize these benefits. Last year alone, Americans, with the help of Energy Star, saved $9 billion on their energy bills. Consumers can use these significant savings to invest in the economy, their families, and their future.

ENERGY EFFICIENCY IS AMERICA'S GREATEST ENERGY RESOURCE

Mr. Chairman, energy efficiency is America's greatest energy resource. It makes a larger contribution to meeting our energy needs than petroleum, natural gas, or even coal. The Alliance to Save Energy estimates that energy efficiency gains since 1973 are now saving at least 39 quadrillion BTUs of energy each year, or about 40 percent of our actual energy use.[1] The energy savings we are enjoying from energy efficiency far exceed consumption of natural gas or coal, and far outpace energy produced using oil, nuclear, and other sources.



Every BTU we save is one less BTU that needs to be generated. What's more, increasing America's energy efficiency is the quickest, cleanest, and cheapest way of increasing our energy supply. Without these enormous savings, our difficulties in meeting energy demand would be far, far worse than they are today.

For example, in 2003, Energy Star helped Americans save enough energy to power 20 million homes and avoid greenhouse gas emissions equivalent to removing 18 million cars from the road. Getting more for less is the American way, and En-

[1] Energy efficiency savings estimated by Alliance to Save Energy. Production quantities from Energy Information Administration, Monthly Energy Review, January 2004.

ergy Star meets this goal by helping millions of Americans get the energy they need, while saving money and pollution.

Despite the introduction of new technologies and the integration of energy efficiency into the Nation's energy policies and economy, we barely have scratched the surface of energy efficiency's potential. It seems that every year technological developments bring more and better measures for reducing electricity demand and for making homes, buildings, and the devices we use, from washing machines to computers, more energy-efficient. Mr. Chairman, Energy Star is an important tool for educating American consumers about these emerging, efficient products. Consumers are learning to "look for the Energy Star label" as they comparison shop for appliances, homes, electronic devices, and other products.

HOW ENERGY STAR CAPITALIZES ON THIS RESOURCE

Mr. Chairman, EPA's Energy Star program has proven to be an extremely effective way for this Nation to capitalize on the potential of energy efficiency as a resource. Energy Star's voluntary partnership program—which includes Energy Star Buildings, Energy Star Homes, Energy Star Small Business, and Energy Star Labeled Products—works by removing marketplace barriers to existing and emerging technologies; by providing information on technology opportunities; by generating awareness of energy-efficient products and services; and by educating consumers about life-cycle energy savings. Consumers know that a product with the Energy Star label is among the most energy-efficient in the market.

Last year, the Alliance to Save Energy undertook an extensive public opinion survey and found that the name recognition of the Energy Star program is very high—86 percent among U.S. homeowners. Approximately one-third of U.S. consumers report using the Energy Star label as an information tool for making purchase decisions; and an even higher number report using Energy Star as an information tool to help them save energy. Most consumers who are aware of the Energy Star label correctly understand that products bearing the Energy Star label use less energy and can save them money on energy bills.

Mr. Chairman, as you may be aware, your State of New York has a program to promote, actively, the Energy Star label with consumers. This effort has yielded very positive results. Our research indicates that New York residents are significantly more likely to have purchased an Energy Star labeled product than consumers outside the State. New York's efforts are an impressive example of how, by using the Energy Star label, government can reduce overall energy use while at the same time assuring lower utility bills for constituents.

ABOUT THE ENERGY STAR PARTNERSHIPS

Energy Star is composed entirely of voluntary partnerships, and these have grown since the early 1990's to include thousands of product manufacturers, private and public building owners and operators, homebuilders, small businesses, utilities, and retailers. The sheer number of these partnerships demonstrates clearly that energy efficiency delivers "pollution prevention at a profit."

Energy Star serves broad constituencies in every State in the country. Energy Star includes over 1,250 manufacturing partners who make and market over 18,000 different models of Energy Star qualifying products. Energy Star assists over 8,000 small businesses with their efforts to maximize the energy efficiency of their facilities. Energy Star counts more than 3,000 builder partners and partners who supply products and services for energy-efficient home construction. To date, more than 100,000 Energy Star Homes have been built—locking in financial savings for homeowners of more than $26 million annually. Energy Star includes more than 12,000 commercial and industrial participants representing more than 15 percent of the Nation's total commercial, public, and industrial markets and estimated savings of more than 47 billion kilowatt hours of energy.

As you may know, for the last 4 years, the Alliance has asked many of Energy Star's supporters to join us in our request for a significant increase in funding for the program. The response has been remarkable. Joining us in our request are 575 companies and partners of the Energy Star program as well as 2,850 individuals from around the country. Attached please find a copy of this letter with the names and addresses of the supporters for the record.

MUCH HAS BEEN ACCOMPLISHED, BUT HUGE POTENTIAL REMAINS UNTAPPED

The Energy Star program has made a significant contribution to reducing consumer energy use, but a wide array of important, additional opportunities to use the program to promote energy remain untapped. Energy Star is a success, poised

to provide more savings and enhanced environmental protection as soon as the government is ready and able to invest more.

In 2001, the President's National Energy Plan recommended that the Energy Star program be expanded and that the Energy Star labeling program be extended to cover more products. For the past 3 years, the energy bills that have passed the House and Senate have authorized or expanded the Energy Star program. And, time and again, the President and the Administrator of the EPA have noted that voluntary measures are vital to addressing climate change and have held up Energy Star as an exemplary program. Notwithstanding these pronouncements of support, for the fourth year in a row, the administration has recommended virtually level funding for the Energy Star program in fiscal year 2005. In addition, over the past several years, the program has been subjected to funding rescissions and internal cuts. Yet, even in the face of these tight Federal budgets, the number of products and manufacturers in the labeling program has greatly expanded, and the number of partners in the Buildings, Homes, and Small Business programs has soared.

Mr. Chairman, considering the growing energy prices around the country and the concerns about electricity reliability and pollution abatement, the Alliance believes that the Energy Star program should not only be significantly increased for fiscal year 2005, but that the subcommittee also should commit to doubling funding for the program over the next 5 years. This would enable the Energy Star program to look not only at additional products, but also to address whole-home retrofits, including insulation, duct sealing, and home envelope sealing. Energy Star has additional market barriers to break through, including building homeowner trust in energy-efficient home improvements and audit programs. By building on the Energy Star name, we can save much more energy.

In addition to labeling products and buildings, Energy Star has begun a successful effort working with State and local organizations to help homeowners audit and upgrade the efficiency of their homes. Home Performance with Energy Star has been successful in New York, Wisconsin, and California. For example, in New York, as of January of this year, 4,000 energy upgrades had been completed at a pace of some 300 homes/month. On average these upgrades save each homeowner some 600 kWh per year. But much more needs to be done to implement similar programs across the country. With additional funding, the Energy Star program could develop a supportive infrastructure for contractors around the country, share information with interested State organizations, and develop marketing efforts in up to 10 metropolitan areas per year.

RECOMMENDATIONS

Mr. Chairman, EPA's Energy Star program has clearly demonstrated its importance to allowing the United States to capitalize on its greatest energy "resource"—energy efficiency. The program is delivering real progress toward meeting our country's environmental and energy security goals, while at the same time putting more money in consumers' pockets through reduced energy bills. That's a win-win-win-win—on four important national fronts. More investment by the Federal Government, we believe, would simply expand and increase the benefits now being enjoyed by the country and its citizens through this important, voluntary partnership between the government and industry.

The Alliance to Save Energy respectfully recommends the subcommittee take the following actions to best leverage the proven results that stem from EPA's Energy Star program:

—First, we ask that the Congress, as it did in fiscal year 2004, specify the exact level of Federal funding that is appropriated for the Energy Star program. Such direction to EPA will help to assure that funding intended by Congress for the program is used by the agency for that purpose.

—Second, we recommend that the Congress increase funding of the Energy Star program by $10 million over the administration's proposal to expand the number of products, programs, and partners involved in the current program. As mentioned earlier in the testimony, we believe Congress should double the budget for the Energy Star program within 5 years; this can be accomplished by adding $10 million per annum over the next 5 fiscal years.

—Third, we ask Congress to consider an expansion of the Energy Star program to include a "Home Performance" component. This new component that would bring together the Federal Government (EPA, along with the Departments of Energy and Housing and Urban Development), the private sector, and State-level organizations to extend the Energy Star brand into whole-house improvements. Home Performance pilot projects in this area have been undertaken successfully in New York, Illinois, and Wisconsin. The Alliance believes that the

Federal Government needs to take leadership in this area to assure that the energy efficiency benefits being realized in pilot projects today can be translated into a nationwide, whole-home energy savings program.

CONCLUSION

The Energy Star program proves that environmental protection can be achieved while simultaneously saving consumers money on their energy bills and enhancing the economy. Energy Star provides the catalyst for many businesses, State and local government institutions, and consumers to invest in energy efficiency, which in turn yields multiple private and public benefits. It does this by providing access to information, improving brand recognition, and reporting positive publicity.

While there are many demands on the country's financial resources, Energy Star has proven tremendously cost-effective and, more importantly, it returns important benefits to the Nation. Every Federal dollar invested in Energy Star in fiscal year 2005 will return a significant yield in cost-effective pollution reduction; economic stimulation through investment in new technology; energy security through reduced demand; and consumer savings through lower energy bills. It is a program deserving of both expansion and greater Federal investment.

Mr. Chairman and members of the subcommittee, on behalf of the Alliance to Save Energy, its Board and its Associates, I appreciate this opportunity to appear before you today.

PREPARED STATEMENT OF THE U.S. CONFERENCE OF MAYORS, NATIONAL ASSOCIATION OF COUNTIES, NATIONAL ASSOCIATION OF LOCAL HOUSING FINANCE AGENCIES, AND NATIONAL COMMUNITY DEVELOPMENT ASSOCIATION

Mr. Chairman and members of the subcommittee, this testimony is presented on behalf of the U.S. Conference of Mayors, the National Association of Counties, the National Community Development Association, and the National Association of Local Housing Finance Agencies. We appreciate the opportunity to present our views on fiscal year 2005 appropriations for the Department of Housing and Urban Development, and in particular, the two priority programs for local governments—the Community Development Block Grant (CDBG) and the Home Investment Partnerships program (HOME).

We thank you, Mr. Chairman and members of the subcommittee for your continuing support for these priority local government programs. Local government officials urge you to increase CDBG formula funding in fiscal year 2004 to $5 billion and HOME formula funding to $2.25 billion. These programs work, they make a real difference in people's lives, and it is our sincere hope that they will be funded at levels that reflect the very real community development and affordable housing needs that exist across our country.

WHY CDBG IS EFFECTIVE AND CRITICALLY NEEDED

Now in its 30th year, having been signed into law by President Gerald Ford in 1974, CDBG is working in communities across the country. The key to its success is the inherent flexibility for it to adapt to affordable housing and neighborhood revitalization needs in our Nation's urban, suburban and rural areas.

In fiscal year 2003 alone, 94.8 percent of the CDBG funds allocated to entitlement cities and counties went to activities principally benefitting low- and moderate-income persons and 96.7 percent of the CDBG funds allocated to States went to activities principally benefitting low- and moderate-income persons. A total of 184,611 households were assisted through the program in fiscal year 2003. The program created or retained an astounding 108,700 jobs. For every $1 of CDBG funding another $2.79 in private funding and $0.77 in public funding was leveraged in fiscal year 2003. The program has a good track record in business retention, with over 80 percent of the businesses assisted through the program still in operation after 3 years. Even though the program has performed well the annual formula allocation for CDBG has remained relatively static over the last decade, even decreasing slightly in the past 2 years. The program has never been adjusted for inflation, since its enactment in 1974. With the existing cuts to the program, continued project-specific set-asides in the program, inflation, and more entitlement communities receiving funds, the formula allocation is decreasing nationwide for cities and counties that administer the program. In the last 2 years, an across-the-board reduction in Federal programs has reduced the program even further.

We, therefore, urge you to fund the CDBG program in fiscal year 2005 at a level of at least $5 billion in formula grants.

Mr. Chairman, we are concerned and take strong exception to the Office of Management and Budget's characterization of the Community Development Block Grant (CDBG) Program as "ineffective", as stated in the administration's fiscal year 2005 budget request. OMB reached this conclusion through application of its Performance Assessment Rating Tool (PART). In the PART review of the CDBG program, it appears that OMB chooses to interpret the statute and facts in order to support a dogmatic agenda and avoids acknowledgment of any positive achievements from the more than $105 billion in CDBG funds spent by cities, counties and States since 1975 on their most pressing affordable housing, community and economic development needs over the 30 years of the program. We urge you to reject it out of hand.

HOME INVESTMENT PARTNERSHIPS (HOME) PROGRAM

The HOME Investment Partnerships (HOME) Program is also an effective block grant program with a very impressive track record of providing rental housing and homeownership opportunities to low- and moderate-income households. According to cumulative HUD data, the program has helped to develop or rehabilitate over 785,553 affordable housing units. The majority of HOME funds have been committed to housing that will be occupied by very low-income people and a substantial amount will assist families with incomes no greater than 30 percent of median. As of the end of February 2004, more than 81 percent of HOME assisted rental housing was benefitting families at or below 50 percent of area median income. And more than 56 percent of all HOME assisted rental housing (including tenant-based rental assistance) was helping families with incomes at or below 30 percent of area median income.

HOME funds also help low- and very low-income families realize the dream of homeownership by providing for construction and rehabilitation of housing as well as providing the down payment and or closing cost assistance. As of February 2004, the program has assisted 296,197 families in becoming first-time homebuyers. HOME fund also allows existing low- and moderate-income persons to stay in their homes by providing rehabilitation assistance. Since 1992, HOME funds have been used to rehabilitate 151,920 existing homeowner units.

Moreover, HOME is cost effective and provides the gap financing necessary to attract private loans and investments to projects. For each HOME dollar, $3.01 of private and other funds has been leveraged since the program's inception. This clearly illustrates the effective and judicious use of HOME funds by participating jurisdictions.

We, therefore, urge you to fund the HOME program in fiscal year 2005 at a level of at least $2.25 billion in formula grants. In addition, we support $200 million in funding for the American Dream Downpayment Initiative, which was enacted by Congress last session and which is administered by HOME participating jurisdictions. Unfortunately, Congress did not provide an administrative fee for jurisdictions to operate the program. We urge Congress to provide an administrative fee of 10 percent for the program in fiscal year 2005.

HOMEOWNERSHIP

We applaud the administration's efforts to promote homeownership for low-income families. Homeownership provides citizens with a stake in their communities, and increases the stability and vitality of neighborhoods. As representatives of local elected officials and practitioners, we support the concepts of providing housing counseling for new and prospective homeowners, as well as a homeownership tax credit that would help offset the costs of developing more affordable housing. These same concepts may also provide opportunities to revitalize distressed communities and increase our members' ability to leverage public dollars with private resources.

SECTION 108 AND BROWNFIELDS

We have serious concerns about the administration's decision to zero out several important economic development tools in the fiscal year 2005 budget proposal, including the Section 108 loan guarantee program and the Brownfields Economic Development Initiative (BEDI) program. These programs fund much-needed investment in our communities, helping to create jobs and reclaim contaminated sites that can be made productive again. The Section 108 program provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. We are seeking at least $7.325 million in credit subsidy funding for Section 108, the same level approved for the program in fiscal year 2004. We are seeking $50 million for BEDI in fiscal year 2005 and ask Congress to de-couple the BEDI program from Section 108 so that commu-

nities can compete for BEDI funds without having to first secure a Section 108 loan guarantee.

HOMELESS HOUSING FUNDING

Mr. Chairman, we support a funding level of $1.27 billion for homeless housing programs as proposed by the Bush Administration. We support legislation that would convert the McKinney Act's homeless housing programs into a pure, formula-driven block grant program, like the CDBG and HOME block grant programs. In order for such a program to give sufficient funds to communities to carry out meaningful projects at the local level, it needs an appropriation close to $1.3 billion. We support the existing Continuum of Care planning process and would recommend that this process be codified as part of the block grant. We also urge full funding of the Shelter Plus Care contract renewals. We also support the administration's proposed $50 million Samaritan Initiative. This initiative is intended to address the most pressing homeless issue—chronic homelessness—and is to be a coordinated effort with the Department of Health and Human Services and the Veterans Affairs and the Interagency Council on Homelessness.

SECTION 8

Mr. Chairman, we commend the subcommittee and the Congress for fully funding all expiring tenant-based and project-based rent subsidy contracts in fiscal year 2004. We urge Congress to do the same this year. The need for affordable housing continues to grow as housing prices increase faster than wages for low-income Americans.

We oppose the administration's cut in the Section 8 voucher program. The budget request falls short by $1.6 billion needed to fully fund all vouchers now in use. Approximately 250,000 low-income families could lose their vouchers. An analysis by the Low Income Housing Coalition of the American Housing Survey revealed that 31 percent of all households had housing problems in 2001. A reduced voucher program would surely add to the critical need for low-income housing assistance.

We are also concerned about the administration's proposed Flexible Voucher Program. While we agree that revisions are needed to the Section 8 program so as to reduce and contain program costs that could threaten other housing and community development programs, we are opposed to the elimination of long-standing rules that benefit low income families. Moreover, it is difficult to believe that a lump sum of funds to PHAs would be adequate to serve all vouchers holders.

HOPE VI

Once again the President's budget proposes to zero out the HOPE VI program. We oppose this recommendation. The HOPE VI program eliminates distressed public housing and replaces it with mixed-income developments. It harnesses the private sector, working in partnership with public housing agencies. This 10-year-old grant program has generated billions of dollars in community investment and revitalized neighborhoods over the Nation. Since 1993, $5.6 billion has been awarded to revitalize 193 public housing developments which have leveraged an additional $9 billion in investments.

LEAD HAZARD REDUCTION

We thank Congress for continuing to provide funding for lead hazard reduction. We ask that the Lead Hazard Reduction Demonstration Program be funded in fiscal year 2005 at $50 million, the approximate level as fiscal year 2004. This small program provides needed assistance to local governments in eradicating lead hazards from low-income housing units.

CONCLUSION

Mr. Chairman, local government officials believe that a strong Federal role in housing and community development programs must continue. Since the Housing Act of 1937, Congress has enunciated, and repeated in subsequent housing acts, that, as a matter of national policy, the Federal Government has an obligation to assist States and local governments in providing decent, safe and sanitary housing for lower income households. Perhaps, Congress said it best in a "Declaration of National Housing Policy" included in Section 2 of the Housing Act of 1949:

"The Congress hereby declares that the general welfare and security of the nation, and the health and living standards of its people, require housing production and related community development sufficient to remedy the serious housing shortage,

the elimination of substandard and other inadequate housing through the clearance of slums and blighted areas, and the realization as soon as feasible, of the goal of a decent home and suitable living environment for every American family."

We submit to you that, while progress has been made toward this goal, it has not been fully achieved. The Federal Government must continue its commitment to this National Housing Policy, backed by the necessary resources with which to continue the battle against neighborhood deterioration and a decaying housing stock.

Mr. Chairman, we look forward to working with you and the subcommittee in adequately funding HUD's housing and community development programs for fiscal year 2005.

Thank you.

PREPARED STATEMENT OF THE AMERICAN PUBLIC POWER ASSOCIATION

The American Public Power Association (APPA) is the national service organization representing the interests of over 2,000 municipal and State-owned utilities in 49 of the 50 States (all but Hawaii). Collectively, public power utilities deliver electricity to 1 of every 7 electric consumers (approximately 40 million people), serving some of the Nation's largest cities. However, the vast majority of APPA's members serve communities with populations of 10,000 people or less.

We appreciate the opportunity to submit this statement outlining our fiscal year 2005 funding priorities within the VA–HUD Subcommittee's jurisdiction.

ENVIRONMENTAL PROTECTION AGENCY: ENERGY STAR PROGRAMS

Energy Star is a voluntary partnership program pairing EPA with businesses and consumers nationwide to enhance investment in underutilized technologies and practices that increase energy efficiency while at the same time reducing emissions of criteria pollutants and greenhouse gases. In particular, APPA member systems across the country have been active participants in a subset of the Energy Star program called "Green Lights." The Green Lights program encourages the use of energy efficient lighting to reduce energy costs, increase productivity, promote customer retention and protect the environment.

According to the EPA, Energy Star is saving businesses, organizations, and consumers more than $9 billion a year, and has been instrumental in the more widespread use technological innovations like LED traffic lights, efficient fluorescent lighting, power management systems for office equipment, and low standby energy use.

Because this program has such broad benefits, APPA urges the subcommittee to consider a substantial increase above the administration's request of $16.1 million for fiscal year 2005.

ENVIRONMENTAL PROTECTION AGENCY: LANDFILL METHANE OUTREACH PROGRAM

The Landfill Methane Outreach Program (LMOP) helps to partner utilities, energy organizations, States, tribes, the landfill gas industry and trade associations to promote the recovery and use of landfill gas as an energy source. According to the EPA, LMOP has more than 345 organizations that have signed voluntary agreements to work with EPA to develop cost-effective landfill gas (LFG) projects, including every major LFG project development company. The program has also developed detailed profiles for over 1,300 candidate landfills in 31 States, and has data for more landfills in all States.

Landfill gas is created when organic waste in a landfill decomposes. This gas consists of about 50 percent methane and about 50 percent carbon dioxide. Landfill gas can be captured, converted, and used as an energy source rather than being released into the atmosphere as a potent greenhouse gas. Converting landfill gas to energy offsets the need for non-renewable resources such as coal and oil, and thereby helps to diversify utilities' fuel portfolios and to reduce emissions of air pollutants from conventional fuel sources.

As units of local and State governments, APPA's member utilities are uniquely poised to embark on landfill-gas-to-energy projects. EPA's LMOP facilitates this process by providing technical support and access to invaluable partnerships to our members and the communities they serve.

APPA appreciates the administration's request of $2.6 million for fiscal year 2005 as it reflects a small increase from the fiscal year 2004 budget request and mirrors the fiscal year 2004 allocation by Congress. We would urge the subcommittee to again consider an allocation for this program over and above the administration's request given the "bang for the buck" that LMOP initiatives have facilitated.

COUNCIL ON ENVIRONMENTAL QUALITY

APPA supports the administration's request of $3.284 million for fiscal year 2005 for the White House's Council on Environmental Quality (CEQ). Public power utilities have experienced a general lack of consistency in Federal Government regulation, particularly involving environmental issues. While additional layers of government should be avoided, a central overseer can perform a valuable function in preventing duplicative, unnecessary and inconsistent regulation. CEQ is responsible for ensuring that Federal agencies perform their tasks in an efficient and coordinated manner.

Again, we appreciate your consideration of our priorities for the VA–HUD Subcommittee's fiscal year 2005 appropriations.

PREPARED STATEMENT OF THE AMERICAN SOCIETY OF PLANT BIOLOGISTS

Thank you, Mr. Chairman for this opportunity to submit testimony on behalf of the American Society of Plant Biologists (ASPB). My name is Mary Lou Guerinot. I am President of ASPB and professor at Dartmouth College, Biological Science Department.

Founded in 1924, ASPB represents nearly 6,000 plant scientists. The largest segment of ASPB members conducts research at universities in each of the 50 States. ASPB membership also includes scientists at government and commercial laboratories.

The National Science Foundation (NSF) funds research in new frontiers of scientific inquiry and contributes to creating a highly skilled workforce. The fundamental breakthroughs that have led to new technologies including biotechnology, nanotechnology and information technology led to new industries for America's economy and workers.

Support by the subcommittee for fundamental research supported by the National Science Foundation and its Directorate for Biological Sciences leads to discoveries that benefit society, the economy and the environment. Fundamental plant biology research contributes to introduction of new technologies. New technologies, such as plant biotechnology, have lead to enhanced plant production and new methods of protecting and preserving limited environmental resources, such as fresh water supplies.

The Nation's capabilities in fundamental biology research in plants, systematics, physiology, water relations, environmental stress and other areas is dependent upon support from NSF and the NSF Directorate for Biological Sciences.

The NSF Directorate for Biological Sciences has sponsored research that NSF has identified as being among the 50 breakthroughs that have had the most impact or influence on every American's life over the past 50 years. Five of these breakthroughs cited by NSF in plant biology are:

—NSF-sponsored genomic research on the model plant Arabidopsis thaliana. The entire genome sequence was completed well ahead of schedule. Now that the sequence has been completed, NSF is proceeding with the 2010 Project to determine the function of every gene in this model plant.

—NSF-supported basic research provided a base of knowledge that will lead to plants genetically modified to produce lifesaving pharmaceuticals.

—Novel approaches were discovered that could be used to alleviate allergic reactions to wheat products and other food-related ailments. Hypo-allergenic foods are expected to result from NSF-sponsored basic plant research.

—Up to 12 percent of soils under cultivation around the world contain metals that stunt plant growth and development and result in poor harvests. NSF-funded researchers are using genetic engineering to engineer plants that flourish in metal-rich soils.

—Almost one-third of the irrigated land on earth is not suitable for growing crops because it is contaminated with high levels of salt. More farmable land is lost annually through high salt levels in soil than is gained through the clearing of forest resources. Basic research supported by NSF will lead to more salt-tolerant crops.

We mark the 51st anniversary this year of the discovery of the structure of DNA by Watson and Crick. This discovery changed the course of biology forever, leading to the age of molecular biology, genetic engineering and now genomics.

Today, just as human genome research has advanced medical science, the NSF-sponsored Plant Genome Research Program and biotechnology have revolutionized the way scientists can improve plants. NSF-sponsored genomic research on Arabidopsis, rice, corn and other plants is providing valuable fundamental knowledge of plant structure and functions. Resulting enhanced plants will be used to bet-

ter provide needed food supplies, renewable energy sources, industrial feed stocks, clothing and building materials, and lifesaving medicines.

"Plant biology has been transformed completely over the last 50 years. It is now squarely in the age of genomics, and is constantly changing as new concepts emerge and novel technologies develop," the National Science and Technology Council, Committee on Science, Interagency Working Group on Plant Genomes (IWG) noted in the January 2004 Progress Report on the National Plant Genome Initiative. Recognizing the enormous scientific opportunities, the National Plant Genome Initiative (NPGI) was established in 1997 under the National Science and Technology Council and the Office of Science Technology and Policy (OSTP).

Support led by Chairman Bond together with Ranking Member Mikulski and this subcommittee for the Plant Genome Research Program has helped place the United States in the forefront of plant genomics in the world. Examples of research results from the Plant Genome Research Program that the IWG noted were reported the past year include:

—Construction of a high resolution maize map that integrates genetic and physical maps: a culmination of 5 years of hard work that will benefit both basic researchers and breeders.
—Identification of the full encyclopedia of genes necessary for mineral nutrition in plants, that forms the foundation for understanding the mechanism of plant uptake of both beneficial and toxic minerals.
—Development of the marker-assisted breeding strategies for wheat.
—Establishment of a comparative cereal genomics database, Gramene, which uses the complete rice genome sequence as a reference and serves as the information resource for the entire cereal research community including maize, wheat, barley and sorghum.
—Active involvement of plant genome researchers in education and training of undergraduates, high school students and K–12 teachers.
—Research collaboration between U.S. scientists and scientists in developing countries in plant genomics and related fields of science.

Examples of new projects that the IWG noted should further advance the field in coming years include:

—Building of resources and tools for plant genome research.
—Advances in nutritional genomics that will lead to higher quality food products.
—Identification of networks of genes involved in disease resistance.
—A new comprehensive database for the entire plant genome research community to provide seamless access to relevant information resources that are distributed all over the world.

Plant genome research and research on the applications of plant biotechnology, supported by this subcommittee have revolutionized the way scientists can improve plants. This is essential to meeting the growing national and world needs for food, renewable energy sources, industrial feed stocks, clothing and building materials, and lifesaving medicines.

Plant genome research sponsored by NSF that I am conducting in my lab is addressing the area of metal transport and regulation of gene expression by metals. I have focused on iron because increasing the ability of plants to take up iron could have a dramatic impact on both plant nutrition and human health. Iron deficiency afflicts an astounding number of people with estimates that 3 billion people worldwide suffer from iron deficiencies. Plants are the principal source of iron in most diets. Fundamental research made possible by the NSF Plant Genome Research Program is providing knowledge that could lead to new varieties of food crops that would supply more iron needed in diets of people throughout the world.

We commend the tireless efforts of Chairman Bond in traveling to developing nations of the world to see first-hand the plight of human nutritional deficiencies. The continued leadership of Chairman Bond, Ranking Member Mikulski and the subcommittee for plant genome and related research will help to alleviate ravages of nutritional deficiencies here and abroad.

The leadership of this subcommittee has put NSF on the path of substantial budget increases over recent years! We recognize that the realities of this year's budget may make an increase of as much as 15 percent very difficult to attain. However, the continued strong support by the subcommittee of NSF, including the NSF Directorate for Biological Sciences and the Plant Genome Research Program is deeply appreciated by our science community. Investment in world-leading, competitively awarded basic research sponsored by NSF will continue to help benefit the future of the Nation's security, economy, and workers.

Thank you again for the honor of addressing the subcommittee today.

PREPARED STATEMENT OF THE ECOLOGICAL SOCIETY OF AMERICA

As President of the Ecological Society of America, I am pleased to provide written testimony for the Environmental Protection Agency (EPA). The Ecological Society of America has been the Nation's premier professional society of ecological scientists for nearly 90 years, with a current membership of 8,000 researchers, educators, and managers. We appreciate the opportunity to offer written testimony on behalf of the Environmental Protection Agency.

EPA's dual mission to safeguard human health and the environment depends upon the agency's intramural and extramural research programs, both of which would suffer significant cuts under the President's proposed budget for fiscal year 2005. As the Nation continues to face a host of environmental challenges, we believe shortchanging EPA's science and technology programs will compromise the agency's ability to perform its mission.

In particular, the Ecological Society of America is concerned about proposed cuts to the agency's STAR Grants Program. Managed by the agency's Office of Research and Development, this competitive, peer-reviewed, extramural grants program generates scientific information that supplements the agency's intramural research programs and better equips EPA to respond to emerging issues. The proposed fiscal year 2005 budget would slash this valuable program by $35 million, in spite of its excellent track record and recent laudatory review by the National Academy of Sciences. "The Measure of STAR: Review of the U.S. Environmental Protection Agency's Science to Achieve Results (STAR) Research Grants Program," points out that STAR grants fill a critical gap in the agency's in-house scientific expertise and enhance EPA's ability to respond to new issues. The Ecological Society of America encourages Congress to fund the STAR Grants Program at its fiscal year 2004 level of $100 million.

Another area of concern is the EPA's STAR Fellowship Program, which would decline by 40 percent ($4 million) under the agency's proposed budget for the coming fiscal year. This program, which is the only one of its kind, funding graduate students conducting applied environmental research, has also had an excellent track record since its inception in 1995. An extremely competitive program—only 7 percent of applicants are awarded fellowships—the program has produced high quality research and is helping to train the next generation of environmental scientists. The Ecological Society of America appreciates the past support of this committee in restoring previous cuts to the STAR Fellowship Program and we hope committee members will do so again for fiscal year 2005, funding the Program at its current level of $10 million.

In addition to these extramural programs, we are also concerned about the proposed cuts to the agency's intramural Science and Technology account and urge the committee to bring this account to the fiscal year 2004 level.

We appreciate the committee's past support of EPA's research programs and the opportunity to provide our comments on its proposed budget. Thank you for considering our testimony.

PREPARED STATEMENT OF THE DORIS DAY ANIMAL LEAGUE

Chairman Bond, Ranking Member Mikulski, and members of the subcommittee, the Doris Day Animal League represents 350,000 members and supporters nationwide who support a strong commitment by the Federal Government to research, development, standardization, validation and acceptance of non-animal and other alternative test methods. Thank you for the opportunity to present testimony relevant to the fiscal year 2005 budget request for the U.S. Environmental Protection Agency's (EPA) Science and Technology budget for the Office of Research and Development (ORD).

In 2000, the passage of the ICCVAM Authorization Act into Public Law 106–545, created a new paradigm for the field of toxicology. It requires Federal regulatory agencies to ensure that new and revised animal and alternative test methods be scientifically validated prior to recommending or requiring use by industry. An internationally agreed upon definition of validation is supported by the 15 Federal regulatory and research agencies that compose the Interagency Coordinating Committee for the Validation of Alternative Methods (ICCVAM), including the EPA. The definition is: "the process by which the reliability and relevance of a procedure are established for a specific use."

In recent years, thanks to the leadership of Chairman James Walsh and Representative David Price, efforts to provide specific funding for and prioritization of research, development and validation of non-animal and other alternative test methods has helped to guide EPA's approach to this necessary thrust for sound science

that replaces, reduces or refines the use of animals in toxicity testing. However, recent dialogue with the EPA has demonstrated a lack of prioritization for funding actual validation studies of non-animal and other alternative methods. This is the equivalent of developing a new car that is intended to provide reduced emissions without assessing the validity of the reduced emissions claim, ensuring the car will never be marketed.

For several years, the enacted budget for the Office of Research and Development has hovered at approximately $500 million, comprising just 9 percent of EPA's total budget. Animal protection organizations have consistently supported a mere 1–2 percent of this budget specifically for research, development and validation of non-animal, alternative test methods. Chairman Walsh secured a $4 million appropriation first-ever directive for research, development and validation of non-animal test methods in the fiscal year 2002 budget for EPA. And while the animal protection community is greatly appreciative of this first-ever directive, we have yet to receive a detailed accounting of the expenditure of funds. The agency has stated that funding has been provided for bench science that may have future relevant applications. EPA contends it has used monies from the Science and Technology Account for the Office of Research and Development to fund research and development of non-animal and other alternative test methods; but the funding stops at the stage when a test method must be scientifically validated in order to be considered for incorporation into recommendations or requirements. Unfortunately this approach does little to support the final development or necessary validation studies for non-animal test methods with potential current application in existing EPA programs.

We request that the subcommittee support the inclusion of $1 million specifically for validation studies for non-animal and other alternative test methods; with non-animal methods prioritized. In addition, we request the following report language be included in bill:

"The Committee encourages the agency to prioritize research, development, standardization and validation of non-animal and other alternative screening and testing methods which have potential to reduce, refine or replace animal studies. The Committee also directs the agency to provide $1 million from within the existing Science and Technology Account specifically for validation of non-animal and other alternative test methods, including prioritizing those that replace animal-based eye irritation methods, embryotoxicity, carcinogenicity and acute toxicity for mammals and fish, for which the scientific review of the validation status will be conducted under the auspices of the Interagency Coordinating Committee on the Validation of Alternative Methods. Any such activities should be designed in consultation with EPA's Office of Pollution Prevention and Toxic Substances to ensure integration of scientifically valid non-animal and other alternative test methods into existing and future programs. The Committee directs the agency to provide a report to the Committee by March 30, 2005 regarding expenditures of fiscal year 2005 funds for research, development and validation of non-animal and other alternative methods."

SKIN CORROSION, SKIN ABSORPTION AND SKIN IRRITATION—NON-ANIMAL TEST METHODS

"Human skin equivalent" tests such as EpiDerm™ and EpiSkin™ have been scientifically validated and accepted in Canada, the European Union, and by the Organization for Economic Cooperation and Development (OECD), of which the United States is a key member, as total replacements for animal-based skin corrosion studies. Another non-animal method, Corrositex™, has been approved by the U.S. Interagency Coordinating Committee on the Validation of Alternative Methods. Various tissue-based methods have been accepted in Europe as total replacements for skin absorption studies in living animals. In fact, in 1999 the EPA itself published a proposed rule for skin absorption testing using a non-animal method that, as of this writing, has still not been finalized. Government regulators in Canada accept the use of a skin-patch test in human volunteers as a replacement for animal-based skin irritation studies (for non-corrosive substances free of other harmful properties).

However, the EPA continues to require the use of animals for all three of these endpoints, despite the availability of the non-animal tests. In order to assess the progress of the EPA in implementing the non-animal replacements for these three endpoints, we concur with our colleagues at People for the Ethical Treatment of Animals and respectfully request that the subcommittee include the following report language:

"The Administrator of the EPA is required to report to Congress no later than December 1, 2004, regarding the use of Corrositex™ and 'human skin equivalent' tests such as EpiDerm™ and EpiSkin™ for skin corrosion studies, in vitro methods

using skin from a variety of sources (e.g. human cadavers) for skin absorption studies, and human volunteer clinical skin-patch tests (for chemicals first determined to be non-corrosive and free of other harmful properties) for skin irritation studies. The Administrator should describe the reasons for which the agency has delayed accepting the aforementioned methods for regulatory use as total replacements for their animal-based counterparts, exactly what steps the agency is taking to overcome those delays, and a target date by which the agency intends to accept these methods for regulatory use."

SUMMARY

While significant progress has been made in nearly every other scientific discipline, the field of toxicology has remained wedded to antiquated methods dating from the mid-20th century. The United States must provide a marked investment in sound science that reflects the humane ethic espoused by the majority of Americans. Only by ensuring that Federal regulatory agencies fund research, development and validation of non-animal and other alternative test methods can the number of methods accepted on the basis of scientific merit exponentially increase. And in cases where scientific validity is demonstrated and non-animal and other alternative methods are incorporated into European Union, Canadian or OECD guidelines, the United States should expedite its own acceptance of the methods.

PREPARED STATEMENT OF THE AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM

This statement focuses on three areas: Department of Housing and Urban Development, National Science Foundation, and National Aeronautics and Space Administration.

Mr. Chairman and members of the subcommittee, on behalf of this Nation's 34 American Indian Tribal Colleges and Universities (TCUs), which compose the American Indian Higher Education Consortium (AIHEC), thank you for the opportunity to express our views and requests for fiscal year 2005.

SUMMARY OF REQUESTS

Department of Housing and Urban Development (HUD)

Since fiscal year 2001, a modest TCU initiative has been funded within the Community Development Block Grant program. This competitive program enables tribal colleges to build, expand, renovate, and equip their facilities available to and used by the larger community. We strongly urge the subcommittee to support this program at a minimum $5 million, an increase of $2 million over the President's fiscal year 2005 budget request.

National Science Foundation (NSF) Programs

Tribal Colleges and Universities Program (TCUP).—Since fiscal year 2001, this program has provided important assistance to TCUs as they build their capacity to provide strong science, technology, engineering, and mathematics (STEM) teaching and learning programs for American Indians. As of fiscal year 2003, 13 of the 32 eligible TCUs have been awarded implementation grants, along with four Alaska Native and Native Hawaiian serving institutions, and five new awardees are expected in fiscal year 2004. As more than half of the eligible TCUs have yet to receive grant awards, we request that Congress expand this vital program to $15 million, a $5 million increase over fiscal year 2004 to help increase the number of TCUs able to participate and to support funding of Alaska Native and Native Hawaiian serving institutions, which NSF includes in the TCU program and funds to a significant extent. Additionally, we seek report language clarifying that for any provision of technical assistance under this program, eligible organizations are defined as national and regional non-profit organizations comprised of TCUs; and further language requiring Science and Technology Centers and EPSCoR Institutions to develop and implement plans to effectively collaborate with Tribal Colleges and Universities in education and research activities.

Advanced Networking with Minority Serving Institutions (AN–MSI).—In fiscal year 1999, NSF funded a project to help MSIs develop campus infrastructures and national connections necessary to participate in the Internet-based Information Age. The project involves an historic and successful collaboration between three minority communities and mainstream institutions, which had little or no prior experience working together. AN–MSI has developed a successful model for providing support and technical assistance and is working with tribal colleges on collaborative education and research projects. AN–MSI's funding expires in fiscal year 2004, and if

new funding is not secured, the project's work will cease. We request that the subcommittee include funding within NSF's CISE directorate to continue and expand the AN–MSI program at $15 million over the next 5 years.

National Aeronautics and Space Administration (NASA)

In fiscal year 2001, the tribal colleges established a formal cooperative agreement with NASA for a project designed to increase access, participation, and success of American Indians in high quality K–16 science, technology, engineering, and mathematics programs. The agreement includes a TCU liaison between AIHEC and NASA to oversee implementation of the project and modest program enrichment grants to the colleges. We request that Congress include report language encouraging NASA to continue and expand its successful $1.2 million cooperative agreement on behalf of TCUs; clarifying that for any provision of technical assistance under this program, eligible organizations are defined as national and regional non-profit organizations comprised of TCUs; and encouraging NASA faculty exchange programs and IPA contracts with TCUs to provide needed on-site expertise and partnerships. Additionally, we seek further report language encouraging the development of new initiatives to address the technology infrastructure needs at the TCUs, and further language to require Space Grant and EPSCoR Institutions to develop and implement plans to effectively collaborate with Tribal Colleges and Universities in education and research activities.

BACKGROUND

As a group, Tribal Colleges and Universities are this Nation's youngest institutions of higher education. The first tribal college—Navajo Community College (now Diné College) in Tsaile, Arizona—was established in 1968. Over the next few years, a succession of tribal colleges followed, primarily in the Northern Plains. In 1972, the first six tribally controlled colleges established AIHEC to provide a support network for member institutions. Today, AIHEC represents 34 TCUs located in 12 States. Annually, these institutions serve approximately 30,000 full- and part-time American Indian students from more than 250 federally recognized tribes. Yet in comparison with other institutions, TCUs benefit from only a handful of dedicated programs and receive only a very small portion of overall Federal higher education funding.

The vast majority of TCUs is accredited by independent, regional accreditation agencies and like all institutions of higher education, must undergo stringent performance reviews on a periodic basis. In addition to associate, bachelor, and master's degree programs, TCUs provide much needed high school completion (GED), basic remediation, job training, adult education, and vitally needed community-based continuing education programs. Tribal colleges function as community centers; libraries; tribal archives; career and business centers; economic development centers; public meeting places; and child care centers. Each TCU is committed to improving the lives of students through higher education and community programs and to moving American Indians toward self-sufficiency.

TCUs provide access to higher education for American Indians and others living in some of the Nation's most rural and economically depressed areas. These institutions, chartered by their respective tribal governments, combine traditional teachings with conventional postsecondary courses and curricula. They have developed innovative means to address the needs of tribal populations and are successful in overcoming long standing barriers to higher education for American Indians. Over the past three decades, these institutions have come to represent the most significant development in the history of American Indian education, providing access to underrepresented students and promoting achievement among students who may otherwise never have known postsecondary education success.

Despite their remarkable accomplishments, TCUs remain the most poorly funded institutions of higher education in the country. Chronically inadequate operations funding continues to be the most significant barrier to their success. Funding for the basic institutional operations of 26 reservation-based TCUs is provided through Title I of the Tribally Controlled College or University Assistance Act (Public Law 95–471), which was first funded in 1981. Today, 23 years later these colleges are operating at $4,230 per full-time Indian student count (ISC), just 70 percent of the authorized level of $6,000 per ISC. Additionally, TCUs are located on Federal trust territories, and therefore States have no obligation to fund them even for the non-Indian State-resident students who account for approximately 20 percent of TCU enrollments. Yet, if these same students attended any other public institution in the State, the State would provide basic operating funds to the institution.

As a result of more than 200 years of Federal Indian policy—including policies of termination, assimilation and relocation—many reservation residents live in ab-

ject poverty comparable to that found in Third World nations. Through the efforts of TCUs, American Indian communities receive services they need to reestablish themselves as responsible, productive, and self-reliant.

JUSTIFICATIONS

Department of Housing and Urban Development

We are pleased that the President's fiscal year 2005 budget request includes $3 million for HUD–TCU program funded under the Community Development Block Grant program. This competitive grants program enables tribal colleges to expand their roles and effectiveness in addressing development and revitalization needs in their respective communities. No academic or student support projects are funded through this program; rather, funding is available only for community-based outreach and service programs at TCUs. Over the past few years, a handful of tribal colleges have been able to build or enhance child care centers, social service offices; help rehabilitate tribal housing; establish and expand small business development; and enhance vitally-needed library services.

The number of TCUs is continuing to grow. Two additional colleges have joined our ranks, Saginaw Chippewa Tribal College in Michigan and Tohono O'odham Community College in Arizona. We strongly urge the subcommittee to support this program at a minimum $5 million, an increase of $2 million over the President's fiscal year 2005 budget request, to help ensure that much needed community services and programs are expanded and continued.

National Science Foundation Programs

Tribal Colleges and Universities Technology Initiative.—In fiscal year 2001, NSF launched a new TCU initiative designed to enhance the quality of science, technology, engineering and mathematics (STEM) instruction and outreach programs, with an emphasis on the leveraged use of information technologies at TCUs. The program enables colleges to implement comprehensive institutional approaches to strengthen teaching and learning in ways that improve access, retention, and completion of STEM programs, particularly those that have a strong technological foundation. Through this program, colleges gain support for their efforts to bridge the "digital divide" and prepare students for careers in information technology, science, mathematics, and engineering fields. The overall goals of the program are to improve access, retention, and graduation rates among American Indian students and to increase the number of American Indians in the information technology, science, mathematics and engineering workforce. In 3 years, 13 of the 32 eligible TCUs have received implementation grants, along with four Alaska Native and Native Hawaiian serving institutions, with five additional grants expected to be awarded in fiscal year 2004. We request that Congress expand this vital program to $15 million, $5 million above the President's budget request. This level more accurately reflects the true needs of the eligible pool, which NSF significantly expanded when it included Alaska Native and Native Hawaiian serving institutions in the TCU program. Additionally, we seek report language clarifying that for any provision of technical assistance under this program, eligible organizations are defined as national and regional non-profit organizations comprised of TCUs; and further language requiring Science and Technology Centers and EPSCoR Institutions to develop and implement plans to effectively collaborate with Tribal Colleges and Universities in education and research activities.

Advanced Networking with Minority Serving Institutions (AN–MSI).—Five years ago, NSF funded a project within its Computer and Information Science and Engineering (CISE) Directorate to help minority-serving institutions (MSIs) develop the campus infrastructure and national connections necessary to participate in the emerging Internet-based Information Age. The project involves an historic and successful collaboration between three minority communities and mainstream institutions, which had little or no prior experience working together. AN–MSI has developed a successful model for providing TCUs and other MSIs with technical assistance, education, and training programs to improve campus-based information and communications systems and strengthen IT staff. While much has been accomplished, TCUs are at the beginning stages of technology use, particularly for collaborative education and research. AN–MSI's funding expires in fiscal year 2004, and if new funding is not secured, the project's work will cease. We request that Congress allocate $15 million for this initiative over the next 5 years.

National Aeronautics and Space Administration (NASA)

In fiscal year 2001, TCUs established a formal cooperative agreement with NASA for a project designed to increase access, participation, and success of American Indians in high quality K–16 mathematics, science, engineering, and technology pro-

grams. The agreement includes a TCU liaison between AIHEC and NASA to oversee implementation of the project and modest program enrichment grants to the colleges. We request that Congress include report language encouraging NASA to continue and expand its successful $1.2 million cooperative agreement on behalf of TCUs; clarifying that for any provision of technical assistance under this program, eligible organizations are defined as national and regional non-profit organizations comprised of TCUs; encouraging NASA faculty exchange programs and IPA contracts with TCUs to provide needed on-site expertise and partnerships. Additionally, we seek further report language encouraging the development of new initiatives to address the technology infrastructure needs at the TCUs; and further language requiring Space Grant and EPSCoR Institutions to develop and implement plans to effectively collaborate with Tribal Colleges and Universities in education and research activities.

CONCLUSION

In light of the justifications presented in this statement and the overwhelming evidence of inequitable access to technology in rural America, we respectfully request Congress increase funding for Tribal College and University programs to help bring economic self-sufficiency to Indian Country. Fulfillment of AIHEC's fiscal year 2005 request will strengthen the missions of TCUs and the enormous, positive impact they have on their respective communities. Your support will help ensure that they are able to educate and prepare thousands of American Indians for the workforce of the 21st Century. TCUs have proven to be very responsible with the Federal support they have received over the past three decades. It is important that the Federal Government now capitalize on its investment. We respectfully request your continued support of tribal colleges and full consideration of our fiscal year 2005 appropriations requests.

PREPARED STATEMENT OF THE INTEGRATED PETROLEUM ENVIRONMENTAL CONSORTIUM

It is proposed that the U.S. Environmental Protection Agency continue to support a focused, university-based program, the Integrated Petroleum Environmental Consortium (IPEC), with the goal of increasing the competitiveness of the domestic petroleum industry through a reduction in the cost of compliance with U.S. environmental regulations. Continued Federal support of $2 million is specifically requested as part of the fiscal year 2005 appropriation for the Environmental Protection Agency through the Science and Technology account or other source the subcommittee may determine to be appropriate.

Mr. Chairman, on behalf of the Integrated Petroleum Environmental Consortium (IPEC), I would like to take this opportunity to thank the subcommittee for providing $8.2 million in funding for IPEC in the fiscal year 1998–2004 appropriations bills for the Environmental Protection Agency (EPA). Specifically this funding was provided for the development of cost-effective environmental technology and technology transfer for the domestic petroleum industry. With funding under the Science and Technology account of EPA, IPEC is implementing a comprehensive mechanism (EPA Research Center) to advance the consortium's research expertise in environmental technology. IPEC's operating practices and linkages to the independent sector are ensuring that real problems in the domestic petroleum industry are addressed with real, workable solutions. The consortium includes the University of Tulsa, the University of Oklahoma, Oklahoma State University, and the University of Arkansas.

We are pleased to report that, as envisioned and proposed by the Consortium, State-level matching funds have been obtained to support IPEC, creating a true Federal-State partnership in this critical area. Since fiscal year 1998 the Oklahoma State Regents for Higher Education have provided over $800,000 in matching funds for IPEC. Significant matching funds have also been obtained from industry resulting in a total match of $0.84 for every Federal dollar expended or encumbered to date.

Mr. Chairman, IPEC's mission has never been more important than today. As the United States imports more oil from politically unstable regions of the world our Nation's domestic reserves and production become ever more vital to the Nation's economy and our national security. However, domestic production and our domestic infrastructure are in decline as the major producers and refiners seek greater returns for their stockholders overseas. The mature reservoirs that they found to be no longer profitable have been taken over by the independent producers. To their credit these independent producers together are accounting for 85 percent of domes-

tic wells drilled, 40 percent of domestic oil production, and 65 percent of domestic natural gas production. Although the price of oil is currently up, the instability of world crude oil prices takes its toll on these entrepreneurs who have only one source of income—the sale of oil and gas. They are constantly caught in the squeeze between the cost of production and the price they receive for their product. For example, when prices fell to historic lows in 1998 and early 1999 the effect on the independent producers was markedly worse than on the large integrated oil companies. Capital expenditures fell 30 percent, rig counts dropped 50 percent, employment in exploration and production fell by 65,000, and 150,000 wells were shut-in (IPAA). As prices have recovered new capital has been invested in exploration and production but now there is a serious shortage of skilled employees. Once again the cycling of world oil prices threatens the development of new resources and further weakens our domestic infrastructure. The strategic value of this industry demands that action be taken to preserve and expand this critical component of our energy supply and reduce our dependence on foreign oil. As Vice-President Cheney has said (May, 2001) "to meet our energy challenge we must put to good use the resources around us and the talent within us".

NEW TECHNOLOGIES

With the help and support of Congress IPEC has and will continue to answer this call. IPEC works diligently to help independent producers reduce their production costs and increase profitability in this turbulent market. IPEC responds to the needs of the independents in two ways. First, IPEC funds a vigorous research program to develop cost-effective environmental technologies. Critical to the effectiveness of IPEC is the process by which projects are chosen for funding. IPEC has an Industrial Advisory Board (IAB) which is dominated by independent producers. The IAB identifies the research needs of the domestic industry which form the basis of Calls for Proposals issued to the IPEC institutions. But their influence on the selection process does not stop there. Investigators respond to the Call for Proposals with what is termed a pre-proposal which contains enough information to identify the problem to be addressed and the expected advantages of the proposed research to the domestic industry. It is the IAB that evaluates these pre-proposals for relevance to IPEC's mission. If the IAB believes that the research proposed helps to solve a problem that makes a serious dent in the independent's profitability it is approved. The Board has established a benchmark of 80 percent of voting members for a pre-proposal to be selected. Investigators whose pre-proposals are approved by the IAB are invited to write a full, detailed technical proposal for evaluation by a Science Advisory Committee (SAC) which will assess the scientific quality of the proposal. The SAC is composed of nationally recognized scientists and engineers from academia and government laboratories. An investigator whose proposal passes this second hurdle is funded by IPEC to do the research. By the way, any pre-proposal that does not pass the IAB is dead in the water!

In addition to ensuring that project funding is industry driven and on target this selection process has had the additional advantage of creating a dialog between producers and the regulatory community that serves the interest of both groups. The second largest group on the IAB is composed of State regulatory agency personnel who serve on the Board at the invitation of the independent producers. The discussion of industry needs fostered by the review process has resulted in a more collegial relationship between the regulators and those who are regulated.

Mr. Chairman, I invite you to visit the IPEC website at http://ipec.utulsa.edu to learn more about IPEC's funded research projects. On the website you will learn how IPEC has significantly advanced the scientific basis for risk-based decision making in the management of hydrocarbon spills which allows precious remediation resources to be directed to where they will do the most good. You will also find a project which, while investigating the natural attenuation of complex hydrocarbons mixtures, has actually pointed the way to how we may some day convert unrecoverable oil to natural gas using microorganisms. You will also see projects that are pioneering the use of plants to remediate oil-impacted soil and reduce the costs of remediation of brine spills on soil and restoring the productivity of damaged land. Thanks to the IPEC Industrial Advisory Board all of these projects are expected to reduce the cost of environmental compliance and the cost of production and at the same time increase compliance.

EFFECTIVE TECHNOLOGY TRANSFER

IPEC also has an active technology transfer program which makes an important contribution to the consortium's mission. Guided by the Industrial Advisory Board IPEC has and will continue to develop tools for independent producers to empower

them to take control of resolving their own environmental problems and reducing their cost of doing business. One of the first tools produced by IPEC was a training video entitled "Cost Effective Environmental Strategies for Improving Production Economics". This video shows the producer how to do an audit of their oil or gas production facilities to help them keep more product in the sales line and more money in their pocket. Producers are shown that by being proactive they can minimize remediation costs, stay out of trouble with the regulatory agencies, reduce future liability, and increase the value of their lease. Over 3,000 of these videos have been distributed free of charge and the reviews are outstanding. Environmental Health and Safety officers of some of the larger independent oil companies have remarked that it is the best training video of its kind available. IPEC has also produced a training video on the bioremediation of oil spills and a video on remediation of brine spills will be released this year. Production will start soon on additional training videos on the remediation of joint spills of oil and brine, emergency response procedures, and on money-saving how-to tips from the IPEC Industrial Advisory Board.

Other tools include a self-assessment checklist to help producers identify problems that are going to cause them problems and cost them money if not fixed. Again the goal is to help them be proactive and take control of their production costs. IPEC also seeks to empower independent producers to be able to remediate small spills of oil and brine when they occur without spending a lot of money on soil analysis or high-priced consultants. Of course the training videos help in this regard but we don't stop there. IPEC works with industry organizations and State agencies like the Oklahoma Marginal Well Commission to offer 1-day training workshops on remediation of oil and brine spills. For oil spills IPEC shows the producers how to be effective at bioremediation of oil spills without having to do TPH analysis and at a minimal cost. IPEC also produces a laminated card for producers to carry around in their trucks that provides easy to follow, step-by-step instructions with photos on how to carry out the bioremediation process. IPEC has also developed a staged response to brine spills that reduces costs while effectively remediating these spills and at the same time more effectively restores the productivity of the impacted land. To assist the producer in brine remediation IPEC has developed a Soil Salt Analysis Kit and a Water Analysis Kit which are distributed free of charge to independent producers. The kits come with laminated cards with photo instructions on how to use the kits and how to interpret the results. With this field kit producers can follow the progress of the remediation and restoration process and identify "hot spots" which need extra attention without the expense of a lot of analytical costs. With these kits producers can determine soil chloride concentrations and relate the results of analyses to plant salt tolerances. This allows the producer to effectively communicate with the regulatory field inspectors and determine what plants could be grown on the site at various stages of restoration. IPEC has also recently contracted with the Railroad Commission of Texas to bring their popular workshop on Waste Minimization in E&P Operations to Oklahoma and Arkansas.

In a program unique in the oil industry IPEC uses the field agents of State regulatory agencies to deliver these tools into the hands of the producers. Although IPEC tries as much as possible to bring training to the producers by offering the soil remediation and waste minimization workshops in their back yard, many of the smallest producers cannot afford to be away from their business for a training workshop. However, these producers see their field inspectors on a regular basis. In order to take advantage of this relationship IPEC holds training workshops for these field inspectors introducing them to all of the latest IPEC tools and establishes with them a tracking mechanism to determine where the tools are going and allowing us to follow up to assess the effectiveness of these tools. This has proven to be an effective mechanism for distribution of IPEC tools to these small producers. As a bonus the producers see the field inspectors in a helpful role. One of the goals of IPEC's technology transfer program is to foster the feeling among small producers that field inspectors should be seen as a member of their team and a valuable source of information.

IPEC's technology transfer program also includes some of the more traditional elements such as a website, newsletter and annual conference. On the website producers can follow the progress of IPEC sponsored projects, learn about upcoming training events and tools, read the proceedings of IPEC's annual conference, and access other useful information. The newsletter is called "The Connector" and is published quarterly. Each issue features a cover story on new technology for petroleum environmental problems. Other articles cover new regulations, anticipated regulatory changes, and announcements for upcoming events of interest to the domestic industry. Anyone can subscribe to "The Connector" free of charge or look for the latest issue on the IPEC website.

IPEC's annual conference, the International Petroleum Environmental Conference, is fast becoming the premier event of its kind and focuses on environmental issues and solutions in oil and gas production and refining. Cosponsored by the U.S. Department of Energy National Petroleum Technology Office, the conference annually attracts about 350 participants, 60 percent of who come from industry, 20 percent from State and Federal regulatory agencies, and 20 percent from academia. The next IPEC conference, the eleventh, will be held in Albuquerque, NM, October 12–15, 2004. Check out the proceedings of previous conferences on the consortium website and look at the conference website at http://ipec.ens.utulsa.edu for the current Call for Papers and the program for the eleventh conference.

IPEC MAKES A DIFFERENCE

With the help and support of the industry and Congress IPEC is making a real difference in the domestic petroleum industry. We have kept faith with our supporters and Congress and are delivering on all of the promises and pledges we made during our campaign for funding. We are especially proud of the fact that as noted above to date IPEC has obtained matching funds from the industry and State governments of $0.84 for every Federal dollar expended or encumbered. IPEC is truly a Federal-State-industry partnership that works!

IPEC underwent a site review in May, 2002 by an EPA review panel. IPEC passed the review with flying colors. IPEC was especially commended for the Center's enthusiasm for its mission, the relevancy of the Center's research projects to that mission, the Center's management practices, the diversity of constituencies from whom we seek input, and the aggressiveness of the Center's technology transfer program. In fact IPEC's technology transfer program was termed by the review panel as "tech transfer par excellence". The chair of the review panel told us informally "I give most EPA Research Centers a 5, I give IPEC an 8".

FUNDING OF IPEC

Mr. Chairman, the EPA site review panel was so enthusiastic about IPEC they suggested that we make an effort to expand to other oil and gas producing States, bring in other academic institution as partners and consortium members, and expand the range of research projects we are working on to further benefit the domestic industry. We could not agree more with these goals but this will require additional resources. Therefore, IPEC is seeking appropriations of $2 million for fiscal year 2005 through the Environmental Protection Agency. The consortium will be responsible for at least a 50 percent match of Federal appropriations with private sector and State support over any 5-year period. The Consortium will be subject to annual review to ensure the effective production of data, regulatory assessments, and technology development meeting the stated goals of the Consortium.

Thank you for your continued support.

PREPARED STATEMENT OF THE CALIFORNIA GOVERNMENT AND PRIVATE SECTOR COALITION FOR OPERATION CLEAN AIR

Mr. Chairman and members of the subcommittee, on behalf of the California Government and Private Sector Coalition for Operation Clean Air's (OCA) Sustainable Incentive Program, we are pleased to submit this statement for the record in support of our fiscal year 2005 funding request of $1,000,000 for OCA as part of a Federal match for the $180 million already contributed by California State and local agencies and the private sector for incentive programs. This request consists of $500,000 from the Environmental Protection Agency (EPA) for a public education program related to the Clean Air Act and $500,000 from the Department of Housing and Urban Development related to reduction of emissions from individual residential activities.

California's great San Joaquin Valley is in crisis. Home to over 3.3 million people, its 25,000 square miles now has the unhealthiest air in the country. Even Los Angeles, long known as the smog capital of the Nation, can boast better air quality by certain standards. While peak concentrations of air pollutants are still greater in Los Angeles, for the past 4 years, the San Joaquin Valley has exceeded Los Angeles in violations of the ozone 8-hour Federal health standard.

A combination of geography, topography, meteorology, tremendous population growth, urban sprawl and a NAFTA corridor of two major highways with over 5 million diesel truck miles per day, have collided to produce an air basin in which over 300,000 people, nearly 10 percent of the population, suffer from chronic breathing disorders. In Fresno County, at the heart of the San Joaquin Valley, more than 16

percent of all children suffer from asthma, a rate substantially higher than any other place in California. The extreme summertime heat creates smog even though smog-forming gases are less than half the amount in the Los Angeles basin. There is no prevailing wind to flush the natural geologic bathtub and, as a result, pollutants and particulates stagnate, accumulate, and create unhealthy air.

Degradation of human health is not the only consequence of poor quality air. In December 2003, the San Joaquin Valley Air Pollution Control District Board decided to become the first Air District in the Nation to voluntarily declare itself an "extreme" non-attainment area. This designation, if approved by USEPA, will defer until 2010 the date for attainment of Federal standards of air quality, but comes at a cost of imposing permitting on thousands of more businesses and even further discouraging business expansion or relocation. More Valley's businesses will be required to obtain permits and comply with increasingly burdensome regulations imposed by Federal and State law and the Air Pollution Control District, resulting in added cost in compliance, reporting and record keeping. At the same time, the area is burdened by chronic unemployment rates of nearly 20 percent. Encouraging business expansion in or relocation to the San Joaquin Valley to combat unemployment will be extremely difficult in the face of such regulatory burdens.

The San Joaquin Valley is home to the most productive agricultural land in the world. Over 350 crops are produced commercially on 28,000 farms encompassing more than 5 million irrigated acres. While the agricultural industry has made great strides at considerable expense to replace old diesel engines and manage fugitive dust and other emissions, farming does contribute to the problem. However, it is a $14 billion industry that forms the backbone of the Valley's economy, and its vitality is crucial.

Industry alone is not the source of the Valley's poor air quality. Population growth rates exceeding those in the rest of the State and most of the Nation, in an area without effective mass transit, where cheap land has led to a landscape of suburbia and sprawl, results in excessive over-reliance on the automobile. Trucking has increased dramatically with the increase in population, and Federal free trade policies. Other factors such as fireplace burning in the winter, open field agricultural burning because of lack of sufficient alternatives, and wild fires resulting from lack of controlled burning in the nearby foothills and mountains all contribute to the problem.

Despite the challenges listed above, much progress has been made. The State has spent nearly $80 million on improvement and compliance programs. Local government and private industry have spent over $100 million on technology and compliance. As specific examples, over one half of the diesel operated irrigation pumps used by agriculture have been replaced with cleaner engines. The City of Tulare has converted its entire fleet of vehicles to natural gas as have several other private fleet operators. A $45 million federally financed comprehensive study of ozone and particulate matter is nearing completion. As a result, the number of 1-hour EPA health standard exceedences has been reduced by 40 percent since 1989.

But much more needs to be done. The District estimates that daily emissions must be reduced by 300 tons to achieve attainment. There is no single or short-term quick fix. The entire Valley (an area the size of the State of Connecticut) is part of the problem and the entire Valley will need to be part of the solution.

Operation Clean Air is a coalition of business, government, health care, and environmental groups throughout the eight county San Joaquin Valley Air Pollution Control District. Its goal is to clean the Valley's air and increase its economic prosperity. The coalition seeks to catalogue efforts that have produced positive effects and identify those strategies that could produce even greater effects if supported by sufficient resources. At the heart of its efforts will be an array of sustainable, voluntary practices and activities that can and will be undertaken by all of the residents of the San Joaquin Valley, both public and private, to improve air quality.

This unique public-private partnership has invested considerable resources in this project to date, and will continue to do so, but Federal funding is both imperative and justified to help address what is essentially an unfounded Federal mandate.

For fiscal year 2004, our Coalition is seeking funding of $500,000 from the Environmental Protection Agency (EPA) related to public education regarding the Clean Air Act and $500,000 from the Department of Housing and Urban Development for the implementation of individual residential emission reduction programs.

First from EPA, the coalition is seeking $500,000 for a public education and awareness campaign. The purposes of the campaign are to provide information to the public regarding the impact of air quality on health and engage the public in voluntary air quality improvement efforts. The health-care sector, comprised of many medical professionals committed to Operation Clean Air is uniquely positioned

to both educate the public about the impact of air quality on health and collect data on the health effects of air pollution on the population.

The public education and awareness campaign will include a valley-wide media campaign to raise awareness of the health effects of poor air quality including television, radio, print, Internet, brochures, flyers, posters and billboards in English, Spanish and Hmong; school-based curriculum including materials to reach new teen drivers with information on vehicle maintenance and cost-effective driving habits. Fact sheets and videos will be developed on steps that individuals and institutions can take to reduce their individual contribution of air pollutants. A special effort will be made to collaborate with county public health officers to make sure that they have adequate information for their education programs.

From HUD, the coalition is seeking $500,000 to reduce the emissions from individual residential activities including heating with non-EPA certified wood heaters, use of gasoline lawn and gardening equipment, and low efficiency lighting. The co-funding will be made available to low-income residents to fund the removal and replacement of non-EPA certified wood heaters with new EPA certified unit, and for repair or upgrade of sub-standard heating systems to reduce the reliance on wood for heat. Co-funding will also be used for programs providing incentives to residents and hospitals for battery operated leaf blowers, electric lawn mowers, and other replacement equipment to displace gasoline or diesel operated landscaping equipment throughout the valley. During the winter months 15 percent of the particulate matter pollution in the San Joaquin Valley is attributable to residential wood smoke. By providing grant funds to low-income residents that currently rely on wood for heat we will be able to provide them with a more efficient heating source and reduce disproportionate impact of wood smoke in low-income neighborhoods.

Thank you very much your consideration of our requests.

PREPARED STATEMENT OF THE CALIFORNIA INDUSTRY AND GOVERNMENT CENTRAL CALIFORNIA OZONE STUDY (CCOS) COALITION

Mr. Chairman and members of the subcommittee, on behalf of the California Industry and Government Central California Ozone Study (CCOS) Coalition, we are pleased to submit this statement for the record in support of our fiscal year 2005 funding request of $1.0 million from the Environmental Protection Agency (EPA) for CCOS as part of a Federal match for the $9.4 million already contributed by California State and local agencies and the private sector. We greatly appreciate your past support for this study ($1,000,000 in fiscal year 2002, $900,000 in fiscal year 2003, and $500,000 in fiscal year 2004) as it is necessary in order for the State of California to address the very significant challenges it faces to comply with the air pollution requirements of the Federal Clean Air Act.

Most of central California does not attain Federal health-based standards for ozone and particulate matter. The San Joaquin Valley has recently requested redesignation to extreme and is committed to updating their 1-hour ozone State Implementation Plan (SIP) in 2004, based on new technical data. In addition, the San Joaquin Valley, Sacramento Valley, and San Francisco Bay Area exceed the new Federal 8-hour ozone standard. SIPs for the 8-hour standard will be due in the 2007 timeframe—and must include an evaluation of the impact of transported air pollution on downwind areas such as the Mountain Counties. Photochemical air quality modeling will be necessary to prepare SIPs that are approvable by the U.S. Environmental Protection Agency.

The Central California Ozone Study (CCOS) is designed to enable central California to meet Clean Air Act requirements for ozone SIPs as well as advance fundamental science for use Nation-wide. The CCOS field measurement program was conducted during the summer of 2000 in conjunction with the California Regional PM_{10}/$PM_{2.5}$ Air Quality Study (CRPAQS), a major study of the origin, nature, and extent of excessive levels of fine particles in central California. This enabled leveraging of the efforts of the particulate matter study in that some equipment and personnel served dual functions to reduce the net cost. From a technical standpoint, carrying out both studies concurrently was a unique opportunity to address the integration of particulate matter and ozone control efforts. CCOS was also cost-effective since it builds on other successful efforts including the 1990 San Joaquin Valley Ozone Study.

CCOS includes an ozone field study, data analysis, modeling performance evaluations, and a retrospective look at previous SIP modeling. The CCOS study area extends over central and most of northern California. The goal of the CCOS is to better understand the nature of the ozone problem across the region, providing a strong

scientific foundation for preparing the next round of State and Federal attainment plans. The study includes five main components:

—Designing the field study;
—Conducting an intensive field monitoring study from June 1 to September 30, 2000;
—Developing an emission inventory to support modeling;
—Developing and evaluating a photochemical model for the region; and
—Evaluating emission control strategies for upcoming ozone attainment plans.

The CCOS is directed by Policy and Technical Committees consisting of representatives from Federal, State, and local governments, as well as private industry. These committees, which managed the San Joaquin Valley Ozone Study and are currently managing the California Regional $PM_{10}/PM_{2.5}$ Air Quality Study, are landmark examples of collaborative environmental management. The proven methods and established teamwork provide a solid foundation for CCOS. The sponsors of CCOS, representing State, local government, and industry, have contributed approximately $9.4 million for the field study. The Federal Government has contributed $4,874,000 to support some data analysis and modeling. In addition, CCOS sponsors are providing $2 million of in-kind support. The Policy Committee is seeking Federal co-funding of an additional $2.5 million to complete the remaining data analysis and modeling. California is an ideal natural laboratory for studies that address these issues, given the scale and diversity of the various ground surfaces in the region (crops, woodlands, forests, urban and suburban areas).

There is a national need to address national data gaps and California should not bear the entire cost of addressing these gaps. National data gaps include issues relating to the integration of particulate matter and ozone control strategies as well as the need to address air quality modeling of long-term, multi-pollutant scenarios. Current air quality modeling practice is to represent an entire ozone season by one episode, or in rare cases, a few episodes, which has been a limitation of modeling used for the 1-hour ozone standard. However, to ensure that air pollution control decisions are based on sound and thorough assessments of the available data, improvement in the scientific methods that would be used for 8-hour ozone, $PM_{2.5}$, and regional haze standards is imperative. It is particularly important that there is an expansion of the number of episodes evaluated. The duration, quality, and completeness of the combined database of CCOS and CRPAQS offers a unique opportunity to assess and improve air quality models and the ability to perform long-term air quality simulations that address both ozone and particulate matter. This is necessary to comprehensively assess emission control strategies for both pollutants and regional haze.

For fiscal year 2005, our Coalition is seeking funding of $1.0 million from the Environmental Protection Agency (EPA). The CCOS would use the $1.0 million requested for fiscal year 2005, in conjunction with other funding, to help address modeling needs for the 8-hour ozone and $PM_{2.5}$ standards. It is particularly important that there is an expansion of the number of episodes evaluated. The requested funding will allow for significant improvements in computer programming and computer processing, both of which are necessary to handle the vast amount of data required to be analyzed for evaluating multiple episodes. The requested funding will also allow for air quality model validation assessments. These assessments are necessary to ensure that models are representing the results for the right reasons. The U.S. EPA has a direct stake in, and will benefit from, the CCOS program. This program will further the fundamental science of air quality modeling and advance the use of models for future SIPs Nation-wide.

Thank you very much for your consideration of our request.

Current CCOS Study Sponsors

Private Sector

Western States Petroleum Association; Pacific Gas and Electric Company; Electric Power Research Institute; Nisei Farmers League and Agriculture; Independent Oil Producers' Agency; California Cotton Ginners and Growers Associations.

Local Government

San Joaquin Valley Unified Air Pollution Control District (on behalf of local cities and counties); Bay Area Air Quality Management District; Sacramento Metro Air Quality Management District; San Luis Obispo County Air Pollution Control District; Mendocino County Air Pollution Control District.

State Government

California Air Resources Board; California Energy Commission.

Federal Government

National Oceanic and Atmospheric Administration; Environmental Protection Agency; Department of Agriculture; Department of Transportation.

PREPARED STATEMENT OF THE ECOLOGICAL SOCIETY OF AMERICA

As the Vice President for Science for the Ecological Society of America, I am pleased to provide written testimony for the National Science Foundation. The Ecological Society of America has been the Nation's premier professional society of ecological scientists for nearly 90 years, with a current membership of 8,000 researchers, educators, and managers. We appreciate the opportunity to offer written testimony on behalf of the National Science Foundation.

We thank the committee for its strong commitment to the NSF over the last several years. Investment in this agency is very much in the public interest and your vision will pay extraordinary dividends in the years to come. We are also grateful to the 107th Congress for passing the NSF Authorization Act, which laid out a plan to boost the Nation's investment in this agency.

We believe that NSF's fiscal health is critical to maintaining the Nation's international scientific leadership. Dividends from past investments in the NSF are manifested in the individual scientific disciplines, as well as in the groundwork that has been laid for interdisciplinary research needed to meet present and future scientific challenges. Research supported through the NSF has led not only to major advancements in all of the sciences, mathematics, and engineering, but has repeatedly underpinned new technologies such as the use of bar codes for inventory control and bioengineering microbes to clean up toxic waste, as well as new techniques, for example improving a building's resistance to damage during an earthquake.

I wish to particularly note that the NSF is responsible for the majority of all non-medical biological research, ranging from the molecular level to the study of entire ecosystems. Approximately 65 percent of all academic, non-medical, biological research is supported through the National Science Foundation.

Important accomplishments have resulted through NSF-funded research and the potential for future opportunities is immense. Biological research will improve our ability to assess and predict the status of ecosystems, which provide the United States with goods such as fish, and services, such as water purification. Research efforts in the social sciences will enhance our understanding of large-scale transformations such as globalization and democratization, while work in the ocean sciences holds the potential to reveal previously unimaginable images of even the deepest oceans. Advances in NSF-supported chemistry may lead to cleaner industrial technology and address problems of carbon sequestration. Research in the mathematical sciences has led to advances in cryptography and improved internet security.

In a time where we find more and more federally funded research directed by a particular agency mission, I want to highlight that one of NSF's greatest strengths is its support of the best research, regardless of its potential use. The NSF peer review system has an excellent track record of choosing the best science and the best investigators to perform the research, as the significant number of Nobel Prize winners who received support from NSF demonstrates.

As a Professor of Biology and Director of Graduate Studies for Duke University's Program in Ecology I have first-hand knowledge of the positive impact NSF has on a scientific discipline. Our own NSF-funded research on the Central Plains has shown us that historic experience, including the 1930's Dust Bowl, is unremarkable in light of climate swings of the last few centuries. We've learned many species cannot migrate fast enough to track a shifting 21st Century climate and will be left behind, with large consequences for biodiversity. This has significant implications for agriculture in the Great Plains region.

Continued advancement in ecological science depends upon healthy NSF budgets. Many ecologists whose grant proposals are deemed of very high quality are either not funded or go under-funded due to inadequate NSF grant funds. Eventually this funding situation is likely to affect the choices of U.S. students as to whether or not they choose to enter the field of ecology, a science that is crucial to meeting emerging environmental challenges ranging from the ecology of disease to the likely consequences of human alteration of the nitrogen cycle.

Other science, mathematics, and engineering fields experience many of the same tensions exhibited in the ecological sciences. These disciplines share our concern that not enough U.S. students are interested in science and engineering-related careers. Many of us in the scientific community are worried that the United States

may loose its preeminent position in science. All science, math, and engineering disciplines depend upon a strong National Science Foundation.

As the only Federal agency to support science and education across all disciplines, and as the principal supporter of environmental biology, NSF's contributions have been extremely valuable to the U.S. research enterprise. We hope that the committee will do its best to ensure that the agency continues on this path. Thank you for consideration of our testimony and for your concern for the National Science Foundation.

PREPARED STATEMENT OF THE ASSOCIATION OF AMERICAN UNIVERSITIES

I appreciate the opportunity to submit testimony on behalf of the Association of American Universities (AAU). The AAU is an organization of 62 leading public and private research universities in the United States and Canada.

I would first like to thank the subcommittee for its strong support of the National Science Foundation (NSF) and the National Aeronautics and Space Administration (NASA). Universities play a substantial role in the research activities of these two agencies, and your efforts to increase funding for them is very much appreciated.

For the National Science Foundation, AAU supports an fiscal year 2005 budget of $6.415 billion, an $837 million increase over the fiscal year 2004 enacted level of $5.578 billion. This would represent a 15 percent increase over the level appropriated for NSF in fiscal year 2004, the same growth rate authorized by Congress and the President in the NSF Authorization Act of 2002 (Public Law 107–368). AAU realizes, however, that such growth in the current fiscal environment would be extremely difficult. We hope that the subcommittee will provide as large an increase as possible in recognition that the investment is both needed and of critical importance to the Nation. The President has requested $5.745 billion for NSF in fiscal year 2005, an increase of 3 percent, an increase which for reasons discussed below we view as being somewhat spurious.

For NASA's Exploration, Science, and Aeronautics (ESA) account, AAU supports $8.0 billion, $240 million above the fiscal year 2004 level. AAU supports the space exploration vision announced by President Bush on January 14, 2004, but feels strongly that NASA's science offices can and must play a central role in both the early and long-term stages of the initiative. Developed over a relatively short period of time with limited input from the community, the space exploration initiative substantially delayed a number of opportunities on which the science community and NASA had agreed. While NASA has the authority to reset priorities, the cuts were made with no review or consultation with the community most affected. We urge that the subcommittee encourage NASA to engage with the National Academy of Sciences both to set the science goals of the exploration initiative and to examine the impact of deferred programs and to recommend ways by which the scientific returns from the new institutive can be maximized.

NATIONAL SCIENCE FOUNDATION

NSF is the heart of the Federal investment in basic scientific research. Since its founding in 1950, NSF has had an extraordinary impact on American scientific discovery and technological innovation. Despite its size, it is the only Federal agency with responsibility for research and education in all major scientific and engineering fields. Approximately 95 percent of the agency's total budget directly supports the actual conduct of research and education, while less than 5 percent is spent on administration and management.

I cannot overstate the importance to our Nation's future prosperity of investment in basic scientific research and in the people who conduct this research. From pioneering medical tools to robotics, from the invention of the Internet to fiber optics, from discovering how children learn to expanding our computing capacity, NSF has had an extraordinary impact on scientific discovery that has driven the Nation's economy and improved the quality of life.

AAU recognizes that the VA–HUD and Independent Agencies Subcommittees on both the House and Senate side have been extraordinarily supportive of the NSF. In fiscal year 2001, with the subcommittee's help, Congress provided the single largest funding increase, in both percentage and dollar terms, in the history of the NSF. Substantial increases were also provided in fiscal year 2002, fiscal year 2003 and fiscal year 2004. We thank the subcommittee, and in particular Chairman Bond and Ranking Member Mikulski, for their critical role in securing these increases. The university community is enormously grateful for this support.

AAU has real concerns about the President's proposed budget for NSF. Of the proposed $167 million funding increase requested, approximately $75 million is di-

rected to the salaries and expense account for internal operations and staffing, making the real increase for NSF programs $92 million, an increase of only 1.6 percent. In addition, Research and Related Activities (R&RA) would increase to $4.5 billion, a 4.7 percent increase over the fiscal year 2004 level of 4.3 billion. Eighty million dollars of this funding comes from a transfer of funds to support previous obligations made under the Math Science Partnerships program which was previously funded as a part of the Education and Human Resources (EHR) account. If this transfer of MSP funds is discounted, the RR&A funding increase is only 2.8 percent over the fiscal year 2004 level.

Restoration of the Math Science Partnerships

AAU is deeply concerned about the administration's proposal to transfer NSF's Math Science Partnership (MSP) program to the Department of Education. In its current form within the Education and Human Resources account, this program links top scientific researchers at colleges and universities to elementary and secondary schools in an effort to improve the quality of math-science education. As a competitive grant program administered by the NSF, money is only awarded to the highest quality proposals based upon technical merit and a comprehensive peer review process.

We are concerned that transferring the MSP program entirely to the Department of Education will fundamentally change the manner in which funds are distributed. The MSP program at the Department of Education is primarily a block grant program where funds are distributed to States on a formula basis. This would be a significant disincentive for the best researchers at our universities to continue to participate in this important program. Moreover, as currently constructed, NSF's MSP program focuses on the modeling, testing and identification of high-quality math-science activities whereas the Department of Education focuses on their dissemination.

Because the MSP program at NSF is a unique program of proven effectiveness, we strongly encourage Congress to restore the $80 million requested for the MSP program to the Education and Human Resources account and increase funding for the program to $140 million—an amount slightly above what Congress provided in fiscal year 2004.

Fulfilling the Intent of the NSF Reauthorization Act of 2002 (Public Law 107–368)

In a report to Congress required by the NSF Reauthorization Act of 2002 (Public Law 107–368), the National Science Board (NSB) notes, "There has never been a more critical or opportune time to invest in research and education." AAU concurs with this statement and urges Congress to fulfill the intent of Public Law 107–368 by increasing NSF funding in fiscal year 2005 at the rate suggested by this important legislation. Presently, 15 to 20 percent of highly-rated proposals to the NSF are not funded because of inadequate resources. In some NSF programs, this percentage is even higher.

The NSB report proposes several areas for additional investment including: improving the productivity of researchers and expanding opportunities for students; opening new frontiers in research and education; building a diverse competitive and globally engaged U.S. science and engineering workforce; increasing the number and diversity of institutions that participate in NSF-funded activities; and providing researchers with advanced tools, facilities, and cyberinfrastructure. AAU supports the proportional funding that the NSB designates for these activities and urges that NSF funding increases be distributed accordingly.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

NASA has a long history of productive collaboration with universities, supporting research that has given the United States the undisputed leadership role in the study of space and the earth's environment. University-based research, with important technological applications, has been supported through research grants, individual collaborations between faculty and NASA scientists, and formal partnerships between NASA centers and universities.

A New Vision for Solar System Exploration

A new vision for space exploration was announced by the administration in January. AAU supports NASA's new exploration goals and believes that the goals can and should be pursued in the context of fulfilling NASA's vision and mission statement. In doing so, science must play a key role and be nurtured, both in parallel to and as an integral part of exploration. The science programs should remain robust and exploration should be aided by the same kind of scientific guidance and community support that has consistently served our Nation over the years.

AAU supports a robust human exploration program, guided by science and scientific goals. NASA has not had a mandate for its manned programs for 30 years, even though it has needed a clear goal to define the mission and purpose of that program. Moreover, the new vision for exploration is consistent with a recent report by the National Academy of Sciences that calls for a clear goal for human spaceflight, the exploration of the Moon and Mars as possible goals for human spaceflight, and the expectation that exploration will be a long-term endeavor accomplished through a series of small steps.

Seek the Advice of the National Academy of Science

While the Moon-Mars initiative has many positive aspects, it will be years before it yields any payoff in manned missions; all of the preparation will be done robotically. Moreover, human exploration is more than simply putting astronauts in space. These individuals become not only the subjects of studies that advance our knowledge in human biology, but also the operators of scientific experiments in a number of disciplines, not the least of which are the biological and physical sciences. Therefore, as the initiative proceeds, science must be a full partner. Scientific milestones—not just technological ones—should identified in the implementation plan.

In addition, the space exploration initiative will have a major impact on many planned scientific missions that have been carefully developed over a period of years by advisory committees at NASA and the national academies. Relying heavily on community input and group consensus, the committees have laid out 10-year plans for specific scientific disciplines in decadal surveys. The prior advice includes explicit sets of consensus priorities for meeting goals that support the NASA mission. These efforts include hard choices on priorities and are not simply wish lists.

Developed over a relatively short period of time with limited input from the community, the space exploration initiative substantially delays a number of opportunities on which the science community and NASA have agreed. For example, in the Beyond Einstein program, LISA is delayed to 2013, Constellation-X is delayed to 2016, and the Einstein Probes, including the Dark Energy Probe or Joint Dark Energy Mission, are deferred beyond the current budget 5-year horizon. The Sun-Earth-Connections strategic plan has also been affected, particularly the Solar-Terrestrial Probe line, the sub-orbital program, and the Guest Investigator and Supporting Research & Technology (SR&T) programs. Similar delays would also take place in the Earth Sciences.

Certainly the administration has the authority to redirect NASA's priorities. However, funding reductions and delays in existing programs have been proposed with little consultation with the communities most affected. Therefore it is unlikely that the proposed program would realize an optimal science strategy. NASA should engage with the National Academy of Sciences to set the science goals of the exploration initiative, examine the impact of deferred programs, and recommend ways in which the scientific returns from the new initiative can be maximized. This review should include science performed under all three NASA science offices. The NAS already has underway a review of the final Hubble servicing mission at the subcommittee's request, but we suggest the National Academy be asked to review all the science programs as they relate to the space exploration initiative.

Restore the Explorer Cut

Although many of the cuts to existing NASA programs are in the outyears, some impacts will be felt immediately. The President proposes a reduced budget for the Explorer program resulting in a reduced flight rate for future Explorer missions. AAU urges that NASA proceed with the number of missions originally planned and that future Explorer Announcements of Opportunity (AO) not be slowed from the previously planned pace. We ask that $240 million be added for this purpose.

The Explorer program has been extraordinarily successful, in part, because consistent funding and regular flights have provided frequent opportunities for scientific investigations from space. This in turn has driven NASA technology development with great efficiency. Heavily utilized by universities, the Explorer program is small in terms of size and budget. Total definition, development, launch service, and mission operations and data analysis costs may not exceed $240 million. Since the first mission, more than 70 U.S. and cooperative international scientific space missions have been flown on Explorer satellites, making impressive discoveries about the solar system and the universe beyond. Science magazine recently selected the results from the WMAP Explorer mission as the scientific breakthrough of the year in all areas of science.

A similar program exists in the Earth Science Enterprise. While the Earth Pathfinders do not have as long a heritage as the Explorer program, they too have made remarkable advances. The TRMM mission has provided unprecedented information

on rainfall over the tropics, which is leading to significant new scientific discoveries and improvements in weather prediction. The Explorer program and its Earth Science counterpart show how NASA has applied the concept of "faster-cheaper-better" most successfully. NASA should seek to maintain and enhance these valuable programs.

I appreciate the opportunity to submit testimony on behalf of the AAU, and I hope the subcommittee will continue to provide strong funding for NSF and NASA science programs. It is in the best interest of the Nation and its scientific and technological strength.

PREPARED STATEMENT OF THE WILDLIFE SOCIETY

The Wildlife Society appreciates the support that both the Congress and the administration have demonstrated for the National Science Foundation (NSF) through the enactment of the National Science Foundation Authorization Act of 2002. The Act authorizes a 5-year period of 15 percent annual budget increases and places the NSF on the "doubling track" in order to protect ongoing and future U.S. scientific and technological advancements in science.

The Wildlife Society urges Congress and the administration to act upon their commitment to the NSF by increasing the fiscal year 2005 funding level for this agency by 15 percent over the fiscal year 2004 enacted budget, for a total of $6.415 billion.

The Wildlife Society encourages you to consider our funding recommendation for the National Science Foundation's fiscal year 2005 budget. Despite tough budget times, this kind of investment is critical. NSF is one of the Nation's greatest tools for the promotion and advancement of scientific research and education. Although NSF accounts for only 4 percent of Federal Research and Development spending, it supports nearly 50 percent of the non-medical Biological Sciences research at our colleges and universities.

BIOLOGICAL SERVICES

Within the Research and Related Activities (R&RA) account, the Biological Sciences Directorate is of particular interest to the wildlife conservation and management community. The Biological Sciences Activity (BIO) supports research, infrastructure, and education at U.S. academic institutions.

BIO provides 65 percent of the support for basic research in non-medical aspects of the biological sciences at academic institutions. Because the majority of Federal support for the life sciences—over 85 percent—goes to health-related research funded by the National Institute of Health, NSF's contribution to the broad array of the biological sciences is highly significant and strategically focused—particularly in such areas as environmental biology and plant sciences. In nationally important issues related to wildlife and wildlife habitat, BIO-supported research enhances the understanding of how living organisms function and interact with non-living systems.

Current research includes a project funded by the Division of Environmental Biology that is investigating the elk-wolf interactions in Yellowstone National Park. Results of the project will enhance fundamental knowledge of large mammalian systems and facilitate design of sound endangered species programs. BIO-supported researchers have modeled the population density and foraging behavior of Brazilian free-tailed bats and determined that bats from two Texas caves provide pest control service for crops including corn and cotton. The estimated value of the protection afforded the cotton crop by bats from the two caves amounts to as much as $258.0 million annually; thus conserving bat diversity and habitat is both biologically and economically beneficial.

The President's budget proposal restricts the BIO program to an increase of approximately 2 percent. We recommend you provide the Biological Sciences account with an increase equal to the overall R&RA increase, which is 4.7 percent over the fiscal year 2004 enacted level. This would equal an increase of $27.58 million for Biological Sciences, for a total budget of $614.47 million in fiscal year 2005.

TOOLS

Tools, the NSF strategic goal to revitalize and upgrade aging infrastructure, enables progress in research and education by providing the cutting edge tools necessary for working with today's complex and highly variable research tasks. The Wildlife Society supports the President's requested $58.3 million increase for the Tools account, Major Research Equipment and Construction Facilities (MREFC). In-

creased funding for MREFC will support ongoing projects and provide funding necessary to launch proposed projects.

We urge you to support the President's request of $12 million in fiscal year 2005 for the proposed National Ecological Observatory Network (NEON) project under the MREFC account. NEON will be a continental-scale research instrument consisting of geographically distributed observatories, networked via state-of-the-art communications allowing scientists and engineers to conduct research spanning all levels of biological organization. NEON will provide researchers with important tools necessary to address ecological questions regarding habitat and wildlife conservation in the U.S. Examples of research questions that could be addressed by NEON include: the spread of infectious agents like West Nile Hanta virus, and the affect of western wildfires on water quality.

ABOUT THE WILDLIFE SOCIETY

The Wildlife Society is the association of nearly 9,000 professional wildlife biologists and managers dedicated to excellence in wildlife stewardship through science and education. Our mission is to enhance the ability of wildlife professionals to conserve diversity, sustain productivity, and ensure responsible use of wildlife resources for the benefit of society. The Wildlife Society supports all aspects of Federal programs that benefit wildlife and wildlife habitat through research and education.

Please include this testimony in the official record. Thank you for the opportunity to share our views with the committee.

PREPARED STATEMENT OF THE GREAT LAKES INDIAN FISH AND WILDLIFE COMMISSION

EPA—Environmental Programs and Management Account.—$300,000 (same as fiscal year 2004 enacted) as a stable funding base so that GLIFWC can: (1) Bring a tribal perspective to the mix of Great Lakes managers; and (2) Use its scientific expertise to study issues that directly bear upon the health of tribal members and the ecosystems that sustain treaty harvests of fish, wildlife and wild rice. Specifically:

Lake Superior Binational Program and Lake Superior LaMP.—$80,000 for continued participation in the Binational Program, in implementing the Lake Superior LaMP, and in IJC, SOLEC, and other Great Lakes forums.

Habitat and Human Health Research Projects.—$220,000 for research projects in three areas of GLIFWC's particular expertise and experience:

—*Lake Superior Habitat and Human Health Research*.—$90,000 for ongoing research projects on contaminant levels in Lake Superior fish and on potentially contaminated whitefish and lake trout spawning reefs in Lake Superior.

—*Mercury/Heavy Metals in Biota Research*.—$90,000 for a 3-year project to assess the risks posed to fish and wild rice by habitat disturbances within watersheds.

—*Sulfide Mining Evaluation and Monitoring*.—$40,000 to assess the impacts of contaminants leaking from the closed Flambeau Mine in Wisconsin, to develop a groundwater flow scoping model for the proposed Yellow Dog mine in the Michigan Upper Peninsula, and generally to continue to gather data regarding other identified potential mining sites in northern Wisconsin and the Upper Peninsula of Michigan.

Federal Responsibilities and Funding Authority.—Over the past 10 years, Congress and EPA have funded GLIFWC's treaty rights environmental protection program to meet specific Federal responsibilities including: (1) Treaty obligations under the U.S./Chippewa treaties of 1836, 1837, 1842, and 1854; (2) Federal trust responsibility toward Indian Tribes; (3) Court decisions affirming the treaty rights, including a 1999 U.S. Supreme Court decision; and (4) Federal statutes requiring integration of Tribes into Federal environmental programs, such as the Clean Water Act (33 U.S.C. § 1268) [EPA and GLNPO to integrate tribal agencies in the development and implementation of action plans to carry out the United States' responsibilities under the Great Lakes Water Quality Agreement].

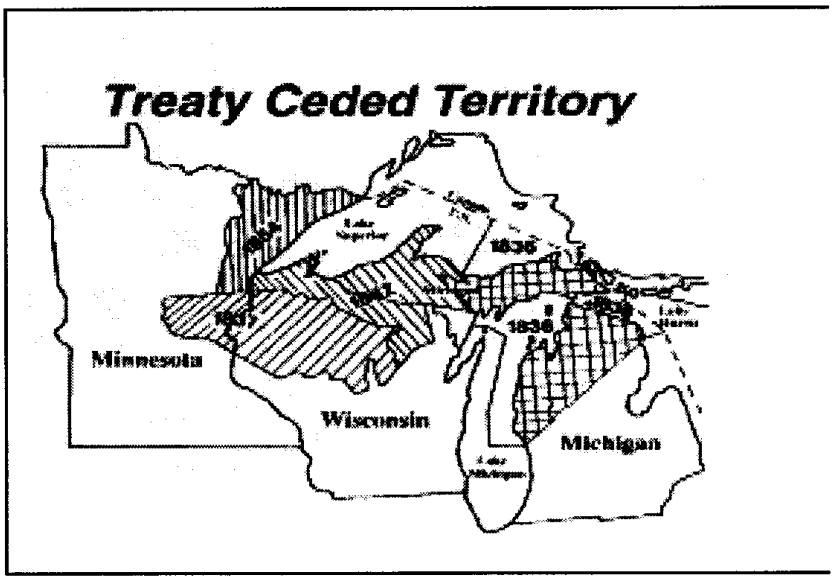
Ceded Territory Treaty Rights and GLIFWC's Role.—Tribal members rely upon fish, wildlife, and plants for religious, cultural, medicinal, subsistence, and economic purposes. Their treaty rights mean little if contamination of these resources threatens the health, safety, and economy of tribal members, or if the habitats supporting these resources are degraded.

GLIFWC was established in 1984 as a "tribal organization" within the meaning of the Indian Self-Determination Act (Public Law 93–638). It exercises authority delegated by its member tribes to implement Federal court orders and various inter-

jurisdictional agreements related to their treaty rights. GLIFWC assists its member tribes in:

—securing and implementing treaty guaranteed rights to hunt, fish, and gather in Chippewa treaty ceded territories; and

—cooperatively managing and protecting ceded territory natural resources and their habitats.



The requested EPA funds would assist GLIFWC in achieving its broader conservation/habitat protection mission by maintaining partnerships with other resource managers and scientific/conservation organizations and by funding specific environmental research projects.

For nearly 20 years, Congress and administrations have funded GLIFWC through the BIA, EPA and other agencies to meet specific Federal obligations under: (a) a number of U.S./Chippewa treaties; (b) the Federal trust responsibility; (c) the Indian Self-Determination Act, the Clean Water Act, and other legislation; and (d) various court decisions, including a 1999 U.S. Supreme Court case, affirming the treaty rights of GLIFWC's member tribes.

GLIFWC serves as a cost efficient agency to conserve natural resources, to effectively regulate harvests of natural resources shared among treaty signatory tribes, to develop cooperative partnerships with other government agencies, educational institutions, and non-governmental organizations, and to work with its member tribes to protect and conserve ceded territory natural resources.

As directed by its member tribes, GLIFWC operates a comprehensive ceded territory natural resources conservation and protection program through its staff of biologists, scientists, technicians, conservation enforcement officers, and public information specialists.

GLIFWC's program includes: natural resource population assessments; biological and scientific research; development of natural resource management plans and tribal harvest regulations; invasive species eradication and control projects; harvest monitoring and reporting; enforcement of tribal conservation codes into tribal courts; funding for tribal courts and tribal registration/permit stations; negotiation and implementation of agreements with State, Federal and local agencies; and development and dissemination of public information materials.

GLIFWC Programs Currently Funded by EPA.—GLIFWC currently administers EPA funding for a variety of ceded territory environmental protection programs and studies.

—*Participation in the Lake Superior Binational Program.*—Since fiscal year 1996, EPA has provided CEM funds of about $80,000 per year for a 1 FTE position to facilitate GLIFWC's participation in the Binational Program to Restore and Protect Lake Superior, including preparation and implementation of the Lake

Superior LaMP and participation in various International Joint Commission (IJC) and State of the Lake Ecosystem Conference (SOLEC) forums.

—*Study of Proposed Sulfide Mining in Wisconsin*.—Since fiscal year 2001, EPA funding of over $210,000 has allowed GLIFWC to conduct a number of technical studies and assessments (such as hydrological modeling, contaminant transport analysis, and baseline biomonitoring studies) of a proposed mine in Wisconsin, to participate as a "cooperating agency" in the preparation of the Federal EIS, and to maintain hydrological and contaminant transport expertise.

—*Ceded Territory Fish Consumption Mercury Advisory Program*.—In fiscal year 2004, Congress appropriated $141,000 to continue GLIFWC's long-standing program to collect and test fish for mercury content and to communicate testing results to tribal communities and the public through health care providers and Geographic Information System (GIS) maps.

—*Research and Special Projects*.—Since fiscal year 1997, EPA has provided a combination of CEM, GLNPO, and Environmental Justice funds for GLIFWC to conduct scientific research, including the testing of several Lake Superior fish species for dioxin and persistent organic pollutants, resulting in data relevant to the Binational Program/Lake Superior LaMP and to human health. In fiscal year 2004, Congress appropriated about $90,000 for GLIFWC to study the potential impacts of mine waste (stamp sands) on a lake trout and whitefish spawning reef near Michigan's Keweenaw Peninsula in Lake Superior.

Fiscal Year 2005 Funding Needs/Rationale.—GLIFWC would use fiscal year 2005 funds for:

—*Participation in the Lake Superior Binational Program*.—$80,000 for continued funding of GLIFWC staff (1 FTE equivalent, and related travel and other expenses) who will participate in the Binational Program, in the on-going implementation of the Lake Superior LaMP, in IJC and SOLEC forums, and in the implementation of the Great Lakes Strategy for 2002—A Plan for the New Millennium.

Rationale.—The purpose of this funding is to help provide basic infrastructure for tribal participation consistent with Federal treaty obligations and the trust responsibility.

GLIFWC has been actively involved in the Binational Program since 1993. GLIFWC currently serves on the Binational Program's Task Force and Workgroup, and on the Workgroup's chemical, terrestrial and habitat committees. Its staff Co-Chairs the Workgroup's habitat committee and terrestrial committee. GLIFWC is participating in the on-going review and implementation of the Lake Superior LaMP. It also helps to liaison with other relevant Great Lakes institutions, such as the Great Lakes Fishery Commission, on issues of mutual concern between environmental and natural resource managers.

As for IJC forums, GLIFWC staff regularly attend the biennial IJC meetings and provide periodic comments when issues arise in the interim, such as on the matter of Great Lakes water diversions. Within the last 3 years, GLIFWC staff: (i) addressed the 2000 plenary session at SOLEC on the topic of wild rice and organized a breakout session on wild rice; (ii) participated in SOLEC sessions on human health issues related to environmental contaminants, Great Lakes bio-monitoring indexes, and Traditional Ecological Knowledge (TEK) techniques; (iii) participated in the U.S. EPA/American Fisheries Society Fish Contaminant Forum; (iv) presented a platform entitled "PCB Aroclors, Methylmercury and Selenium in Lake Superior Fish" at Midwest SETAC's 11th Annual Meeting; (v) participated in the FDA and EPA Development of a Joint Advisory for Methylmercury-containing Fish Consumption for Women of Childbearing Age and Children; and (vi) participated in the Great Lakes Radio Consortium "Native Americans Weigh Contaminated Fish Risks" program.

—*Habitat and Human Health-Related Research/Special Projects*.—$220,000 for Lake Superior habitat and human health research projects.

Rationale.—GLIFWC has undertaken a number of studies over the years related to the Lake Superior ecosystem. For example, with GLNPO and CEM funds, GLIFWC is preparing a report on the threat of wetland and terrestrial exotic plants to Lake Superior, has studied sturgeon in the Lake Superior basin, and has prepared GIS maps of fish spawning and nursery locations for both native and exotic species. In addition, as part of its ongoing natural resource contaminant/human health research, GLIFWC used Environmental Justice grants to update its fish consumption advisory database and to undertake wild rice contaminant research for heavy metals.

For fiscal year 2005, research would be in three areas:

—*Lake Superior Research Projects ($90,000)*.—Two projects for the upcoming year:

—*Keweenaw Peninsula Mining Waste Assessment*.—Assess impacts from mining waste (stamp sands) dumped into Lake Superior near Upper Michigan's Keweenaw Peninsula during the late 1800's, map important whitefish and lake trout spawning reefs, and determine the distribution of stamp sands in relation to the spawning reefs. This study specifically addresses objectives of the Binational Program's Aquatic Communities Committee 2004–2006 work plan to identify and quantify critical habitat for key fish species and to develop linkages between habitat supply and fish community production.

—*Lake Superior Herring Contaminant Assessment*.—Assess mercury, PCB and organochlorine pesticide levels in lake herring harvested by tribes in west-central Lake Superior, and evaluate the new data in relation to current fish consumption advisories. The Lake Superior LaMP 2000 identifies the need to improve the effectiveness of fish consumption advisories and to test contaminants in commercially-sold Lake Superior fish. There is a dearth of data on lake herring, yet it accounted for a total harvest of almost 1.4 million pounds lakewide in 2000 and was the second most harvested fish in the U.S. waters of Lake Superior.

—*Mercury/Heavy Metals in Biota Research ($90,000)*.—Assess whether habitat disturbance within a watershed increases the risk that contaminants pose to walleye and wild rice. Previous GLIFWC research suggests that fluctuating water levels in riparian wetland habitat appeared to mobilize methylmercury in a number of FERC-regulated reservoirs in northern Wisconsin. The fiscal year 2005 funding would allow GLIFWC to expand upon previous studies of watershed characteristics and heavy metals in biota. This project would involve 2 years of baseline data collection and one year of analysis and statistical modeling.

—*Sulfide Mining Evaluation and Monitoring ($40,000)*.—Using the expertise and experience it gained in assessing the proposed Crandon Mine in northern Wisconsin, GLIFWC would:

—*Flambeau Mine in Northern Wisconsin*.—Assess the impact of contaminants leaking into the adjacent Flambeau River from the re-filled Flambeau Mine pit near Ladysmith, Wisconsin, by testing mussels for 1 year and crayfish for 3 years in the river above and below the location of the refilled pit. Analysis of mussel shells and soft tissue should provide both a measure of recent metals exposure and of metals exposure over the life of the individuals.

—*Yellow Dog Mine in the Upper Peninsula of Michigan*.—Develop a groundwater flow scoping model to assess the potential impact of a proposed sulfide copper mine on two Lake Superior Tributaries—the Salmon-Trout River and Yellow Dog River. GLIFWC would explore the impacts of both open pit and deep mining activities by identifying which feeder streams should be monitored and the geological information needed to refine future models to ensure protection of aquatic habitats, including water quality and quantity.

—*Sulfide Mining Evaluation and Monitoring*.—Continue to gather data regarding other identified potential mining sites in northern Wisconsin and the Upper Peninsula of Michigan. In 1997 and 1998, GLIFWC evaluated the likelihood that sulfide deposits located in the ceded territories would be developed for mineral extraction. Since then, there has been new exploration in the western Upper Peninsula of Michigan and continued exploration in north-central Wisconsin. GLIFWC would collect available records of mineral leasing, as well as drilling and land purchases by mining/exploration companies, to continue monitoring the potential for mining in the 1842 and 1837 Ceded Territories. With this information GLIFWC would identify watersheds and tribal communities most likely to be impacted by mine development.

PREPARED STATEMENT OF THE AMERICAN SOCIETY FOR ENGINEERING EDUCATION

On behalf of the American Society for Engineering Education Engineering Deans Council (EDC), I would like to express appreciation for the opportunity to present testimony for the record on fiscal year 2005 appropriations for the National Science Foundation. I request that my testimony be made part of the record of the hearings on the fiscal year 2005 NSF budget. I want to begin by thanking the Chairman Christopher Bond and Ranking Minority Member Barbara Mikulski and all the other members of this subcommittee for their strong and continuing support for a strong budget for the National Science Foundation and for supporting the doubling of the NSF budget over 5 years. The NSF plays a vital role in supporting and advancing basic research in science and engineering and in developing the human cap-

ital needed to advance science and technology. Funding levels for the agency greatly impact engineering educators, as well as the Nation as a whole.

The Engineering Deans Council thanks the Congress and the administration for recognizing the importance of the National Science Foundation by enacting the NSF Authorization Act of 2002, which provides for doubling the budget of the National Science Foundation over a 5-year period. This Act represents a major milestone for the NSF and for the scientific community, because it authorizes raising the budget of the NSF from its fiscal year 2002 level of approximately $4.8 billion to the level of $9.8 billion in fiscal year 2007.

For fiscal year 2005 the EDC advocates raising the NSF budget by 15 percent above the fiscal year 2004 enacted level of $5.6 billion, to $6.1 billion. Even in tough budget years, this kind of investment is critical to developing the human and technical infrastructure that will continue to be the basis of economic growth and security for the country.

The EDC strongly opposes the administration's proposal to phase out the NSF Math and Science Partnership (MSP) Program in favor of a similar program in the Department of Education, and instead urges Congress to fully fund the NSF MSP. The Engineering Deans Council also strongly supports the 5-year Workforce for the 21st Century Initiative under which all the NSF directorates will be partnering in an integrated research and education effort to address science and engineering workforce needs. The EDC supports the $20 million requested by the administration for this program.

The NSF occupies a unique position, with the ability to influence the economic strength of the Nation through research and innovation. Basic research funded through the NSF opens the doors for further discoveries that can advance medical care, improve communication equipment, and contribute to creating better civilian and military security systems. In the current climate of global economic competition and a heightened need to protect our citizens and infrastructure, strong support of the NSF serves a vital national interest.

Science and technology have become a core component of economic strength and competitiveness. The NSF brings special expertise to the task of identifying and promoting the basic science and engineering research that underlies the United States' world economic leadership. Research sponsored by the NSF is vital to the Nation's investment across the scientific disciplines, and yields short term benefits and future advances for our national and homeland security, economic prosperity, quality of life, and educational growth. A growing chorus touts the importance of this kind of Federal engagement with science and technology, including Federal Reserve Chairman Alan Greenspan, the Council on Competitiveness, and Business Week, among many others. As Chairman Greenspan said before the House Education Committee in March 2004, "Technological advance is continually altering the shape, nature, and complexity of our economic processes. To effectively manage this ever-increasing complexity, our labor force has had to become more and more technically oriented." To become more technically oriented as a society, research is crucial.

NSF is the sole Federal agency charged with the important task of funding a broad range of research, spanning a wide variety of disciplines including basic science, engineering, mathematics, and computing. It provides necessary financial and intellectual support for scientists working on groundbreaking research, much of which will lead to innovations that could impact any number of emerging technologies. While NSF accounts for less than 4 percent of total Federal research and development spending, the agency supports almost half of the non-medical basic research at American colleges and universities. In the field of engineering, NSF provides nearly one-third of all Federal support for basic research and has contributed to important developments such as computer-aided design, fiber optics, biotechnology, advanced composite materials, and magnetic resonance imaging (MRI). Renewing support for research and equipment will allow the Nation to take advantage of the opportunities presented by these new technologies, creating further economic opportunities and improving overall quality of life.

NSF-sponsored research has led to many of the current developments in the area of homeland security. Recent NSF projects ranging from improving bomb detection to preventing an attack on our water supply help bolster our Nation's ability to prevent and respond to terrorist attacks. "The scientific and engineering community is aware that it can make a critical contribution to protecting the nation from catastrophic terrorism," Lewis M. Branscomb, emeritus professor, John F. Kennedy School of Government, said in a 2002 National Academies of Science report.

The benefits of a strong science investment are evident as the men and women of our armed forces respond to unprecedented threats to U.S. national security. Because of its superiority, much of it brought about by investments in S&T, this Nation's military is successfully waging war against terrorism. In this new environ-

ment, characterized by unforeseen and unpredictable threats, maintaining and enhancing technological superiority will become even more imperative.

Across all fields, NSF support for research produces first-rate results on modest levels of investment. NSF-supported work is exceptionally well managed, and regularly attracts additional funding from outside sources. The agency has a diverse, responsive, results-oriented staff, efficient business processes that take advantage of staff knowledge and technology resources, and state-of-the-art business tools and technology. NSF has exceptional business practices, as seen by winning two "greens" on the President's Management Agenda scorecard and receiving the President's 2003 Award for Management Excellence. Former OMB Director Mitchell Daniels said that the NSF deserves to be strengthened, noting, "NSF is one of the true centers of excellence in the government where 95 percent of the funds that taxpayers provide goes out on a competitive basis directly to researchers pursuing the frontiers of science at a very low overhead cost." NSF's management successes include doubling its budget between 1990 and 2000 while simultaneously decreasing the number of employees at the agency.

Much of NSF's work looks beyond technological innovation by engaging new generations of students to aid in discoveries while gaining valuable skills that help prepare them for the cutting-edge research of the future. Many NSF grants require undergraduate students to be involved in performing federally funded research. K–12 teachers are invited to join in summer research programs at MIT's Radio Haystack Observatory, and then are able to develop lesson plans that integrate modern scientific concepts and real life research processes. The NSF's Math and Science Partnership Program extends improved science education into classrooms by uniting local school districts with the faculties of nearby colleges and universities. NSF also helped to sponsor "Deans Summit II: Fostering Campus Collaborations," last year. The meeting catalyzed the formation of many partnerships between engineering and education deans to improve K–12 science and mathematics education. Top science teachers, such as those who have won Presidential Awards, have singled out the NSF's Math and Science Partnership Program for their success. "I am not an extraordinary teacher, but I have been given extraordinary focus and opportunities by NSF," said 2003 Presidential Awardee Jonathan Roland, a physics teacher at Perry Hall High School in Baltimore, Maryland, at a recent House Science Committee hearing.

Engaging students in science from their pre-kindergarten education through college will help endow growing generations of Americans with the skills and interests necessary both to maintain U.S. leadership in economic, health, and military fields, as well as to function as citizens in an increasingly technology-driven society. A vibrant engineering education enterprise benefits civic, economic, and intellectual activity in the country. Engineering graduates learn to integrate scientific and engineering principles to develop products and processes that contribute to economic growth, advances in medical care, enhanced national security systems, ecologically sound resource management, and many other beneficial areas. As a result, students who graduate with engineering degrees bring highly prized skills into a wide spectrum of sectors in the American workforce. Some conduct research that results in socially or economically valuable technological applications. Others produce and manage the technological innovations said to account for one-third to one-half of growth in the American economy. Still more bring advanced analytical abilities and knowledge of high technology to fields as diverse as health care, financial services, law, and government. Within all of these groups, the diversity of engineering graduates' backgrounds and viewpoints contributes to their ability to achieve the advances in innovation, productivity, and effectiveness that make them valuable contributors to the American workplace.

Engineering graduates in particular bring highly prized skills into all sectors of the American workforce. The most advanced carry on the research that pays off in many surprising ways. Other engineering graduates produce and manage many of the technological innovations said to account for one-third to one-half of the recent growth in the American economy. Still others bring advanced analytical abilities and knowledge of high technology to fields as diverse as health care, financial services, law, and government. In the Addendum immediately following my testimony, I have attached additional documentation of the many ways NSF support is promoting engineering education and research at U.S. colleges and universities. This wealth of human capital owes much of its capacity to strategic NSF support for engineering education.

A succession of predictable, sizable increases to the NSF budget will permit even greater development of human resources. In addition to the Math and Science Partnership initiative, NSF programs have become important vehicles for broadening the participation of under-represented groups such as minorities and women in the

fields of science, math, and engineering. Through programs like the Experimental Program to Stimulate Competitive Research (EPSCoR), NSF works to strengthen the research and development infrastructure of many rural and low-population States. Consistent growth in the NSF budget will permit the allocation and coordination of the activities needed to promote the broadest possible development of science, mathematics, and technology skills among all Americans.

A 15 percent increase for the NSF budget will enhance the value of the agency's other cross-cutting initiatives. New funding for multidisciplinary mathematics research will enhance the transfer of results and applications from mathematics and statistics research to science and engineering disciplines, expanding the cadre of researchers trained in both mathematics and science. Dynamic interdisciplinary work across engineering and science disciplines promises startling advances in, for example, medicine, manufacturing, and communications. The assurance of steady resources over extended periods of time for high-risk, high-reward endeavors—such as research in nanotechnology, biocomplexity, and high-speed computing—would greatly enhance their prospects for success. As Harold Varmus, former Director of the National Institutes of Health and currently President of the Memorial Sloan-Kettering Cancer Center, has said, "it is crucial that leaders of science agencies be able to anticipate several years of steady growth during periods of expansion. These agencies make multi-year awards and are responsible for training and research infrastructure, as well as the operational costs of doing research." In an increasingly interdependent research system, the NSF is uniquely situated to initiate and promote productive exchanges across the full range of scientific and engineering disciplines.

Thank you for the opportunity to present this testimony to the subcommittee. The Engineering Deans Council would be pleased to respond to any questions from you and your staff.

The Engineering Deans Council of the American Society for Engineering Education (ASEE) is the leadership organization of more than 300 deans of engineering in the United States. Founded in 1893, ASEE in a non-profit association dedicated to the improvement of engineering and engineering technology education.

ADDENDUM.—EXAMPLES OF NSF-FUNDED PROGRAMS AT ENGINEERING SCHOOLS

Voice-Actuated Computers in Police Cars.—Electrical engineering professors are helping to create voice-actuated computers for patrol cars, to allow officers to quickly access computerized databases, such as motor vehicle license records and criminal records, while freeing up their hands. The goal of the University of New Hampshire project, which is funded in part by the NSF and the U.S. Department of Justice, is to improve the protection of officers and augment homeland security efforts by allowing safer and quicker access to important security databases.

Improved Bomb Detection.—A Pennsylvania State University researcher, through a NSF grant, has developed a bomb detection portal capable of "sniffing" the air around a person and operates much like a conventional airport metal detector. The machine can detect trace amounts of explosives from anyone who has handled any explosive substance. The machine has been patented and is set to be used in airports.

Preventing Attacks on U.S. Water Supplies.—Some parts of the Nation's water supply infrastructure are inherently vulnerable to terrorist attack. For example, working from the privacy of a secluded basement, a determined terrorist could surreptitiously inject pathogens or poisons into a municipal drinking water distribution system. To help water utilities anticipate and control this potential threat, researchers in Civil and Environmental Engineering at the University of Cincinnati are developing a new computer model to simulate contaminant movement through a water distribution system. The research, funded in part by the NSF, will help both large and small utilities across the Nation recognize and minimize the vulnerability of drinking water distribution systems to surreptitious terrorist attacks.

Quickly Identifying Deadly Viruses.—A portable pathogen detector is currently being developed by scientists at the Center for Biophotonics at the University of California-Davis, through an NSF grant, to identify potentially deadly viruses and other biological agents in an unknown sample within 15 minutes. Originally developed at Lawrence Livermore National Laboratory with industry partners, the unit aims to help paramedics, emergency room specialists, police, and other first-responders who may unknowingly be exposed to bioterrorism or other infectious agents.

Underwater Monitoring.—A professor of electrical engineering and materials science and engineering at Pennsylvania State University has developed a network sensor technology that can operate in liquid, thanks to a grant from the NSF. The

new system allows for underwater monitoring that could prove useful for environmentalists, manufacturers, and homeland security personnel. Using a node-to-node multi-hop information transfer system, the research team was able to overcome the problem of water's interference with the radio transfer of information.

Creating Artificial Vision.—A researcher at the University at Buffalo has created a silicon chip that mimics the structure and functionality of an octopus retina. The "o-retina" chip can process images just like an octopus eye does, allowing rescue or research robots to see more clearly than human eyes can in dark or murky conditions. The research, funded in part by the NSF, will help researchers build a complete artificial system, including a brain that mimics the visual systems of various animals, allowing humans to look at the world from different perspectives.

Increasing Electrical Efficiencies.—In contrast to a large central generator that can supply a small city, researchers in Carnegie Mellon University's Electricity Industry Center have shown that there are many advantages to small generators to supply a neighborhood or even a large building. This distributed generation offers greater efficiency since it uses the "waste heat" from generation to heat water, buildings, and even cool buildings. Perhaps of greater importance, it offers lower electricity costs and greater reliability in the face of natural hazards and terror attacks. The work is funded in part by the NSF and the U.S. Office of Naval Research.

Finding the Shortest Route Among a Set of Points.—The Traveling Salesman Problem, finding the shortest route among a set of points, is among the most studied in Computer Science. It is of high computational complexity, and has applications in logistics, manufacturing, transportation, and telecommunications, including airline routing, circuit board layout, and job shop scheduling. The Applied Computational Intelligence Lab at the University of Missouri-Rolla has developed an approximate solution algorithm that solves large instances much faster than competing approaches. It uses neural networks to divide the problem into subproblems that can then be solved and rejoined by more conventional algorithms. For the 10 million city case, the algorithm is four times faster than the nearest other known approach on a fast personal computer. The advantage rapidly grows even more significant with problem size. This work was funded by the National Science Foundation and Sandia National Laboratories.

Improving One's Memory.—The Nation, and indeed, the world are undergoing an unprecedented shift in demographics, with the proportion of older adults increasing dramatically. To help meet the needs of this aging population, researchers from the University of Michigan, through an NSF grant, have developed intelligent computer-based technology that can assist people with memory impairment, by monitoring their performance of daily activities and providing them with flexible, adaptive reminders when needed. This technology will enable people to maintain their autonomy and remain in their homes longer, thus simultaneously increasing quality-of-life and decreasing the costs associated with institutionalization.

Improving Technological Literacy.—As technology becomes integral to all aspects of society, the need for a technologically literate population becomes apparent. The Tufts (University) Engineering the Next Steps (TENS) GK–12 program, funded by the National Science Foundation, works from the Center for Engineering Educational Outreach to do just that. By pairing graduate and undergraduate Fellows from Tufts University's School of Engineering with teachers in K–12 classrooms, content knowledge and methodologies of engineering and computer science are integrated into existing science and mathematics curricula. TENS works to increase teachers' knowledge of, comfort with, and ability to teach engineering and algorithm design to ultimately increase students' engineering knowledge and skills.

Creating the World's Smallest Engine.—A group of Washington State University researchers has developed the world's smallest engine. Thinner than a piece of paper and fitting inside the hole of a Lifesaver, the engine is radically different in design, fabrication, and operation from any existing engine. The researchers hope to use their micro-engine as a viable power source for commonly used military devices, such as miniaturized radar or mobile robotic sensors, and to eliminate the need for problematic batteries, which weigh a lot for the power they produce and are difficult to recharge in the field. The work was funded in part by the NSF and the DOD.

Devices for People with Disabilities.—What do a shoulder-steered tricycle for a boy born without arms, a foot-operated guitar strummer for a boy paralyzed on his right side, and an automatic swing for a girl with cerebral palsy have in common? All were built by Duke University students, as part of the Biomedical Engineering class "Devices for People with Disabilities," funded in part by a grant from the NSF. In the past 7 years, small teams of students have designed, constructed, and delivered over 40 projects such as these to adults and children in the community. Students

gain real-world engineering experience, and clients benefit by receiving devices that meet their needs free of charge.

Environmental Cleanup of Mines.—Highly acidic drainage from an abandoned sulfide mine in Rowe, Massachusetts, is slowly cleaning itself over time, and an interdisciplinary research team from the University of Massachusetts at Amherst is studying why. The group brings together experts from the fields of microbiology, geology, engineering, and science education, to determine the extent and rate of bioremediation. Researchers say their findings may enable quicker natural cleanups not just at this mine, but at others throughout the country and the world. The interdisciplinary project is funded by the "Biocomplexity in the Environment" program of the National Science Foundation.

PREPARED STATEMENT OF THE AMERICAN MUSEUM OF NATURAL HISTORY

ABOUT THE AMERICAN MUSEUM OF NATURAL HISTORY

The American Museum of Natural History (AMNH) is one of the Nation's preeminent institutions for scientific research and public education. Since its founding in 1869, the Museum has pursued its mission to "discover, interpret, and disseminate—through scientific research and education—knowledge about human cultures, the natural world, and the universe." It is renowned for its exhibitions and collections of more than 32 million natural specimens and cultural artifacts. With nearly 4 million annual visitors—approximately half of them children—its audience is one of the largest, fastest growing, and most diverse of any museum in the country. Museum scientists conduct groundbreaking research in fields ranging from all branches of zoology, comparative genomics, and informatics to earth, space, and environmental sciences and biodiversity conservation. Their work forms the basis for all the Museum's activities that seek to explain complex issues and help people to understand the events and processes that created and continue to shape the Earth, life and civilization on this planet, and the universe beyond.

Today more than 200 Museum scientists, in five science divisions (Anthropology; Earth, Planetary, and Space Sciences; Invertebrate Zoology; Paleontology; and Vertebrate Zoology) as well as the Center for Biodiversity and Conservation conduct groundbreaking lab and field research. This research includes 100 expeditions each year and field station investigations at the Museum's Southwestern Research Station in Arizona. The Museum also conducts graduate training programs in conjunction with a host of distinguished universities, supports doctoral and postdoctoral scientists with highly competitive research fellowships, and offers talented undergraduates an opportunity to work with Museum scientists.

The Museum's Center for Biodiversity and Conservation, founded in 1993, is dedicated to enhancing the use of rigorous scientific data to mitigate critical threats to global biodiversity. The CBC draws on the strengths of the Museum's scientific, education, and exhibition departments to integrate this information into the conservation process and to disseminate it widely. It forges key partnerships to conduct conservation-related field projects around the world, train scientists, organize scientific symposia, present public programs, and produce publications geared toward scientists, policy makers, and the lay public. Each spring, the CBC hosts a symposium that focuses on conservation issues. In 2002, the symposium, "Sustaining Seascapes: the Science and Policy of Marine Resource Management," examined the large-scale conservation of marine and coastal ecosystems, giving special consideration to novel approaches to the sustainable management of biodiversity and fisheries. The focus of 2003's symposium was on conservation issues related to increased ecotourism in Southeast Asia, and 2004's symposium examines the role of invertebrates in environmental systems.

The Museum's vast collections are a major scientific resource, providing the foundation for the Museum's interrelated research, education, and exhibition missions. They often include endangered and extinct species as well as many of the only known "type specimens"—examples of species by which all other finds are compared. Collections such as these are historical libraries of expertly identified and documented examples of species and artifacts, providing an irreplaceable record of life on earth. They provide vital data for Museum scientists as well for more than 250 national and international visiting scientists each year.

The Museum interprets the work of its scientists, highlights its collections, addresses current scientific and cultural issues, and promotes public understanding of science through its renowned permanent and temporary exhibits as well as its comprehensive education programs. These programs attract more than 400,000 students and teachers and more than 5,000 teachers for professional development opportuni-

ties. The Museum also takes its resources beyond its walls through the National Center for Science Literacy, Education, and Technology, launched in 1997 in partnership with NASA.

An exciting chapter in the Museum's history occurred last spring when one of the flagship and most popular halls—the Hall of Ocean Life—reopened after an extensive renovation. Drawing on the Museum's world-renowned expertise in Ichthyology as well as other areas of vertebrate and invertebrate zoology, the Hall is pivotal in educating visitors about the oceans' key role in sustaining life on our planet. The renovated Hall of Ocean Life, together with the new Halls of Biodiversity, Planet Earth, and the Universe and the rebuilt Hayden Planetarium (part of the new Rose Center for Earth and Space), provides visitors with a seamless educational journey from the universe's beginnings, to the formation and processes of Earth, to the extraordinary diversity of life on our planet.

COMMON GOALS OF EPA AND THE AMERICAN MUSEUM

The Environmental Protection Agency (EPA) is dedicated to protecting and safeguarding human health and the environment. With a focus on environmental results—making the air cleaner, water purer, and better protecting our land through the application of sound science and the conduct of leading-edge research—the Agency seeks to ensure that environmental protection contributes to making our communities and ecosystems diverse, sustainable, and economically productive. Its fundamental purposes include ensuring that all parts of society have access to accurate information sufficient to effectively participate in managing human health and environmental risks.

The American Museum shares EPA's commitment to these environmental goals and to the scientific research, technologies, and public education that underlie them. Indeed, informed environmental stewardship and preservation of our planet's biodiversity and resources—in aquatic, wetland, and other natural environments and ecosystems—are integral to the Museum's most fundamental purposes. Museum scientists conduct research worldwide on conservation biology and habitat protection. Their investigations advance scientific understanding and public awareness of these vital issues.

New research tools—including Geographical Information Systems (GIS) and remote sensing, molecular technologies, new collection types, innovations in computation—are revolutionizing the way research can be conducted and data analyzed, as well as the way museum collections can be used and accessed by scientists, educators, policy makers, and the general public. The Museum has also long been at the forefront of developing new research tools and methods, and today the CBC and the science divisions are carrying out leading research programs using the Museum's unmatched resources and technologies. Museum research resources include the following:

Remote Sensing and Geographical Information Systems Technologies.—The CBC houses a Remote Sensing/Geographical Information Systems (RS/GIS) lab that has had noted success since it was launched in the fall of 1998. Wise conservation policy requires effective knowledge of the distribution of species and ecological communities at local, regional, and global scales. Without this information, it is difficult to decide where to allocate scarce conservation resources. Remote sensing technologies can provide essential data on such things as land-cover and land-use, as well as sea surface temperatures and chlorophyll content. GIS makes it possible for scientists to compare and visualize the relationships among satellite and legacy data, raw standardized samples, and data obtained through ground truthing. Because it provides the database backbone that can connect fieldwork to analysis, GIS is becoming an indispensable component in environmental data analysis and is thus revolutionizing work in conservation.

The CBC uses its RS/GIS technologies in biodiversity, ecosystem, and environmental research in ways aligned with EPA goals. Its uses of RS/GIS include identifying sites suitable for biological inventory; providing supplementary quantitative and qualitative data in and around study sites (e.g. extent of habitat fragmentation); and developing persuasive visual depictions and digital presentations for reports, publications, and conferences.

Molecular Research Program.—The Museum is also home to a distinguished molecular systematics program that is at the leading edge of comparative genomics and the analysis of DNA sequences for biological research. It includes two Molecular Systematics Laboratories, with sophisticated technologies for sequencing and advancing genomics research. In these laboratories, more than 40 researchers in molecular systematics, conservation genetics, and developmental biology conduct their research on a variety of study organisms. Their work is supported by the Museum's

new frozen tissue collection of biological tissues and isolated DNA stored in a super-cold storage facility. This collection is an invaluable resource for research in many fields, including conservation biology, genetics, and comparative genomics, because it preserves genetic material and gene products from rare and endangered organisms that may become extinct before science fully exploits their potential. These researchers also have onsite access to a 700-processor supercomputing cluster—the fastest parallel computing cluster in an evolutionary biology laboratory and one of the fastest installed in a non-defense environment.

Southwestern Research Station.—Since 1955, the Museum's Southwestern Research Station (SWRS) has served biologists, geologists, and anthropologists interested in studying the diverse environments and biotas of the Chiricahua Mountains in southeastern Arizona. Today, under the direction of the CBC, the Station welcomes scientists and advanced students from all parts of the country and from around the world to carry out their research projects in such varied fields as entomology, herpetology, botany, geology, and population, behavioral, and physiological ecology. Projects focus in particular on wetland and stream management and on riparian ecosystems.

Building on the scientific strengths and resources outlined above, the Museum now proposes to launch, in partnership with EPA, a multi-faceted research, training, and education initiative focused on the role of water in healthy communities, ecosystems, and the environment as a whole. AMNH scientists will integrate remote sensing, GIS, and computational tools in basic and applied research in aquatic ecosystems and wetlands assessment, watershed restoration, and habitat loss. These activities support EPA's efforts to further strengthen the role of science in decision-making by using sound scientific information and analysis to help direct policy and establish priorities.

The proposed initiative involves a variety of projects closely aligned with EPA's fundamental goals and whose results will be presented to stakeholders as well as the public through conferences, through development of technical guidance and information tools to support decision-making, and through education and outreach programs. Potential projects include:

—*Riparian Ecosystems Research*.—Riparian ecosystems research will focus on questions of restoration, management, and monitoring, drawing on resources of the Museum and facilities of the Southwestern Research Station, including work on ephemeral and permanent ponds and streams. The research station offers unique advantages: Located in an area of high biodiversity, ecosystems range from desert to high elevation montane forests and riparian habitats that cross five life zone boundaries.

—*Research and Education on Biodiversity in Urbanizing Landscapes*.—Research will target indicator taxa for particular projects, advancing knowledge of development's effects on biodiversity in sprawling environments. This is critical to EPA's ongoing work on smart growth, anti-sprawl initiatives, development of sustainable urban environments, and concern over the loss and destruction of habitat due to sprawl and exploitation of natural resources, invasive species, and non-point source pollution. Expansion of this project to make it applicable to a wider constituency would also match directly with EPA's smart growth educational offerings.

—*Regional Invertebrate Information Clearinghouse*.—With links to resources, references, and ongoing research about invertebrates in the New York metropolitan region, a Clearinghouse would serve as an important source of information for those developing projects related to EPA priority research areas such as: effects of climate change; restoration monitoring protocols (e.g., related to wetlands, riparian corridors or brownfields); pollution and pesticide impacts; and water quality monitoring.

—*Freshwater Ecosystems Symposium*.—Bringing together researchers, practitioners, and policy makers from a broad range of academic, government, and private sector entities, the symposium will provide an opportunity for diverse stakeholders to address current understanding of and approaches to managing and conserving freshwater systems. Sessions will address both ecological principles (hydrology, biogeochemistry, connectivity, etc.) and the resources in the manager's toolbox (such as reserves, flow management, riparian buffers, headwaters protection, restoration, integrated basin management, education and outreach on invasive species, and more). Proceedings will be disseminated widely and made available on the web.

The Museum requests $1 million for this research, training, and public education initiative on the role of water in sustaining healthy communities, ecosystems, and the environment in which we live. In partnership with EPA, and with the Museum supporting its participatory share with funds from non-Federal as well as Federal

sources, we will use cutting-edge technologies to advance basic and applied research, integrated with public education and outreach, to promote shared goals for safeguarding the natural environment.

PREPARED STATEMENT OF THE POINTS OF LIGHT FOUNDATION

The Points of Light Foundation and Volunteer Center National Network request an appropriation increase from $10 million to $35 million. $10 million would maintain the allocation to the Points of Light Foundation for its work at the national level. $25 million would be distributed to Volunteer Center members of the Points of Light Foundation for three purposes:

—to expand the number of people engaged in traditional voluntary service;
—to build the capacity for effective engagement of volunteers by training nonprofit agencies in volunteer management;
—to expand operations so Volunteer Center services, which are currently available to approximately 50 percent of the population, are available to closer to 100 percent of the population of the United States.

BACKGROUND

Our American ideal is one of democracy, of civic engagement, and of individual participation in collective goals. To be successful as a form of government and as a society, democracy demands that people take responsibility for their communities, that they play an active role, that they be informed, and that they weigh and consider options before deciding on a course of action. The traditions upon which our country was founded and built have influenced the development of our spirit of volunteerism. Whether Native Americans, early immigrants, pioneers or more recent immigrants, Americans have always placed value and emphasis on hard work and self-reliance, on taking responsibility for our own life and actions.[1]

Traditional community volunteering, in which individuals serve willingly and without expectation of financial remuneration, is perhaps the purest expression of both civic responsibility and civic engagement. The altruistic inclinations of individuals and groups are both strengthened and fulfilled through voluntary participation in activities that meet important needs in local communities. When people volunteer, they are indicating that they are part of the solution, not part of the problem. The benefits that inure to the traditional volunteer are significant and include a sense of fulfillment, of giving back to the community, and of inclusion in the broader world. People who volunteer feel connected to their society and, as such, have a deeper and broader sense of civic responsibility.

Volunteer Centers in local communities provide the pivotal link between this human ideal of connectedness and its expression in the real world. They strengthen communities by connecting people with important local needs, and they strengthen organizations by building their capacity to effectively engage traditional volunteers.

The work of Volunteer Centers is focused in four areas:

—connecting people with opportunities to serve by maintaining knowledge through database reservoirs of volunteer opportunities in local communities; Volunteer Centers presently aggregate approximately 1.5 million valid, vetted opportunities for traditional volunteer service at public and private agencies.
—building capacity for effective local volunteering by providing training for nonprofit agencies in volunteer program management. The Points of Light Foundation & Volunteer Center National Network have developed an outstanding six-session Volunteer Management Training Series that can be delivered by skilled Volunteer Center leaders to agencies.
—promoting volunteering through recognition and awards programs and by extensive outreach through traditional and electronic media to people in local communities where they live, work, go to school, and worship.
—participating in strategic initiatives that mobilize volunteers to meet important needs in local communities; utilizing their vast knowledge of communities and problems, the Volunteer Center National Network can serve as conveners, bringing relevant players to the table to address local issues. For example, Volunteer Centers are an integral part of Earned Income Tax Credit education and filing, and that they help communities prepare for, respond to and recover from disaster. They are also collaborators, working closely with stipended service programs to ensure integrated services to those engaged in both stipended and non-stipended service.

---

[1] Lautenschlager, Janet, Department of Canadian Heritage, 1992.

THE PROBLEM

The current budget includes nearly $1 billion to support domestic volunteer programs. However, there is virtually no support at the Federal level for the important work of engaging traditional volunteers in community service activities.

The request of the Points of Light Foundation & Volunteer Center National Network is that an additional $25 million be allocated to support the efforts of Volunteer Centers to reach the 99 percent of Americans who will likely never participate in stipended service, but who may, if connected to volunteer opportunities and managed effectively, participate in traditional volunteer activities.

THE SOLUTION—A RATIONALE FOR REQUESTED FUNDING

Several recent studies provide the rationale for this request.

Connecting people with opportunities to serve.—The Pew Partnership[2] found that not only are many citizens are unaware of whom to turn to for information about community needs, but that "the challenge for community problem solving efforts lies in knowing how to connect community issues with a public willing to work to solve them." Furthermore, "almost 40 percent of people who do not volunteer say that their lack of knowledge about which organizations needed their help or who to call contributed to their inaction."

Building capacity for effective volunteering.—The findings of a 1998 study by UPS[3] substantiate a crisis in volunteer management because volunteers expect the time they donate to be well managed, but too many are turned off by what they regard as inefficient use of their time by the agencies where people volunteer.

Another study,[4] prompted by questions raised following President Bush's call to service in his January 2002 State of the Union address, found that the call for thousands of new volunteers will not, by itself, create effective engagement of those volunteers. There must be a companion effort to ensure that volunteers are trained effectively, deployed in meaningful ways, supervised and recognized appropriately so that the volunteers can, in turn, deliver quality services to their communities. The study concludes that it will be necessary to increase the community capacity to accommodate the gifts of time and service provided by volunteers.

The Urban Institute[5] reports that the problems that charities face in training and supervising volunteers could be alleviated if their staff received training on how to work with volunteers.

CAPACITY TO CARRY OUT INTENDED WORK

At the present time, the more than 350 Volunteer Center members of the Points of Light Foundation focus on traditional volunteering across the country. They vary tremendously in size and structure, but all operate within four core areas of competency outlined above: they connect people with opportunities to serve, build capacity for effective volunteering, promote volunteering, and participate in strategic partnerships that mobilize volunteers to meet community needs.

Their budgets vary from $25,000 to $7 million per year, and the size of their service areas ranges from small rural communities to large metropolitan areas. All Volunteer Centers raise a significant amount of local and State funds and Federal resources will be used to build upon this foundation. Volunteer Centers provide essential infrastructure to support traditional volunteering. Every year Volunteer Centers:

—connect 2 million people with opportunities to volunteer in their communities;
—train more than 200,000 leaders from the public and private sector, including many corporate leaders, increasing their ability to mobilize more traditional volunteers;
—build capacity of more than 72,000 community and faith-based organizations to productively engage volunteers.

The first Volunteer Center was founded in Minneapolis in 1919. With the formation of the Points of Light Foundation in 1990, Volunteer Centers across the country began the process of forming an integrated network, beginning with adoption of a common vision and values statement:

Vision.—Volunteer Centers mobilize people and resources to deliver creative solutions to community problems.

Values.—We value:

---

[2] http://www.pew-partnership.org/programs/civicengagement.
[3] United Parcel Service, 1998.
[4] The Cost of a Volunteer, Grantmaker Forum on National and Community Service, 2003.
[5] The Urban Institute, 2004.

—PEOPLE and believe that through volunteer service people have the capacity to enrich their own lives and improve the quality of life in their communities;
—DIVERSITY and recognize that all people have time and talents to share, and that communities are strengthened when people connect across their differences through volunteer service;
—COLLABORATION and realize that we are at our best when we collaborate;
—EXCELLENCE and commit to implementing innovative and effective strategies, holding ourselves accountable for results, and sharing our knowledge and best practices with others.

Building on the vision and values, the Volunteer Center National Network developed and now requires that every Volunteer Center meet Standards of Excellence in order to be a member of the Points of Light Foundation & Volunteer Center National Network.

SUMMARY

Communities suffer when there is not a strong Volunteer Center to serve them. At the present time, some Volunteer Centers—typically the larger, more established independent centers with broad-based funding from a variety of sources—are able to provide multiple services, are often quite entrepreneurial in their approach to programming, and operate with a business model. Other Volunteer Centers experience difficulty providing optimal levels of service because of their continual challenge to raise operating funds. The result is that traditional volunteering suffers because fewer individuals and groups are aware of the opportunities that exist, and fewer organizations are trained in effective volunteer management.

With increased investment, Volunteer Centers across the country, regardless of their age, size or structure, will play a crucial role in strengthening communities. Volunteer Centers will enhance and expand their activities to engage more people in volunteer service and to build the capacity of more organizations in effective volunteer management. Where appropriate, Volunteer Centers will also expand operations to establish satellite offices providing access where there currently is none. In small communities with small Volunteer Centers, financial support from the Federal Government can leverage significant local donations that result in increases in both volunteering and effective volunteer management by enabling the Volunteer Center to provide these important services. Finally, where there presently is demand, but no Volunteer Center, new Volunteer Centers can be established.

The Points of Light Foundation provides significant program support, a decade of experience in regranting funds, and the demonstrated ability to effectively establish and monitor performance standards. The organization's unique qualifications are also predicated on its ability to provide cost-effective regranting and ensure compliance with all Federal guidelines.

Our country is built on the willingness of people to get involved and stay involved in their communities. Now, more than ever, we need the civic participation of every American to keep our communities and our Nation strong. The investment of $10 million in the Points of Light Foundation and $25 million in the Volunteer Center National Network will reap significant rewards for our country that will resonate—with great cost-effectiveness—well into our future.

We are well poised to strengthen traditional volunteering by delivering expanded services to communities across the country.

We know volunteer services work and we want and need your help to make sure all Americans have access to a Volunteer Center that meets stringent standards of excellence, can help them connect to meaningful volunteer opportunities, and can help local agencies manage their volunteers effectively. On behalf of all of those who work in the field of volunteer service we want to thank the committee for their strong interest and investment in making volunteering a part of every American's life. Because of your work on this issue, millions of Americans who need help receive aid and assistance from millions of local volunteers.