

**ENERGY AND WATER DEVELOPMENT
APPROPRIATIONS FOR FISCAL YEAR 2005**

TUESDAY, APRIL 20, 2004

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

The subcommittee met at 10:05 a.m., in room SD-124, Dirksen Senate Office Building, Hon. Pete V. Domenici (chairman) presiding.

Present: Senators Domenici, Cochran, Burns, Craig, Stevens, Reid, Murray, and Dorgan.

DEPARTMENT OF THE INTERIOR

BUREAU OF RECLAMATION

STATEMENT OF JOHN W. KEYS, III, COMMISSIONER

ACCOMPANIED BY:

**J. RONALD JOHNSTON, PROGRAM DIRECTOR, CENTRAL UTAH
PROJECT COMPLETION ACT OFFICE**

BOB WOLF, DIRECTOR, BUDGET OFFICE

PAM HAYES, BUDGET OFFICE

OPENING STATEMENT OF SENATOR PETE V. DOMENICI

Senator DOMENICI. The hearing will please come to order. We understand Senator Reid will be joining us shortly, perhaps some other Senators, but we're going to go right on through with what we've got to do today.

Okay, Panel One will be Mr. John Keys, Commissioner of the Bureau of Reclamation. We welcome you, Commissioner, and thank you for all your hard work. We know this is a very difficult time for you because of the budget. If you don't mind, and Senator Burns doesn't mind, I'd like to summarize where we are.

We're once again in a difficult position because of some assumptions that the White House makes, that OMB makes, with reference to how we might save some money or maybe add some money to our pot, which I don't think we're going to be able to do. So today the Bureau of Reclamation and the Corps of Engineers—and we will appropriately address the General when he comes up here, with reference to this being his last testimony before he leaves—there will be two panels, and, in the tradition of the subcommittee, this year we will begin with the Bureau, and then we will go the Corps as a second panel.

This subcommittee has jurisdiction over our country's water resources, under which falls the Bureau of Reclamation and the Corps of Engineers. Both agencies are responsible for managing this precious national resource in a cost-effective manner, while balancing the needs of its diverse users.

I believe the mission of these two agencies will only become more critical over time, as increasing pressure is placed on our water resources. Unfortunately, I fear this is a budget request that only exacerbates the problem that we face in addressing our various water resource requirements. Overall, I believe it will be very difficult, if not impossible, to meet what I consider a workable budget for these two agencies because the administration has proposed such a low starting point.

For the Bureau of Reclamation, for instance, the President has requested, for fiscal year 2005, \$956 million, a \$14 million increase over 2004. However, that request assumes an offsetting collection of Power Marketing Association—Senator Reid, you know that's not possible; and welcome to the meeting—and the maintenance of activities which are not likely to be enacted, and, therefore, effectively becomes a cut of \$30 million. If you back out these assumed savings, which are not going to happen, which I regret—OMB continues to try, and puts them in, knowing full well, they're not going to happen—then if you back out these assumed savings, the true 2005 request is \$926 million, a \$17 million reduction over 2004.

There are a few items of particular concern regarding the Bureau's budget. The proposed funding for the silver minnow, a listed species in my home State of New Mexico, is \$18 million—a listed species, which I don't believe can get along with that small amount—that's a \$14 million reduction from 2004, and we've not been able to make any real headway in establishing alternatives that might cost less. Now, I know that the administration does not find this as high a priority as I do, but I believe this number is just not workable.

Recently, the committee held a hearing regarding the Animas-La Plata. You're fully aware of that hearing's contents, Mr. Commissioner, and the understated cost estimate. As you know, I shared my frustration, as did some other Senators, with the Bureau, because they permitted this to occur. And the Department knows how a number of us feel about this predicament. As we look forward, I must say that I am concerned that this year's funding request does not take into account this recent cost increase in the project.

This year, the administration proposes to replace the Western Water Initiative by Water 2025, and the request is \$20 million, up \$11.6 million from 2004. The program is to continue to address critical western water issues. The biggest change here is that this program is proposed to become a grant-based effort, whereby local projects would meet criteria in order to be a recipient. Actually, with the water needs in the country, it is almost hilarious to have a proposal for \$20 million for the water needs of our country.

Last year in my State, the Middle Rio Grande District was provided funds under the Western Water Initiative. I'd like to hear from you how this effort has improved the situation in the West and on the Rio Grande and Albuquerque.

PREPARED STATEMENT

Now, for the Corps, we have similar problems. I will wait until we get the Corps, and then make my statement regarding the same.

[The statement follows:]

PREPARED STATEMENT OF SENATOR PETE V. DOMENICI

The committee will please come to order.

Today we have the Bureau of Reclamation and the Corps of Engineers before us to testify regarding their fiscal year 2005 budgets. There will be two panels, and as the subcommittee's tradition dictates, this year we will begin with the Bureau of Reclamation in the first panel and the Corps of Engineers in the second panel.

This subcommittee has jurisdiction over our country's water resources, under which falls the Bureau of Reclamation and the Corps of Engineers. Both agencies are responsible for managing this precious natural resource in a cost-effective manner while balancing the needs of its diverse users.

I believe that the mission of these two agencies will only become more critical over time, as increasing pressure is placed on our water resources. Unfortunately, I fear this is a budget request that only exacerbates problems we face in addressing our various water resource requirements. Overall, I believe it will be very difficult to meet what I would consider a workable budget for these two agencies because the administration has proposed such a low starting point.

For the Bureau of Reclamation, the President has requested for fiscal year 2005 \$956 million, a \$14 million increase over fiscal year 2004. However, the request assumes an offsetting collection for Power Marketing Association operation and maintenance activities which are not likely to be enacted and therefore effectively becomes a cut of \$30 million. If you back out these assumed savings, the true 2005 request for the Bureau is \$926 million, a \$17 million reduction from fiscal year 2004.

There are a few items of particular concern to me regarding the Bureau's budget. The proposed funding for the silvery minnow, a listed species in my home State of New Mexico, is \$18 million, a \$14 million reduction from fiscal year 2004. Now I know that the administration does not find this as high a priority as I do, but I believe this number is just not workable given the State's continued drought. I will discuss this further when we get to the questions.

Recently, this committee held a hearing regarding the Animas-La Plata project and the understated cost-estimate. As you know Commissioner, I shared my frustration with the Bureau and the Department about how we got in this predicament. I am sure you share my same frustration. As we look forward, I must say that I am concerned that this year's funding request does not take into account this recent cost increase in the project.

This year the administration proposes to replace the Western Water Initiative by Water 2025 and the request is \$20 million, up \$11.6 million from fiscal year 2004. The program is to continue to address critical Western water issues. The biggest change here is that this program is proposed to become a grant-based effort whereby local projects must meet criteria in order to be a recipient. The proposed cost-share is 50/50.

Last year the Middle Rio Grande Conservancy District was provided funds under the Western Water Initiative. I'd like to hear from you how this effort has improved the situation on the Rio Grande and elsewhere in the West.

For the Corps in fiscal year 2005, the President has requested \$4.215 billion, which is \$356 million below the fiscal year 2004 enacted of \$4.571 billion. There are a variety of policy changes, most of which I find ridiculous and irresponsible. Mr. Woodley, I will tell you that in many instances in the Corps' budget it appears as if you cut the Corps' budget and then after the fact, you tried to justify it by proposing a change in policy.

The two that come to mind are the beach restoration policy which you propose to abolish. The second is the 29 projects, currently mid-construction—let me repeat, mid-construction—which you propose to cancel altogether. Now, how can you honestly propose to cancel a project half-way through construction, so that the Federal Government cannot realize any of the projects benefits and protections? I will tell you Mr. Woodley you will not find this provision enacted at the end of the year.

The Corps' request, like the Bureau's, assumes again this year an offsetting collection for direct funding Power Marketing Association's operation and maintenance activities. This provision is included in the current draft of the Energy Bill but does

not cover fiscal year 2005. The effect of not having this enacted is that it results in a further cut of \$150 million making the true fiscal year 2005 request \$4.065 billion, an 11 percent reduction from fiscal year 2004.

I would like to share with my colleagues who may not already be aware, that the Corps is the project management agent in Iraq. They are the agency directly tasked with the physical reconstruction of Iraq because of both its expertise in project management on a large scale, and in the rehabilitation of critical infrastructure.

I find it ironic that the Corps' talent we are all relying on so heavily in Iraq is the very same one that is most negatively impacted by the administration's budget. I believe that if the administration had its way, the Corps would merely become an operations and maintenance agency. I will tell you Mr. Woodley that the very Corps talent we are utilizing in Iraq was only developed as a direct result of its domestic work in all of our States.

I think the administration is missing the point that this country's economic well-being is closely linked to its waterways, be they rivers, harbors, or wetlands. Further, it is in our interest to ensure that we maintain these resources for our continued successful competition within the world marketplace.

This country has an aging water resources infrastructure. For example, approximately 50 percent of the Bureau of Reclamation's dams were built from 1900 to the 1950's, before the current state-of-the-art construction techniques, therefore they require special maintenance measures. Even though budgets are tight, I am concerned that no one is working to address this longer term problem. An aging infrastructure is one of those problems that we all put off until we absolutely have to, which in the end, will just cost us more and may very well endanger life and property.

More importantly, the budget exercise we go through each year is not an effort to figure out how little we can spend, but one that carefully balances the greatest needs with our limited resources.

I would like to talk today about the impact the proposed fiscal year 2005 budget will have on both agencies and what the Congress can do to ensure that they can continue to effectively manage the country's water resources.

On our first panel will be the Bureau of Reclamation. Appearing before us will be Commissioner of the Bureau of Reclamation, John Keys, and Program Director Ronald Johnston from the CUP Office.

I would like to welcome the members of the second panel from the Corps of Engineers. They are Assistant Secretary for Civil Works, John Paul Woodley, Jr.; Lieutenant General Flowers, Chief of Engineers; Major General Griffin, Director for Civil Works; and Rob Vining, Chief, Programs Management Division.

I would ask both panels to keep your statements to 10 minutes if possible.

Senator Reid would you like to make your opening remarks before we start off with the Commissioner?

Senator DOMENICI. Now, having said that, if you don't mind, Senator Reid, I will proceed on the basis of arrival, and—

Senator REID. Sure, that's fine.

Senator DOMENICI [continuing]. Senator Burns has been waiting for a long time.

Senator BURNS. I'd yield to the Ranking Member.

Senator DOMENICI. Thank you so much.

Senator Reid.

STATEMENT OF SENATOR HARRY REID

Senator REID. Thank you very much, Senator Burns. Appreciate your courtesy.

I first want to thank the witnesses that we're going to have today for the two panels, Commissioner of the Bureau of Reclamation, and, of course, General Flowers, who knows—and the Assistant Secretary, John Woodley.

It's awkward and difficult, I know, for you to defend the budget proposals presented by the administration this year. For fiscal year 2005, as my friend, Senator Domenici has indicated, the administration has proposed large spending increases for a number of our Nation's defense and homeland security. And I support that. But to have a secure Nation includes things other than the things that

explode. We have to do what we can with the Bureau of Reclamation and the Army Corps to make sure that these projects also are funded at a level that we can live with.

Everyone should understand, if we went forward with this budget, it would cost the American people more to shut the projects down than would be available for few remaining. It's troubling.

We cannot secure the homeland without a strong economy. We have with us today the Chairman of the Homeland Security Subcommittee of Appropriations, Senator Cochran, an important new subcommittee. And I support the subcommittee and the problems that they have.

Take, for example, water resource projects funded in this bill. They, in my opinion, are a significant part of our national economy and provide important and positive economic benefits. The chief of engineers cannot even recommend a project to this administration or this Congress unless the analysis shows that positive net economic benefits will accrue to the national economy. The same is true for the Commissioner of the Bureau. Therefore, the only conclusion I can draw from this budget is that the administration places our economy, our economic security, in a different category than our homeland security. I don't share this view. I believe it's shortsighted.

Water resource infrastructure benefits every American. How many of us realize that a typical household uses only 50 to 85 gallons of water a day? However, it takes nearly 1,200 gallons of water per person per day to meet the needs of farmers, factories, electric utilities, and many other organizations that make it possible for us to have food on our table, a computer on our desk, and power for our homes.

During a hundred years, the Bureau of Reclamation has had a major impact on life in the West. The first project ever in the history of the country was the Newlands Project in Northern Nevada, which is still operable. Without Bureau water projects, the western population economy could not be sustained. Certainly, that's the case in the State of Nevada.

The Bureau and the Corps water-storage projects have a total capacity of nearly 570-odd-million acre feet. This provides municipal and industrial water supply to millions of our citizens. The water-supply infrastructure provided by the Bureau and the Corps in the West are the lifeblood of the communities they serve. Without these investments, the tremendous population growth in our western States would not have been possible. Further, the tremendous bounty of our western farms could not be achieved without these projects.

Today, the Bureau is having a major impact on many of our citizens' lives in the Great Plains providing clean drinking water where many have never had it before. In many of our western States, the water that comes into people's homes is the color of a strong cup of tea. Water out of the Colorado, until it's strained, is like mud. When people try to wash their clothes without the work done by the agencies I've spoken of, it stains them. Sinks, tubs, and toilets are all stained by this water. The Bureau's rural water programs have been a godsend to these communities. However, funding for these programs needs to be increased, not decreased. I'm

glad that, for the fiscal year 2005, the administration seems to recognize the worth of these programs. I hope so, anyway.

Reclaimed water projects in the West have allowed many States to stretch their precious water resources. Nevada relies heavily on recycled water for golf courses and water features on the Las Vegas strip and for many other uses. Without this recycled water, Nevada would find it very difficult to live within its allocation on the Colorado River. Yet funding for these vital projects was again severely cut this year.

The people preparing this budget don't realize it, but the Federal limit for most of these projects is extremely low to begin with. The Federal dollars, when leveraged with the State and local dollars, make these projects viable. The Bureau and the Corps provide about 35 percent of the Nation's hydroelectric power, which amounts to nearly 5 percent of the total U.S. electric capacity. Four out of five homes in the Northwest are powered by hydroelectric.

The administration's budget request contains a huge number of gimmicks designed to mask the huge deficits they're running up. The administration has again recycled the hydropower gimmick for the Corps, and expanded it to include the Bureau. The budget proposal includes the assumption that the Power Marketing of the administration, as Senator Domenici has said, will contribute \$30 million toward operation and maintenance of Bureau hydropower facilities and \$150 million toward Army Corps facilities. This is just absolutely foolishness.

Enabling legislation of these proposals has not been enacted. We could ignore the proposal and not fund a portion of Bureau and Army Corps hydropower. This would have an extreme impact on electricity production. The other option is for us to appropriate the necessary funds. To take funding away from other priorities to fund this unfunded necessary task is—due to these budget gimmicks. This is the third straight year that the administration has included this proposal for the Army Corps, and we still don't have the enabling legislation.

One would think we're sending the appropriate message in this proposal, but someone doesn't understand it. Forty-one States are served by the Corps ports and waterways. These ports and waterways provide an integrated, efficient, and safe system for moving cargo. Two-point-three billion tons of cargo are moved through these ports and waterways. The value of this cargo to our national economy is \$700 billion. Navigable waterways generate over 13 million jobs and nearly \$150 billion in Federal taxes.

The budget proposal cuts operation and maintenance funding to low-use waterways and ports. This is akin to not funding snow removal on secondary streets, while completely clearing the interstate highway system. You end up with a great system with no way to fully utilize it. The same is true of low-use waterways and ports and their relations to our deepwater harbors. The inland waterway system operates as an integrated unit. Not funding a portion of it drags down other parts of the system.

Average annual damages prevented by the Corps flood-control projects exceed \$20 billion. From 1928 to 2000, cumulative flood damages prevented, when adjusted for inflation, were \$709 billion, for an investment of \$122 billion. That is nearly a 6:1 return. It's

hard to find many things in the Federal budget that have a 6:1 rate of return, and yet this area has been severely underfunded in the budget. Again, only the Simms Bayou, Eastern Texas project, and Westbank, in the vicinity New Orleans, projects were adequately funded. The Corps will likely have to juggle the funding shortfalls for remaining projects to keep work going on them. Remember what I said initially. To follow what we have in this budget would cost more than we would save, and that's an understatement.

The President's budget proposals also include another new beach policy. It's the third year in 3 years. This is the worst one yet. I have to believe that someone in the bowels of the administration that comes up with these policies isn't thinking. Beaches are the leading tourist destination in our country. California beaches alone receive nearly 600 million tourist visits every year. This is more tourist visits than to all the lands controlled by the National Park Service and the Bureau of Land Management combined. Beach tourists contribute \$260 million to the U.S. economy and \$60 billion in Federal taxes, yet for this budget that we're asked to approve, the administration has decided that the Federal Government should only participate in the initial construction of beach restoration, and that local interests should be responsible for all subsequent beach renourishments. This proposal tells our citizens that government will provide your initial storm-damage protection, but after we finish, you're on your own.

The impacts of this policy resonate through this budget, and are impacting execution of funding provided this year. Both the Corps and Bureau contribute to our Nation's environmental protection. Over \$1 billion, or 25 percent of the Army's Corps fiscal appropriation, were targeted for environmental activities. Reclamation expended a similar percentage on their budget.

One final note. I would be remiss if I didn't mention the Brazos Island Texas Project—the Island Harbor Texas Project. In fiscal year 2004, the first year of funding was provided to determine the Federal interest. The fiscal year 2005 budget has unilaterally determined that not only is the project in the Federal interest, but it should be funded for construction even though a feasibility study has not been conducted, nor has the project been authorized. Five hundred thousand dollars provided in the request to conduct a feasibility study, and \$9½ million was provided to construct this unauthorized project. I can't remember a time when funding was provided for these two phases at the same time. This is astounding, in light of the fact that the administration is holding up funding for numerous projects that have been fully vetted by the Corps and the Assistant Secretary, yet the administration exempted this project not only from the entire review system, but also from being authorized by Congress for construction. This project should face the same scrutiny as all other projects, and I intend to treat this project the same as all other projects.

PREPARED STATEMENT

It's clear to me, and it should be clear to all of us, that investments in our water infrastructure strengthen our economy and, thereby, directly contribute to our homeland security. So I intend

to work with Senator Domenici, the full committee chairman, Senator Stevens, and Senator Byrd, to try to find additional resources to more adequately fund our water infrastructure.

Thank you very much for your patience, and especially you, Senator Burns.

[The information follows:]

PREPARED STATEMENT OF SENATOR HARRY REID

Good morning.

I am glad to be here today with my good friend, Senator Domenici and his staff as we work towards preparing our annual Energy and Water spending package.

These hearings are intended to help us prepare our funding proposals. We depend on the open exchange of information that we receive in these hearings to explain and elaborate on the President's budget proposals.

However, most importantly, we will develop our appropriations bill by taking into account the needs of our Members and the American people.

I want to thank our witnesses from the Bureau of Reclamation and the U.S. Army Corps of Engineers for appearing before us today. I know that it is both awkward and difficult for you to defend the budget proposals presented by the administration in this year's budget.

For fiscal year 2005, the administration has proposed large spending increases for our Nation's defense and our homeland security, and yet the budget proposals for the Bureau of Reclamation and the Army Corps are not only flat, they are counter-productive and will, if enacted, cost the American people more to shut projects down than will be available to move the few remaining.

I find this very troubling.

Homeland security has rightly been a priority within this administration. However, I do not believe that we can secure the homeland without a strong economy.

The water resource projects funded in this bill are a significant part of our national economy and provide important and positive economic benefits.

The Chief of Engineers cannot even recommend a project to this administration or this Congress unless the analysis shows that positive net economic benefits will accrue to the national economy. The same is true for the Commissioner of the Bureau of Reclamation.

Therefore, the only conclusion that I can draw from this budget is that the administration places our economic security in a different category than our homeland security.

I do not share this shortsighted view. Water resource infrastructure benefits all of us.

I wonder how many of us realize that the typical household only uses 50 to 85 gallons of water a day. However, it takes nearly 1,200 gallons of water per person per day to meet the needs of farmers, factories, electrical utilities, and the many other organizations that make it possible for us to have food on our table, a computer on our desk and power for our homes.

During their 100-year history, the Bureau of Reclamation has had a major impact on life in the west. Without Bureau water projects, the western population and economy could not be sustained, including my home State of Nevada.

Bureau of Reclamation and Army Corps water storage projects have a total capacity of nearly 575 million acre feet of storage and provide municipal and industrial water supply to millions of our citizens. The water supply infrastructure provided by the Bureau and the Army Corps in the West are the life blood of the communities they serve. Without these infrastructure investments the tremendous population growth in our western States would not have been possible. Further, the tremendous bounty of our western farms could not be achieved without these projects.

Today the Bureau is having a major impact on many of our citizens' lives in the Great Plains by providing clean drinking water where many have never had it before. In many of our western States, the water that comes into people's homes is the color of a strong cup of tea. When people try to wash their clothes, it stains them. Sinks, tubs and toilets are all stained by this water.

The Bureau's rural water programs have been a godsend to these communities, however, funding for these programs needs to be increased. I am glad that for fiscal year 2005 the administration seems to recognize the worth of these programs after the devastating cuts made in fiscal year 2004 that Congress had to restore.

Reclaimed water projects in the west have allowed many western States to stretch their precious water resources. My own State of Nevada heavily uses recycled water for the golf courses and water features on the Las Vegas Strip and for other uses.

Without recycled water, Nevada would find it very difficult to live within its 300,000 acre-foot allocation of the Colorado River.

Yet, funding for these vital projects was again severely cut this year. Perhaps the people preparing this budget don't realize it, but the Federal limit for most of these projects is relatively low. However, the Federal dollars when leveraged with the State and local dollars make these projects viable.

The Bureau of Reclamation and the Army Corps of Engineers provide about 35 percent of the Nation's hydroelectric power which amounts to nearly 5 percent of the U.S. total electric capacity. Four out of five homes in the northwest are powered by hydroelectric power.

As always, the administration's budget request contains a huge number of budget gimmicks designed to mask the huge deficits they are running up. The administration has again recycled a hydropower gimmick for the Army Corps and expanded it to include the Bureau of Reclamation. The budget proposal includes the assumption that the Power Marketing Administrations will contribute \$30 million towards operation and maintenance of Bureau of Reclamation hydropower facilities and \$150 million towards Army Corps facilities.

Enabling legislation for these proposals has not been enacted. Absent this legislation, we have two choices. We could ignore the proposal and not fund this portion of Bureau and Army Corps hydropower. This would have extreme impacts on Federal hydropower production.

The other option is for us to appropriate the necessary funds. That is, to take funding away from other priorities to fund this unfunded necessary task due to budget gimmicks. This is the third straight year that the administration has included this proposal for the Army Corps and enabling legislation has still not been enacted. One would think we were sending the appropriate message on this proposal, but obviously someone does not understand it.

Forty-one States are served by Army Corps ports and waterways. These ports and waterways provide an integrated, efficient and safe system for moving bulk cargos. Two-point-three billion tons of cargo are moved through these ports and waterways. The value of this cargo to the national economy approaches \$700 billion. Navigable waterways generate over 13 million jobs to the national economy and nearly \$150 billion in Federal taxes.

The budget proposal again cuts operation and maintenance funding to "low use" waterways and ports. This is akin to not funding snow removal on secondary streets while completely clearing the interstate highway system. You end up with a great system with no way to fully utilize it.

The same is true of "low use" waterways and ports and their relationship to our deepwater harbors. The inland waterway system operates as an integrated unit. Not funding a portion of it drags down other parts of the system.

I am gratified to see that the budget proposal adequately funds the New York and New Jersey Harbor project as well as the Olmstead Lock and Dam project on the Ohio River, however, it does this at the expense of all of the other navigation projects. Only these two chosen projects will be able to initiate any new work for fiscal year 2005. All of the projects will have to limp by on the remaining funding.

Average annual damages prevented by Army Corps flood control projects exceed \$20 billion. From 1928-2000, cumulative flood damages prevented when adjusted for inflation were \$709 billion for an investment of \$122 billion, adjusted for inflation. That is nearly a 6 to 1 return on this infrastructure investment.

It is hard to find many things in the Federal budget that have a 6 to 1 rate of return, and yet this area has been severely underfunded in the budget. Again, only the Sims Bayou, Houston, Texas, project and the West Bank and Vicinity, New Orleans, project were adequately funded. The Army Corps will likely have to juggle the funding shortfalls for the remaining projects to keep work going on them.

The President's budget proposal has also included another "new" beach policy, his third in 3 years. This is the worst one yet. I have to believe that someone in the bowels of the administration that comes up with these policies is just not thinking them through.

Beaches are the leading tourist destination in the United States. California beaches alone receive nearly 600 million tourist visits annually. This is more tourist visits than to all of the lands controlled by the National Park Service and the Bureau of Land Management combined.

Beach tourists contribute \$260 billion to the U.S. economy and \$60 billion in Federal taxes.

And yet, for fiscal year 2005, the administration has decided that the Federal Government should only participate in the initial construction of beach restoration projects and that the local interests should be responsible for all subsequent beach renourishments needed over the 50 year life of the project.

This proposal tells our citizens, that the government will provide your initial storm damage protection, but after we finish, you're on your own!

The impacts of this beach policy resonate throughout the fiscal year 2005 budget and are impacting execution of funding provided in fiscal year 2004.

Both the Army Corps and the Bureau contribute to our Nation's environmental protection. Over \$1 billion, or about 25 percent, of the Army Corps' fiscal year 2004 appropriations was targeted for environmental activities. Reclamation expended a similar percentage of their budget on these important activities.

One final note about the President's proposal that I would be remiss if I did not mention is the Brazos Island Harbor, Texas, project. In fiscal year 2004, first year funding was provided to determine the Federal interest.

The fiscal year 2005 budget proposal has unilaterally determined that not only is the project in the Federal interest, it should be funded for construction, even though a feasibility study has not been conducted nor has the project been authorized for construction. Five hundred thousand dollars is provided in the request to conduct a feasibility study and \$9.5 million was provided to construct this unauthorized project. I cannot remember a time when funding was provided for these two phases at the same time.

This is astounding in light of the fact that the administration is holding up funding for numerous projects that have been fully vetted by the Army Corps and the Assistant Secretary of the Army for Civil Works. Yet the administration has exempted this project not only from the entire review system established by the administration, but also from being authorized by Congress for construction.

I believe this project should face the same scrutiny as all of the other projects in the President's proposal and intend to treat this project the same as all other projects as we prepare our Bill.

It is clear to me and should be clear to all of us that investments in our water infrastructure strengthen our economy and thereby directly contribute to our homeland security.

I intend to work with Chairman Domenici, Chairman Stevens, and Ranking Member Byrd to try to find additional resources to more adequately fund our water infrastructure.

Thank you Senator Domenici.

Senator DOMENICI. Thank you very much, Senator Reid.

Let me ask the other Senators if they desire to speak. I'm more than willing to let them. This is a very, very serious budget.

Senator Stevens and Senator Cochran were not here when I said this, and I will not repeat my remarks. I will just tell you that on both budgets, they are slim; but, in addition, in each of the two budgets, the OMB assumed that we would do something that we can't do. Power Marketing is assumed as something that will be done that will cause us to raise money. Since that won't happen, the net effect is that we're \$180 million short in the Corps and the Bureau combined, \$180 million. That's a lot of money, when you figure that that's below the line, less than what we would expect, based on last year's budget. I don't know how we're going to do it, but I just want you to know that.

Now, who should go next, based—

Senator STEVENS. Senator, could I just make a comment?

Senator DOMENICI. Absolutely.

STATEMENT OF SENATOR TED STEVENS

Senator STEVENS. I came by to tell the committee that I was privileged to attend a meeting about Brazil, and I was staggered to find that Brazil had changed its dependence on foreign oil, imported oil, from 70 percent to 17 percent by reassessing all its hydroelectric potential and by having a crash program of investment in hydro potential.

I would like to ask that both of the panels—Mr. Keys and the Corps—deliver to the committee past studies of the hydroelectric

potential of the United States. And I don't care where it is. If those lands have—some of these lands have been withdrawn now in order to prevent the hydro potential, I think we should have a complete review of the hydro potential. We're in a period of escalating gasoline prices, and we face, soon, escalation in even the price of natural gas because of our increased dependence upon imported natural gas.

I do think it's one of our duties now to reassess all the alternative forms of energy that are available, and let the American public decide whether some of these hydroelectric projects should be constructed now, and that we should shift to a period of investment in future hydro potential.

I would also ask your consent, your agreement, to let me place in the record the answers to a series of questions that General Flowers was kind enough to deliver to me. We did have a visit some time ago, before the recess, and I asked him some specific questions about Alaska, and he has delivered the answers to me, and I'd like those printed in the record.

Thank you very much.

Senator DOMENICI. Senator, they will be made a part of the record.

And we will consider your two questions as if they were asked. And you understand, Commissioner, that that's been asked of you? Is General Flowers here yet?

Senator STEVENS. Well, I have the questions and answers right here.

Senator DOMENICI. All right.

Senator STEVENS. I can put them in the record, if that's all right.

Senator DOMENICI. Those are Alaska.

Senator STEVENS. They're Alaska Corps of Engineers project questions.

Senator DOMENICI. Yes, but with reference to your request that there be an assessment of potential water projects, in terms of hydro—

Senator STEVENS. Well, I just want—they've done already—I know they did—they did some of them when I was down there, in the 1950's, but I think they updated those later.

Senator DOMENICI. All right.

Senator STEVENS. All right?

Senator DOMENICI. We'll get that.

Senator STEVENS. That was in the last century, Mr. President.

Senator DOMENICI. Yes, I understand.

I mean, you are very viable. I don't know how many more centuries you'll be here, but—

You will outlive us.

I want to comment, with reference to your last observation regarding hydro, that the Senator sitting by you, right there, Senator Larry Craig, has been working on hydro, the permitting process, which has been very cumbersome. He's been working on, in fact, the energy bill, had a tremendous reform that would have moved projects, of the type the Senator from Alaska's talking about, in a much more expedited—and yet safe, from the standpoint of the environment. It got through. If we don't do the energy bill, who

knows where it will go, but we aren't going to give up on modernizing the permitting system.

Senator STEVENS. Well, Senator, God willing, if I'm able to so, I intend to invite Members of the Full Committee to take a trip to Brazil after the election and see what they have done. This is a staggering concept of reversing a total dependence—

Senator DOMENICI. Terrific.

Senator STEVENS [continuing]. On foreign oil and replacing it with alternative forms of energy in your own country.

Senator DOMENICI. Well, Senator, I just want, before you leave, to reiterate to you, when you start allocating the money—and I know you have an insurmountable problem, but you should know that you can't use the administration numbers as if we can get the job done with them, because, in each case, there is a very big amount of money that is assumed in that budget that will not occur. In each case, they assume things like the Power Marketing, which is a big one—and what's the other one? Yucca Mountain piece that they assume, and other things.

Now, Senators who are here—Senator Burns, would you like to comment?

STATEMENT OF SENATOR CONRAD BURNS

Senator BURNS. Thank you, Mr. Chairman, I just have one comment. When you look at this budget, knowing the projects we've got, I think we ought to try to do what we're supposed to do, and focus on our highest priorities. Now, I guess that's pretty easy to say when you come from a watershed State, where we're hurting a little bit in some of our irrigation districts, and we need some help.

So, I just want to make sure we keep this in mind when we set the priorities on what we're about and what we're supposed to be doing. In our part of the country food production is very important, and we've got a big problem with the Milk River that we'd like to start addressing. This budget will not get everything done, but we want to work with you and do everything we can.

There are some private entities that are willing to take over irrigation districts. Willing to take over. They've already paid them off. And yet we come to the government, and we say, "Well, now, we'd like to turn these back and—turn them over to private entities, where they paid money in, where they pay for the water, they pay for everything, and willing to do it," and yet we run into a stone wall about getting these irrigation systems moved into private entities because—they just don't want to release it because they're afraid they'll lose their job or something. I don't know what it is. But anytime that you've got the private sector wanting to take over something that's costing us money, and they're willing to assume the responsibilities of it, I think we ought to look very closely at that and how it impacts on our budget, year in and year out.

So I've got another meeting to go to now, but I just want to thank the Bureau of Rec. and also the Corps of Engineers. We've had a great year in Montana, and we've worked together on some projects that are really going to make a positive impact. But we also have some very serious problems that we have to look at and come up with some imaginative ways to deal with those problems.

And I think we can do this in a way that benefits both the people who live there and also the American taxpayer.

Thank you, Mr. Chairman.

Senator DOMENICI. Thank you.

Senator Cochran.

STATEMENT OF SENATOR THAD COCHRAN

Senator COCHRAN. Mr. Chairman, thank you very much. I have a statement specifically dealing with the budget request for the Corps of Engineers, and I ask unanimous consent that it be printed in the record.

Senator DOMENICI. It'll be made part of the record.

[The statement follows:]

PREPARED STATEMENT OF SENATOR THAD COCHRAN

Mr. Chairman, I join you in welcoming the witnesses to this hearing.

I appreciate the good work the Corps of Engineers does in the State of Mississippi. I do, however, have some serious concerns with the Corps' ability to continue to carry out its responsibilities due to declining levels of funding.

The Corps' ability to accomplish their mission is becoming more than a serious challenge. I am disappointed in the budget request for the Civil Works program.

More funding would provide greater economic and environmental benefits, as well as improved safety and security for our Nation's citizens.

Locks and dams that allow for more efficient and environmentally responsible movement of goods on our waterways continue to deteriorate, and the Corps continues to struggle to find the resources to dredge waterways that carry commercial cargo such as the Mississippi and Ohio Rivers, not to mention many other smaller waterways. The maintenance backlog also continues to grow and become more serious.

In addition, we are not adequately constructing or maintaining important flood control structures that are needed in many areas.

I appreciate the efforts by General Flowers to meet the demands being made on the Corps, and I congratulate him on his exemplary service as Chief of Engineers. Since he's retiring later this year, it may be the last time he appears before the subcommittee. I congratulate him on his outstanding service to the country.

Senator DOMENICI. Is that it?

Senator COCHRAN. Yeah.

Senator DOMENICI. All right.

Senator Dorgan.

STATEMENT OF SENATOR BYRON L. DORGAN

Senator DORGAN. Mr. Chairman, let me be brief, but I have another Appropriations subcommittee hearing going on just around the corner on this floor, and I'm involved in that, as well, so I won't be able to listen to all of the testimony. But I wanted to underscore the points you made. Water policy is critically important, and funding these represent not just ordinary expenditures, they represent good investments in the future that provide, in most cases, very high returns.

And I wanted to say to Commissioner Keys that last Thanksgiving, as you know, the people of Fort Yates, on the Indian reservation, lost their water because of a problem with the Missouri River intake. And for several days, these folks, 8,000 of them, had no water at all. And, Mr. Chairman, I should just tell you that the employees of the Bureau were down there working through the Thanksgiving holiday. They did a remarkable job. And your employees deserve a real big, hearty thank you. They worked around

the clock during the Thanksgiving holiday, and they got water restored.

But this relates to the need for a permanent solution down there. It relates to the management of the Missouri River by the Corps of Engineers. And it relates to bigger and broader issues that we have to address. We also need to deal with the rural water needs. Commissioner Keys, you were with us when we broke ground for the NAWS Project, which, by all accounts, is a great project, known as great to everyone except the Office of Management and Budget, apparently. Despite the fact that they don't allege there's anything wrong with it; they just put it as part of this PART process and don't fund it well enough. And then we also need to continue the flood-control project underway at Grand Forks, and complete that.

So this subcommittee has an enormous charge, and all of it is critically important. Mr. Chairman, I look forward to working with you and other Members of the subcommittee to find ways to meet our obligations and to work with the Corps and the Bureau to get done what we need done. We need the Red River Valley studies in Eastern North Dakota. I won't recite my displeasure with the Corps and the master-manual rewrite right now, but—

Senator DOMENICI. I understand.

PREPARED STATEMENT

Senator DORGAN. I'll do that later.

But thank you very much. And let me say, again, the part of the Chairman's statement and the part of Senator Reid's statement I heard is right on point. These are critically needed investments, and we need to find a way to do them.

[The statement follows:]

PREPARED STATEMENT OF SENATOR BYRON L. DORGAN

Assistant Secretary Woodley, Mr. Keys and General Flowers, I welcome you to our subcommittee, and I thank you for your testimony. In North Dakota, we have enormous water challenges and depend greatly on the assistance of the Corps of Engineers and the Bureau of Reclamation for flood control, irrigation, and municipal, rural and industrial water needs. The President's budget request for fiscal year 2005 does not give your agencies the funding you need to accomplish the great challenges ahead of you in my State and throughout the Nation.

I am very concerned that the President's fiscal year 2005 budget submission for water projects falls dramatically short of the investment that will be needed. The President proposes cutting nearly \$356 million from the Army Corps of Engineers and \$28 million from the Bureau of Reclamation's Water and Related Resources program. These cuts are coming at a time when the Federal Drought Monitor shows that almost every western State, including North Dakota, remains in drought. In North Dakota, low lake levels at Lake Sakakawea and Lake Oahe, two major lakes on the Missouri River created by the Federal Government in an effort to eliminate annual flooding of river lowlands, are causing extreme problems for communities that depend on these lakes for their water supply. We had a crisis earlier this year at Standing Rock Indian Reservation when the community of Ft. Yates lost water due to the low lake levels on Lake Oahe. To respond to this emergency, the Bureau had to divert already limited municipal, rural and industrial funds designated for other tribal projects. Other communities along Lake Sakakawea and Lake Oahe are in danger of suffering the same fate. Already, economies dependent on recreational uses of the lake have been devastated due to low lake levels and now the water supplies are also in danger.

I blame this on the Corps' mismanagement of the Missouri River. The Corps had the opportunity to change their management practices on the river to practices that would have produced a net benefit for the entire country. Instead, the Corps issued its revised Master Manual last month which simply kept the status quo.

Needless to say, I am unhappy with this so called "revision." In the President's Fiscal Year 2005 Budget Request for the Army Corps he stated, "A concerted effort by this Administration and the Congress is needed to ensure that the ongoing and future efforts of the Corps are environmentally sustainable, economically responsible, and fiscally sound. Achieving this goal will require a transformation in cultural attitudes." The President is correct in his assumption that attitudes must change in order for us to reap the economic benefits from water projects such as the Missouri River Basin.

The President's Budget Request further states, "In developing its budget proposal for 2005, the Corps assessed the relative merits of each potential investment in each of its program areas. This approach represents an important step towards the President's goal of making fiscally responsible funding decisions based more on results and less on factors such as 'what did they get last year.' This is the essence of the Corps' performance-based budget. The Administration funds activities that will yield the greatest net benefit to society per dollar invested."

I wish it could be said that the Corps actually took this type of approach when revising the Master Manual. Studies show that every dollar the public spends to operate and maintain the Missouri River only generates 40.6¢ in transportation savings to barge companies, export elevators, importers and grain producers. It has been further shown that the actual O&M expenses for the Missouri River (\$7.1 million) exceed the net benefits provided by the barging industry (\$6.9 million). This, to me, seems like a waste of taxpayer funding. (There are only three barging companies currently operating on the MO River). If the administration is serious in its efforts to focus funding on those activities that will yield the greatest net benefit to society as a whole, then it would seem that reforming the management practices on the Missouri River would be an initiative the Corps would take seriously and address in a manner more consistent with the administration's directive.

I hope the "revised" Master Manual is something the Corps will continue to look at and is not something they feel no longer needs to be reevaluated. I believe the Corps should do more than simply reprint the 1979 Master Manual. The people of the Missouri River Basin deserve and expect more. The towns and communities that have grown dependent on the reservoirs and river need to know what they can expect from the Federal Government in the future. They need to know that the government is more concerned with the safety and welfare of the Nation, rather than simply a few downstream barge companies. We need to reevaluate and set the goals for our future use on the river and judging from the past, the status quo is no longer an option.

As you know, my top priority within the Bureau of Reclamation's budget is adequate funding for the Garrison project. A total of 155,000 acres of Ft. Berthold Indian Reservation land was taken for building the second-largest earth filled dam in America, the Garrison Dam-Lake Sakakawea project. The water divided the Reservation down the middle. The Federal Government owes this tribe and others in North Dakota for its sacrifice for the Nation. We have promised, in an authorization bill, to provide \$200 million for Indian municipal, rural and industrial water needs and \$200 million for State MR&I. But this administration's budget once again fails to come through on that promise recommending only recommending \$22.1 million for the Garrison project which does not even maintain the historic funding level, ignores the needs of the current program and does not keep up with the price increases expected in the major programs as delays occur. This year, the budget only provides about \$5.485 million for rural water projects—half for the State program which includes the Northwest Area Supply (NAWS) and the other half for Indian programs. This is almost \$45 million short of what North Dakota needs for Indian and State MR&I. We simply must do better or the costs of this project are going to overwhelm us in the outgoing years. If the current funding trend, a disaster will occur in only a few years when an additional \$30 million will be needed for the Red River Valley program.

I am also very concerned about the impact of the President's budget recommendation for the Grand Forks/East Grand Forks Flood Control Project. This year, the President only recommends \$31 million for this project which is nearly \$24 million short of the amount that will be needed to bring the project to substantial completion. We are so close to providing this community permanent flood control protection and I just don't understand why the administration would not choose to finish the project this year. A wet spring recently caused severe flooding in areas just west of Grand Forks and we are once again reminded that the community is not safe from another flood until this permanent protection project is finished. This subcommittee has invested so much into that project and I will be asking for my colleagues for their help in getting this project substantially completed this year before

FEMA remaps the area only to have to spend the money to do it again after the project is completed.

As you'll see, I think we have a lot of challenges in front of us but I thank you for appearing before us today.

Senator DOMENICI. Thank you very much.
Senator Larry Craig.

STATEMENT OF SENATOR LARRY E. CRAIG

Senator CRAIG. Thank you, Mr. Chairman. I'll be brief. I got here late, but I do want to make a couple of opening comments because it's an opportunity to have John before us to talk about issues that are obviously critical.

And, let's see, Commissioner, have you gone to Idaho yet? When are you going?

Commissioner KEYS. I'm sorry, sir?

Senator CRAIG. I thought you were going to go to Idaho this coming week.

Commissioner KEYS. I am there the 6th and 7th of May to—

Senator CRAIG. Okay.

Commissioner KEYS [continuing]. Work with them on the groundwater issue.

Senator CRAIG. Right. I knew that you were—that your trip out there was timely in relation to what's happening in Idaho, but also what's happening in the West, Mr. Chairman.

I just, during this Easter break, spent time with the Twin Falls Irrigation Company, the Twin Falls Canal Company. For the record, Mr. Chairman, that is one of the largest irrigation companies in the State of Idaho, that irrigates all—from, you know, Bureau of Rec. development programs, the whole development of the central/mid Snake River Basin area.

Here is what I concluded from them, and here is what we have to conclude in the West today. The West is drying up, and it's getting progressively drier. And it is now extended over a near 10-year period, Mr. Chairman. Lake Meade is—or Lake Powell is at an all-time low since it was filled. Lake Meade is down. There is a guesstimate now, and the figures would show the progressive decline in the flow of the Snake River is upwards of 500,000 acre feet now, on an annualized basis. Every chart I see over the last decade shows a decline in overall springs and spring recharge. You're going out to talk about the need to try to recharge the Snake River Plain Aquifer and the Federal impediments that may or may not exist there as it relates to doing that.

It quit raining and snowing in Idaho the 1st of March after what appeared to be a very good wet winter, and it hasn't snowed or rained since.

Senator DOMENICI. What was that date?

Senator CRAIG. First of March. The snow is evaporating or going into the ground, our rivers are showing little to no spring surge, and many of our reservoirs are nearly empty. The great American Falls Reservoir irrigation system, that reservoir will not spill this year. It appears that it may get only to 70 percent capacity.

The West is in deep water trouble. It's also an area where everyone else wants to share water that was once dedicated for another purposes, and so the conflicts are growing, whether it is fish, or

whether it is human consumption. It also is a segment of the region that is growing the fastest of any in the United States. Whether it's Idaho and Idaho's growth, or New Mexico, or Arizona, or Nevada, all of it's growing, and growing faster than any segment. And yet the one resource that will dictate its growth or dictate how people live is the resource of water. And, frankly, we're doing nothing to add to the overall capacity of the systems.

We started dewatering the State of Idaho a decade ago, when we decided that it was important that we leave some water in the system for purposes of flush for fish, and we haven't added any upstream capacity. We've brought more water in that was once dedicated for something else, which meant water was leaving the ground to go into the system.

But it is an alarming figure. And I have a variety of charts here in front of me, but probably this is the most significant one. That's a decade of flow in the Snake River system, all of it in decline. Used to be we had 5- to 6-year cycles. It's very difficult to find a decade or more of progressive decline in overall flows.

I say that today—Mr. Chairman, you've experienced it in New Mexico, throughout the West. The arid, high-desert West is getting drier. And the one agency that can play a role in helping is your agency. And the problem we have today is that the idea—and the chairman of the full committee talked about hydro projects and putting dams in rivers—oh, how dare we even think about that idea again—but there is capacity in the systems off main stem, in areas that would have little environmental impact, to increase the overall abundance of water in an arid West, and much of that could be dedicated to in-stream flow to increase water quality within the main-stem systems. And yet even some of our environmental friends will ignore the obvious, because they have dedicated themselves to being anti- and not pro-environment in many instances.

That's a conflict we're into, but it was brought to reality this week, this past week, when I sat down with Idaho's largest irrigation company and saw their dramatic declines in overall resource. And they're now rushed to manage, rushed to conserve, as we grow increasingly drier in the West.

Thank you, Mr. Chairman.

Senator DOMENICI. Thank you very much.

Now, when you say the Bureau of Reclamation can help with this, let me say publicly that this gentleman has tried mightily, but the truth of the matter is they've made some mistakes in the past year. The biggest one is the Animas-La Plata, which turns out to be Animas-La Plata Lite. And even with Animas-La Plata Lite, they have messed up the estimates terribly. They promise me that they're going to fix it, and they're going to come back with estimates that are right, and spread it out a little bit so it doesn't beat our budget up. How could we pay for it with what we've got? I mean, if they end up with 40 to 50 million dollars that they need, they can't get it. We can't pay for projects right now that have, you know, been going for a long, long time.

My last remarks are directed at OMB. I honestly don't believe that, in considering the budget, that they consider any of the things we've been talking about here. It's pure numbers. You know, pure numbers. Can you imagine to come up and say we've got a

new water program he put in it for the West, and we put \$20 million in it? You know, \$20 million? We need a revolving fund of a billion dollars, with grants and matching funds. Anybody that sees that—sees what's going on out there knows that.

Now, enough of us. Let's hear the Commissioner.
Proceed.

SUMMARY STATEMENT OF COMMISSIONER KEYS

Commissioner KEYS. Mr. Chairman, good morning. It's my absolute pleasure to be here today to talk about the President's fiscal year 2000 budget request for the Bureau of Reclamation.

We do appreciate all the support that we've had from the committee, and certainly look forward to working with you on Bureau projects in the future.

I have a statement for the record that has been sent forward that I would certainly appreciate your including as part of the record.

Senator DOMENICI. It will be made part of the record.

Commissioner KEYS. Assistant Secretary Bennett Raley, Assistant Secretary of Water and Science, could not be here today, and he has also submitted a statement that we would appreciate being put in the record.

Senator DOMENICI. It will be made part of the record.

Commissioner KEYS. And I have with me Ron Johnston, who is here to talk, if you would like, about the Central Utah Project Completion Act, and I have Bob Wolf and Pam Hayes, our budget folks, with us if we need further information from them.

Mr. Chairman, before I get to the budget, we would like to update you on water-supply situation in the Western United States. This year, unfortunately, as we've talked about, the drought remains with us and—put the green one up first, the big one—

Senator DOMENICI. I didn't read your testimony beforehand, I'm sorry, Mr. Commissioner, but thank goodness you're covering this. Please proceed.

Commissioner KEYS. Mr. Chairman, you talked about growth in the West, and this first chart shows exactly what you were talking about. In the decade between 1990 and 2000, State of Nevada grew by 60 percent, State of Arizona by 40 percent, Colorado and Idaho by 30 percent, New Mexico by 20 percent. That, in itself, tells you some of the crisis and conflict that we face in the Western United States.

The next chart shows that annual precipitation that we have depended on for a number of years, and certainly you can see that in the Western United States it ranges somewhere from 3 inches up to an average of less than 20 inches in most places.

Now, if you consider the drought that we're in, it almost looks like a bulls-eye on the Western United States. In the year 2003, there was only one State out of the 17 that Reclamation works with that experienced normal or above precipitation; that was California. This year, we're started out, and there's even some dry in Southern California that was not there last year. We anticipate it being a dry year, and certainly we're trying to manage toward that.

Now, one of the efforts that we have entered into in trying to look at the drought, look at the demands for water and the conflict and crisis that we could get into is the Water 2025 Program. This

is a chart that we put together as part of that to show those hot-spots in the Western United States. Hot-spots, meaning that they would have water requirements from exploding populations, from demands from the Endangered Species Act, demands from other fish and wildlife, from new industry, from new requirements that we didn't even know about. These are the hot-spots that we are trying to deal with in the Western United States.

Now, with that said, I would go to the information on the fiscal year 2005 budget. The overall Reclamation budget totals \$956 million in current authority and is offset by discretionary receipts from the Central Valley Project Restoration Fund of \$46 million, and hydropower direct financing of \$30 million. While the request is partially offset by underfinancing of \$36 million, I'm concerned that increasing above this amount, as has occurred in the recent past, may adversely affect our ability to address activities at our aging infrastructure. And I look forward to working with the committee to identify ways to address this critical area.

Our 2005 budget request continues the President's commitment—

Yes, sir?

Senator DOMENICI. Commissioner, did that last statement, that you want to work with us on these critical areas, were those presented to OMB?

Commissioner KEYS. Mr. Chairman, the under-financing is a figure that we work with the committee directly on every year. We propose a level of under-financing that we think makes good business sense, and then you work with us to see what it should be. In the past 2 years, it's actually been quite a bit more than we had recommended.

Senator DOMENICI. Well, let me tell you, that's a very, very risky business. When you have a budget that's as tight as this budget, everywhere—you know, we don't know how we're going to do that, because every year the chairman of the committee that makes the allocations has mercy on us and gives us a little bit of allocation over an amount. But what if they don't do it this year? Then, you know, you better be prepared to tell us what can we cut or hold from your ongoing projects that we can use to keep this—you know, the parts that are desperate, to keep them alive.

I don't know how. I've looked at it, and I don't know where the heck we're going to—I don't know where we're going to get the money.

Commissioner KEYS. Mr. Chairman, we certainly will work with you every step of the way on that.

Senator DOMENICI. Good.

Commissioner KEYS. Our fiscal year 2000 continues the President's commitment to a more citizen-centered government founded on the principle of getting results rather than creating process, as well as the Secretary's four C's, "conservation through consultation, cooperation, and communication."

The request also continues to emphasize the operation and maintenance of Reclamation facilities in a safe, efficient, economic, and reliable manner while sustaining the health and integrity of ecosystems that address the water needs of a growing population.

Mr. Chairman, the highlights of our budget are—the Water 2025 Program in 2005 requests \$20 million. That request would continue Secretary Norton's 2025 Initiative, building off of the fiscal year 2004 Western Water Initiative. Water 2025 is a high priority for Reclamation, focusing resources, both financial and technical, on areas of the West where conflict and crisis over water either exist now or can be predicted and prevented using the tools to deal with the realities outlined in the initiative.

Water 2025 provides Federal seed money in the form of competitive grants with performance measures to empower local citizens and communities to do what the government cannot do alone. Our fiscal year 2004 budget included \$4 million in the Western Water Initiative for these competitive grants. This request is about \$20 million for those competitive grants.

In the Klamath Project, in Oregon and California, we're asking for \$25 million. The fiscal year 2005 request continues and increases funding for our efforts in the Klamath Basin that will improve water supplies to meet competing demands for water in the Basin and ensure continued delivery of water to this project. Coupled with efforts from other Federal agencies, Interior is proposing over \$67 million in fiscal year 2005 to keep its commitment to help restore the Basin, provide water necessary to meet the needs of the farmers.

Now, on the Middle Rio Grande Project, we're asking for \$18 million. The fiscal year 2005 request continues funding in support of the Endangered Species Collaborative Program. In addition, the request continues funding for requiring supplemental water, doing the necessary channel maintenance, and government-to-government consultation with Pueblos and tribes. The funding will continue efforts that support the protection and contribute to the recovery of the Rio Grande silvery minnow and the southwestern willow flycatcher.

One effort that—

Senator DOMENICI. How much less is that than the previous year?

Commissioner KEYS. Mr. Chairman, our request for fiscal year 2005 is \$1 million more than it was in fiscal year 2004.

Senator DOMENICI. We don't have that number. We ought to consult on that. We have a number that it's \$14 million less. But, anyway—

Commissioner KEYS. Mr. Chairman, we'd certainly work with you on that number.

Senator DOMENICI. Okay.

Commissioner KEYS. On the Animas-La Plata Project in Colorado and New Mexico, we're requesting \$52 million. The Animas-La Plata Project is currently under construction and resolves, through authorizing legislation passed by the Congress in 2000, long-standing Indian water-right claims in the Basin.

In response to your comments before, I can assure you that Reclamation has made changes in the personnel on the project and the procedures that we are using to complete the project as it was designed, and to ensure that we don't run into those problems on other projects throughout the Western United States. Those changes have been made. We are continuing to look at the organi-

zation and our engineering expertise to be sure that it is there for another century to come.

On site security, we have asked for \$43 million in fiscal year 2005. The funding request is necessary to cover the cost of site-security activities, including surveillance and law enforcement, antiterrorism activities, including physical, information, and personnel security, and threat management, and physical emergency security upgrades, with the primary focus on our national critical infrastructure facilities.

I do want to call your attention to a change that will be occurring in how we address the cost of site-security activities. Beginning in fiscal year 2005, annual costs associated with activities for guarding our facilities will be treated as project operation and maintenance cost, subject to reimbursability based upon project cost allocations. You'll be hearing more on this approach in the future.

Our Safety of Dams Program, we ask for \$64 million in fiscal year 2005. As our infrastructure ages, we must direct increasing resources toward upgrading and maintaining our facilities through the use of science and new technologies to ensure the continued reliability so important to our western stakeholders. The fiscal year 2005 request is being made to reduce risks to public safety, particularly those identified as having deficiencies.

On the Rural Water Program, we have asked for \$67.5 million. The fiscal year 2005 funding for rural water projects emphasizes a commitment to completing ongoing municipal, rural, and industrial systems. This one, in fact, would complete the Mid-Dakota project in South Dakota that we've been working on. Funding is included for the Mni Wiconi, Mid-Dakota, Garrison, Lewis and Clark, and Perkins County projects.

The administration will convene an interagency group to review programs of all Federal agencies with rural water infrastructure needs. We just, about 3 weeks ago, working with your office and Mr. Bingaman, submitted a new bill for which you have sponsored, Senate Bill 2218, the Reclamation Rural Water Act of 2004. That, we think, will give us a good structured approach to addressing rural water needs in the future, and give us a better way to handle them than we have been working with in the past.

In talking about the hydropower direct financing, that's the \$30-million figure that we had talked about before. The fiscal year 2005 budget proposes to finance the cost of operation and maintenance of certain Reclamation hydropower facilities directly from receipts collected by the Western Area Power Administration. Each year, Western Area Power Administration would transfer an agreed-upon amount to the Bureau of Reclamation for deposit in its "water and related resources" account. A direct-funding arrangement already is in place with the Bonneville Power Administration.

PREPARED STATEMENTS

Mr. Chairman, in conclusion, I want to strongly reiterate that the fiscal year 2005 budget request demonstrates Reclamation's commitment to meeting the water and power needs of the West in a fiscally responsible manner. This budget continues Reclamation's commitment to sound water-resources management and the delivery and management of those valuable resources. Our goals for

2005 and accomplishments for fiscal year 2003 are described in my official statement, and I'd be glad to provide more detail if you would like.

That concludes my prepared remarks, and I would certainly stand for any questions that you might have today.

[The statements follow:]

PREPARED STATEMENT OF JOHN W. KEYS, III

Thank you, Mr. Chairman, Mr. Reid, and members of the subcommittee, thank you again for the opportunity to appear before you today to support the President's fiscal year 2005 budget request for the Bureau of Reclamation. With me today is Bob Wolf, Director of Program and Budget.

Our fiscal year 2005 request has been designed to support Reclamation's mission of delivering water and generating hydropower, "consistent with applicable state and Federal law, in an environmentally responsible and cost efficient manner."

Funding is proposed for key projects that are important to the Department and in line with administration objectives. The budget request also supports Reclamation's participation in efforts to meet emerging water supply needs to promote water conservation and sound water resource management, and help prevent conflict and crises over water in the west.

The fiscal year 2005 current authority request for Reclamation totals \$956.3 million and is offset by discretionary receipts in the Central Valley Project Restoration Fund of \$46.4 million and proposed hydropower direct financing of \$30.0 million. In addition, Reclamation's program includes permanent authority of \$90.6 million. The total program, after offsets to current authority and the inclusion of permanent authority is \$970.5 million.

WATER AND RELATED RESOURCES

The fiscal year 2005 request for the Water and Related Resources account is \$828.5 million. The request provides funding for five major program activities: Water and Energy Management and Development (\$376.4 million); Land Management and Development (\$39.4 million); Fish and Wildlife Management and Development (\$82.7 million); Facility Operations (\$188.6 million); and Facility Maintenance and Rehabilitation (\$178.0 million). The request is partially offset by an undistributed reduction of \$36.6 million, commonly referred to as underfinancing, in anticipation of delays in construction schedules and other planned activities.

The request continues to emphasize the operation and maintenance of Reclamation facilities in a safe, efficient, economic, and reliable manner, while meeting our requirements to sustain the health and integrity of ecosystems that are connected to those operations. It will also assist the States, tribes, and local entities in solving contemporary water resource issues in advance of crises over water.

Highlights of the Fiscal Year 2005 Request for Water and Related Resources include:

Water 2025 (\$20 million).—The Water 2025 Initiative allows Reclamation to continue playing an important role in working with State and local communities to develop solutions that will help meet the increased demands for limited water resources in the West, and avoid water conflicts in areas particularly susceptible to an imbalance between supply and demand. The request will benefit fast growing western communities that are struggling with increased water demands, inadequate water supplies, and compliance with the Endangered Species Act and other ecosystem water needs. The monies for the precursor effort, the Western Water Initiative, will be awarded in the form of competitive grants; this 2004 effort will assist in developing grant criteria and tracking program impacts; the experience from this effort will then be used to refine the Water 2025 effort for 2005. The projects in fiscal year 2004 will facilitate and promote new or existing intrastate water banks and provide cost sharing monies to assist various stakeholders in implementing measures that will lead to improved water management and help avoid future water supply conflicts.

Klamath Project in Oregon and California (\$25.0 million).—The fiscal year 2005 funding request will provide on-the-ground initiatives to improve water supplies to meet agricultural, tribal, wildlife refuge, and environmental needs in the Klamath Basin and to improve fish passage and habitat. This is part of a \$67.2 million Department of Interior request spread across several bureaus, focused on making immediate on-the-ground impacts, while the Department, in consultation with the Klamath River Basin Federal Working Group, led by Secretary Norton, develops a

long-term resolution to conflict in the Basin that will provide water to farmers and tribes while protecting and enhancing the health of fish populations, and meeting other water needs, such as those of the adjacent National Wildlife Refuge.

Middle Rio Grande (\$18.0 million).—The fiscal year 2005 request continues funding in support of the Endangered Species Collaborative Program. In addition, the request continues funding for acquiring supplemental water, channel maintenance, and pursuing government-to-government consultations with Pueblos and Tribes. Finally, the funding will continue efforts that support the protection and contribute to the recovery of the Rio Grande silvery minnow and southwestern willow flycatcher.

Animas-La Plata in Colorado and New Mexico (\$52.0 million).—The fiscal year 2005 request includes \$52.0 million for the continued construction of Ridges Basin Dam and Durango Pumping Plant and preconstruction activities for Navajo Nation Municipal Pipeline, Ridges Basin Inlet Conduit, utility relocations, and project support activities.

Columbia/Snake River Salmon Recovery in Idaho, Oregon, Montana, and Washington (\$17.5 million).—This program addresses the implementation of Reasonable and Prudent Alternatives (RPAs) included in two Biological Opinions issued in December 2000. The fiscal year 2005 funding will address significantly increased regional coordination, off-site mitigation activities in selected sub-basins to offset hydrosystem impacts, and continue research, monitoring and evaluation efforts.

Site Security (\$43.2 million).—Since September 11, 2001, Reclamation has maintained heightened security at its facilities to protect the public, its employees, and infrastructures.

The funding in fiscal year 2005 is necessary to cover the costs of site security activities including:

- surveillance and law enforcement;
- anti-terrorism activities including physical, information, and personnel security, and threat management; and
- physical emergency security upgrades, with a primary focus on our National Critical Infrastructure facilities.

Beginning in fiscal year 2005, annual costs associated with activities for guarding our facilities will be treated as project O&M costs subject to reimbursability based upon project cost allocations.

Rural Water (\$67.5 million).—The fiscal year 2005 funding for rural water projects emphasizes a commitment to completing ongoing municipal, rural, and industrial systems. Funding is included for Mni Wiconi, Mid-Dakota, Garrison, Lewis and Clark and Perkins County projects. Funding required for Mid-Dakota is sufficient to complete the project. The administration is convening an interagency group to review the rural water programs of all Federal agencies, with any recommendations coming out of this to be included in the President's Fiscal Year 2006 Budget. The administration has submitted legislation to formally establish a rural water program within Reclamation.

Hydropower Direct Financing (\$30.0 million).—The fiscal year 2005 budget proposes to finance the costs of operation and maintenance of certain Reclamation hydropower facilities directly from receipts collected by the Western Area Power Administration from the sale of electricity. Western Area Power Administration would transfer an agreed-upon amount to the Bureau of Reclamation for deposit in its Water and Related Resources account. The transferred funds would be treated as an offsetting collection. A direct funding arrangement is already in place for the Bonneville Power Administration.

Safety of Dams (\$64.0 million).—The safety and reliability of Reclamation dams is one of Reclamation's highest priorities. Approximately 50 percent of Reclamation's dams were built between 1900 and 1950, and 90 percent of those dams were built before the advent of current state-of-the-art foundation treatment, and before filter techniques were incorporated in embankment dams to control seepage. Safe performance of Reclamation's dams continues to be of great concern and requires a greater emphasis on the risk management activities provided by the program. The fiscal year 2005 request of \$64.0 million for the Safety of Dams Program is being made to reduce risks to public safety at Reclamation dams, particularly those identified as having deficiencies. The slight reduction from the fiscal year 2004 level is a result of the completion of certain ongoing Safety of Dams actions, and does not reflect a reduced emphasis on the importance of this program.

POLICY AND ADMINISTRATION

The request for Policy and Administration is \$58.2 million. These funds are used to develop and implement Reclamation-wide policy, rules and regulations (including

actions under the Government Performance and Results Act) and to perform functions which, by statute, cannot be charged to specific project or program activities covered by separate funding authority. These funds support general administrative and management functions.

CENTRAL VALLEY PROJECT RESTORATION FUND

The fiscal year 2005 Reclamation budget includes a request for the CVP Restoration Fund of \$54.7 million, and is expected to be offset by discretionary receipts totaling \$46.4 million collected from project beneficiaries under provisions of Section 3407(d) of the Act. These funds will be used for habitat restoration, improvement and acquisition, and other fish and wildlife restoration activities in the Central Valley Project area of California. This fund was established by the Central Valley Project Improvement Act, Title XXXIV of Public Law 102–575, October 30, 1992. The funding request is calculated based on a 3-year rolling average of collections. The increase is driven by formulas spelled out in the 1992 Act.

Reclamation is seeking appropriations for the full amount of funds of the estimated collections for fiscal year 2005.

CALIFORNIA BAY-DELTA RESTORATION

The fiscal year 2005 Reclamation budget includes a request of \$15.0 million for California Bay-Delta restoration. The funds will be used consistent with a commitment to find long-term solutions in improving water quality; habitat and ecological functions; and water supply reliability; while reducing the risk of catastrophic breaching of Delta levees. Further, the fiscal year 2005 budget contains funds for Bay-Delta activities that can be undertaken within existing statutory authorities for implementation of Stage 1 activities. Those activities are included in the preferred program alternative recommended by CALFED and approved by the Secretary of the Interior. The majority of these funds will specifically address the environmental water account, storage studies, and program administration.

PROGRAM ASSESSMENT RATING TOOL (PART)

Reclamation, in close cooperation with the Department and the Office of Management and Budget, completed one new PART analysis in conjunction with the fiscal year 2005 budget request, and revised a 2004 PART. Our Science and Technology Program, with its emphasis on research with direct applicability to the operation of Reclamation facilities, received a favorable score of 87 percent. The PART review assisted the program by highlighting areas where more precise data gathering is needed, which will allow for increasingly accurate measures of performance.

Also, the administration revised the PART analysis on our Hydropower Program, which had been one of three programs reviewed in the fiscal year 2004 budget request. As a result, improved performance measures were implemented and the program received a score of 92 percent, indicative of a well-run effort.

PRESIDENT'S MANAGEMENT AGENDA

E-Government.—Reclamation is actively participating in Recreation One-Stop, which provides citizens information about recreational activities on public lands; Geospatial One-Stop, which makes it easier, faster, and less expensive for all levels of government and the public to access geospatial information; and Volunteer.gov which provides information on volunteer activities. Reclamation program managers continue to work with stakeholders to leverage technology to accomplish our mission work.

Financial Management Improvement.—Reclamation submitted its fiscal year 2003 Financial Statement on an accelerated schedule and received a clean audit opinion. We continue to make progress to ensure that our financial systems are compliant with the Joint Financial Management Improvement Program core requirements. To ensure that accurate and timely financial information is provided, our financial management program uses the Federal Financial System, the Program and Budget System, and its corporate database system to report summary and transactions data. Reclamation is enhancing its financial policies and procedures and is participating in the Department's development of a new financial management system.

Competitive Sourcing.—Reclamation has completed competitive sourcing studies of 348.6 FTE and directly converted to contract 136.1 FTE, for a reportable savings of approximately \$1.1 million. Our goals for 2002, 2003, and 2004 have been completed and a strategy has been developed for completing competitive sourcing studies in 2005–2008.

Human Capital.—Reclamation effectively deploys the appropriate workforce mix to accomplish mission requirements. The use of existing human resources flexibilities, tools, and technology is in a strategic, efficient, and effective manner, designed to address the serious challenges we face in terms of an aging workforce and increased competition for the engineering skills that Reclamation relies on to carry out our core activities. Our workforce plan addresses E-Government and Competitive Sourcing and a plan is in place for recruitment, retention, and development of current and future leaders.

Performance and Budget Integration.—Reclamation continues to integrate its budget, planning and performance processes by relating budget dollars to goals and performance.

In October 2003, Activity Based Costing was fully implemented within Reclamation. The implementation of ABC will link our work to the Department activities, track the costs associated with those activities, and align cost and activities to strategic goals to further our integration of performance and budget. The availability of this information will provide Reclamation with additional tools for management and decisionmaking.

DEMONSTRATED COMMITMENT AND ACCOMPLISHMENTS

In fiscal year 2003, Reclamation delivered 10 trillion gallons of water to over 31 million people in the 17 western States for municipal, rural, and industrial uses. Reclamation facilities stored over 245 million acre-feet of water, serving one of every five western farmers to irrigate about 10 million acres of land. Those irrigated lands produced 60 percent of the Nation's vegetables and 25 percent of its fruits and nuts. As the largest water resources management agency in the West, Reclamation continues to administer and/or operate 348 reservoirs, 56,000 miles of water conveyance systems, and 58 hydroelectric facilities, which generate 42 billion kilowatt-hours annually.

Reclamation also continues to manage approximately 8.6 million acres of Federal land, plus another 600,000 acres of land under easements. In addition, our facilities provide substantial flood control, recreation, and fish and wildlife benefits. Reclamation and its employees take very seriously their mission of managing, developing, and protecting water and related resources in an environmentally and economically sound manner in the interest of the American public.

The historic Colorado River Water Pact was signed on October 16, 2003, by the Secretary, the governor of California and officials from San Diego County Water Authority, Imperial Irrigation District, Metropolitan Water District of Southern California and Coachella Valley Water District, embarking on a new era of cooperation on the river by fulfilling a promise the State of California made more than 70 years ago. Under Secretary Norton's leadership, California has agreed to take specific, incremental steps that will reduce its over-reliance on the Colorado River water in the next 14 years, allowing the State to live within its authorized annual share of 4.4 million acre-feet. The agreement allows the six other Colorado River Basin States to protect their authorized shares to meet future needs.

The fiscal year 2005 budget request demonstrates Reclamation's commitment in meeting the water and power needs of the West in a fiscally responsible manner. This budget continues Reclamation's emphasis on delivering and managing those valuable public resources. In cooperation and consultation with the State, tribal, and local governments, along with other stakeholders and the public at large, Reclamation offers workable solutions regarding water and power resource issues that are consistent with the demands for power and water. With the need to pursue cost effective and environmentally sound approaches, Reclamation's strategy is to continue to use the Secretary's four "C's:" "Conservation through Cooperation, Communication, and Consultation". These principles provide Reclamation an opportunity, in consultation with our stakeholders, to use decision support tools, including risk analyses, in order to develop the most efficient and cost-effective solutions to the complex challenges that we face.

Moreover, Reclamation's request reflects the need to address an aging infrastructure and the rising costs and management challenges associated with scarce water resources. As our infrastructure ages, we must direct increasing resources toward technological upgrades, new science and technologies; and preventative maintenance to ensure reliability; which will increase output, and improve safety.

In fiscal year 2003, critical Safety of Dams modifications of significant cost and scope were initiated at Deadwood Dam, ID; and Deer Creek Dam, UT.

The site security activities in fiscal year 2003 included integrated security system analysis to determine emergency security upgrades and long-term measures for four National Critical facilities and 14 of Reclamation's highest priority facilities. Facility

fortifications totaling \$5.5 million are now in place. In addition, we completed threat and physical security risk analyses and developed security plans.

FISCAL YEAR 2005 PLANNED ACTIVITIES

In fiscal year 2005, Reclamation plans to continue making the required deliveries of water under Reclamation contracts; optimize hydropower generation, consistent with other project purposes, agreements, and the President's energy policy; and incorporate environmental, recreational, land management, fish and wildlife management and enhancement, water quality control, cultural resources management, and other concerns into the water supply and power generation actions of Reclamation. Finally, Reclamation plans to identify water supply needs for consumptive and non-consumptive purposes in Reclamation States in the next 25 years that are likely to be unmet with existing resources.

Reclamation also plans to continue ranking within the upper 75th percentile of low cost hydropower producers; by comparing power production costs per megawatt capacity. Reclamation plans to achieve a forced outage rate of 50 percent better than the industry average which is currently 3 percent. While Reclamation anticipates completing the baseline condition assessments for 80 percent of the recreation facilities it manages, it plans to continue to maintain the overall facility condition rating assessed at the fiscal year 2003 baseline level.

CONCLUSION

Mr. Chairman, Please allow me to express my sincere appreciation for the continued support that this committee has provided Reclamation. I would like to thank several members of the Appropriations staff that have provided invaluable support to Reclamation during this past year: Clay Sell, Drew Willison, Tammy Perrin, Erin McHale, and Roger Cockrell. We have enjoyed working with Clay Sell over the years and wish him well. This completes my statement. I would be happy to answer any questions you may have at this time.

PREPARED STATEMENT OF BENNETT W. RALEY, ASSISTANT SECRETARY FOR WATER AND SCIENCE, DEPARTMENT OF THE INTERIOR

Good morning. On behalf of the Secretary of the Interior, I am pleased to be here today before the Subcommittee on Energy and Water Development to discuss the fiscal year 2005 budget for the Department of the Interior. I appreciate the opportunity to highlight our priorities and key goals.

The Department of the Interior's mission is complex and multi-faceted. We provide recreation opportunities. We provide access to resources. We protect some of the Nation's most significant cultural, historic, and natural places. We serve communities through science, wildland firefighting, and law enforcement. We deliver water and power. We fulfill trust and other responsibilities to American Indians, Alaska natives, and the Nation's affiliated island communities.

Interior's mission is also challenging. It is challenging because the world around is increasingly complex as expectations evolve, new technologies emerge, and our responsibilities to the American people increase.

Above all, our mission is inspiring. We have close connections to America's lands and people, whether American Indians and naturalists, hikers and hunters, ranchers and recreation enthusiasts, or environmentalists and entrepreneurs. Our responsibilities touch the lives of individuals across the Nation. How well we fulfill our mission influences:

- Whether farmers will have water and people can turn on the tap;
- Whether our children will enjoy America's grand vistas, places, and history;
- Whether we can hike, bird watch, canoe, or hunt and fish; and
- Whether we can warm our homes and fuel our transportation systems.

By fulfilling Interior's mission, we can leave a legacy of healthy lands and waters, thriving communities, and dynamic economies. That legacy depends on our ability to work together across landscapes and with communities. It depends on the efforts of our 70,000 employees, 200,000 volunteers and thousands of partners.

BUDGET OVERVIEW

Our 2005 budget request for current appropriations is \$11.0 billion. The Department anticipates collection of \$10.1 billion in receipts in 2005, equivalent to 92 percent of our current appropriations request.

The 2005 request includes \$10.0 billion for programs funded in the Interior and Related Agencies Appropriations Act, an increase of \$228.4 million or 2.3 percent over the 2004 enacted level.

Our budget also includes \$1.0 billion for programs funded in the Energy and Water Development Appropriations Act, an increase of \$21.8 million, or 2.2 percent above 2004.

Interior's 2005 budget request provides the single clearest statement of how we plan to work toward our goals in the upcoming year. Our budget fulfills the President's commitments to fully fund the Land and Water Conservation Fund; address the backlog of park repair and maintenance needs; fix Bureau of Indian Affairs schools; and re-establish healthy forests and rangelands.

Our 2005 budget also advances other key goals. It accelerates the cleanup of abandoned coal mine lands; expands opportunities for cooperative conservation; advances trust reform; seeks to avoid water conflicts throughout the West through Water 2025; and supports the goals of the National Energy Plan.

BUREAU OF RECLAMATION

The Bureau of Reclamation is the largest supplier and manager of water in the 17 western States. Its facilities include 348 reservoirs and 456 dams with the capacity to store 245 million acre-feet of water. These facilities deliver water to one of every five western farmers for about 10 million acres of irrigated land and provide water to over 31 million people for municipal, rural, and industrial uses. Reclamation is also the Nation's second largest producer of hydroelectric power, generating 42 billion kilowatt hours of energy each year from 58 power plants. In addition, Reclamation's facilities provide substantial flood control, recreation, and fish and wildlife benefits.

Since its establishment in 1902, Reclamation has developed water supply facilities that have contributed to sustained economic growth and an enhanced quality of life in the western States. Lands and communities served by the bureau's projects have been developed to meet agricultural, tribal, urban, and industrial needs. In more recent years, the public has demanded better environmental protections and more recreational opportunities, while municipal and industrial development has required more high quality water. Continuing population growth, especially in urban areas, will inevitably lead to even greater competition for the West's limited water resources. These increased demands are further compounded during periods of drought.

The 2005 request for current appropriations is \$956.3 million, a net increase of \$13.5 million above the 2004 enacted level. The request for current appropriations is offset by discretionary receipts in the Central Valley Project Restoration Fund and by a proposal to finance by direct funding certain hydropower operation and maintenance activities, resulting in a net discretionary request of \$880.0 million, a decrease of \$32.1 million from the 2004 enacted level. The request for permanent appropriations totals \$90.5 million.

The request for the Water and Related Resources account is \$828.5 million. The account total includes an undistributed reduction of \$36.6 million in anticipation of delays in construction schedules and other planned activities. The 2004 Energy and Water Development Appropriations Act, for the first time, directed Reclamation to prorate underfinancing to each project and program. In accordance with this direction, the basis for comparing the amount of 2005 funding changes is the 2004 enacted level with underfinancing applied.

The 2005 request provides a total of \$366.6 million for facility operations, maintenance, and rehabilitation. This includes \$64.0 million for the Dam Safety program to protect the downstream public by ensuring the safety and reliability of Reclamation dams. The 2005 request also includes a total of \$498.4 million for resource management and development activities.

Water 2025.—Chronic water supply problems in the West will continue to challenge the Nation to find effective approaches to long-term management of water resources. Recent crises in the Klamath and Middle Rio Grande basins, where water shortages have affected American Indians, farmers, urban residents, and fish and wildlife vividly demonstrate the consequences of failing to address strategically the problem of competing demands for constrained water supplies.

The 2005 budget includes \$21.0 million for Water 2025 to minimize future western water crises by fostering conservation and interagency coordination, enhancing water supplies through improved technologies, and managing water resources in cooperation with others. Collaborative approaches and market-based water transfers will help address emerging needs. Federal investments in research and development will improve water treatment technologies such as desalination.

A Water 2025 increase of \$12.5 million for the Bureau of Reclamation will build on the 2004 Western Water Initiative, providing a total of \$20.0 million to retrofit and modernize existing facilities, promote conservation and more efficient use of existing water supplies, improve water management by using excess capacity at Federal facilities, and facilitate research to provide alternative water supplies.

The U.S. Geological Survey's 2005 budget includes \$1.0 million for Water 2025 to conduct groundwater availability assessments, develop tools and techniques for protecting biological resources while meeting water supply needs, and to improve methods to characterize aquifers.

Animas La Plata.—The 2005 budget proposes funding Animas La Plata at 2004 levels, prior to the application of underfinancing. This level of \$52.0 million allows progress towards satisfying the Indian water rights settlement with the continued construction of Ridges Basin Dam and Durango Pumping Plant; road and utility relocations; preconstruction activities for the Navajo Nation municipal pipeline; and design and contract preparation for the Ridge Basin Inlet Conduit.

In the fall of 2003, Reclamation completed an internal investigation into why Animas La Plata project costs were underestimated by \$162 million or 48 percent. As a result of the investigation, Reclamation has recalculated the construction cost estimate and will review/reconfigure its internal organizational approach to the project; review its Indian Self-Determination and Assistance Act process to improve construction efficiencies; improve interaction and communication with the project sponsors; seek ways to reduce costs; and review its own procedures for developing construction cost estimates.

CAP and CVP.—The request provides \$34.1 million for the Central Arizona Project. The request also includes \$162.9 million for operating, managing and improving California's Central Valley Project. This includes a total of \$23.2 million for CVP's Replacement, Additions, and Extraordinary Maintenance program. The CVP request also includes the third and final \$34.0 million payment to the plaintiffs for the settlement of *Sumner Peck Ranch Inc. v. Bureau of Reclamation*.

Multiple-use Management.—The budget puts continued emphasis on Reclamation's core mission of delivering water and power, while focusing on ensuring site security and on maximizing efficient ways to conserve water for multiple uses, including endangered species protection. The Klamath, Columbia Basin, and Savage Rapids Dam projects, along with the Columbia/Snake Rivers salmon recovery and the ESA recovery implementation programs, are funded at \$72.2 million, which is \$15.7 million above 2004 enacted levels. These increases, together with the Water 2025 initiative, will help optimize water supply through effective and more efficient water management.

The Middle Rio Grande project is funded at \$18.0 million, \$14.3 million below the 2004 enacted level. This funding level is consistent with the President's budget request in recent years and addresses needs for ESA coordination, the Middle Rio Grande Endangered Species Act Collaborative program, and facility operations to manage and control water flow.

Rural Water.—The 2005 budget request for rural water projects is \$67.5 million, a decrease of \$9.1 million from the 2004 enacted level (with underfinancing applied) and an increase of \$49.5 million above the 2004 President's budget. The budget request supports the Department's strategy to complete construction projects to increase water delivery infrastructure and water availability. In the long-term, the water needs of rural communities may benefit from Water 2025 by helping communities look at new technologies and new management strategies for their water resources.

Other Project Requests.—The budget includes \$43.2 million, an increase of \$15.4 million, for site security. This increase will be used to assure the safety and security of Reclamation facilities that will in turn lower the risk of harm to life and property. Beginning in 2005, the budget assumes that the guards and surveillance-related security costs for Reclamation's facilities are reimbursed by project beneficiaries.

The budget request also establishes a direct financing relationship between Reclamation hydropower facilities and their customers, for those facilities where such an arrangement is not already in place and includes an offsetting collection proposal of \$30.0 million.

Other funds are requested to assist the Bureau in meeting objectives in the areas of improved water management and environmental compliance. Examples include \$15.3 million for the Lower Colorado River Operations program and \$13.6 million for the Colorado River Storage Project.

The 2005 Reclamation budget includes a request for \$54.7 million from the Central Valley Project Restoration Fund, which is the estimated level of collections from CVP water and power users. This request is offset by collections estimated at \$46.4

million from mitigation and restoration charges authorized by the Central Valley Project Improvement Act.

The 2005 budget includes \$15.0 million for the implementation of Stage one CALFED activities consistent with existing authorities. These activities are included in the preferred program alternative recommended by CALFED and approved by the Secretary of the Interior. The majority of these funds will specifically address the environmental water account, water storage and conveyance studies, and program administration.

CENTRAL UTAH PROJECT COMPLETION ACT

The Central Utah Project Completion Act provides for completion of the project by the Central Utah Water Conservancy District. The Completion Act also authorizes funding for fish, wildlife, and recreation mitigation and conservation activities; establishes the Utah Reclamation Mitigation and Conservation Commission to oversee implementation of those activities; and authorizes funding for the Ute Indian Rights Settlement. A program office located in Provo, Utah provides liaison with the District, Mitigation Commission, and the Ute Indian Tribe and otherwise assists in carrying out responsibilities of the Secretary. Under the Act, the responsibilities of the Secretary cannot be delegated to the Bureau of Reclamation.

The 2005 Central Utah Project requests \$46.3 million, an increase of \$8.3 million over the 2004 enacted level. Most of this increase is due to a transfer of budgetary authority and responsibility from the Western Area Power Administration to the Department. The request includes: \$28.4 million for planning and construction activities administered by the District; \$15.5 million for mitigation and conservation activities funded through the Mitigation Commission; and \$2.4 million for activities administered by the program office, which includes \$700,000 for mitigation and conservation activities funded through the program office.

KLAMATH BASIN

The Department's partnership efforts are bringing about change in the Klamath Basin. Interior bureaus, partnering with other Federal agencies, are restoring habitat, removing fish migration barriers, acquiring land, using water banking, and researching the ecology of the federally-listed fish species. Through these partnership efforts, the Department is seeking long-term resolution of conflicts over water and land management.

The 2005 budget includes \$67.6 million for this effort, a \$17.9 million increase over 2004 funding levels. Other government agencies will provide an additional \$38 million, bringing a total of \$105 million to this effort. The budget includes funds to remove the Chiloquin Dam, which impedes passage of endangered suckers to 70 miles of spawning habitat on the Sprague River, and to acquire lands adjacent to Agency Lake Ranch to increase water storage and fisheries habitat restoration. Additional funding will also support water banking, water supply enhancement, and water quality improvement. Reclamation's budget contains \$25.0 million for Klamath.

ADDRESSING LONG-STANDING DEPARTMENT CHALLENGES

Abandoned Mine Lands.—Since enactment of the Surface Mining Control and Reclamation Act in 1977, the Department has partnered with States, Tribes, local governments, and others to reclaim over 225,000 acres of damaged and dangerous lands. Despite these accomplishments over the past two and a half decades, dangerous abandoned coal mines remain within 1 mile of the homes of more than 3.5 million Americans. Since 1999 a total of 100 people have died in incidents related to abandoned coal mines.

The primary impediment to completing reclamation of abandoned mines is the fundamental imbalance between the goals of the 1977 Act and the requirements for allocating funds under the Act. The statutory allocation formula limits the ability of the Office of Surface Mining to meet its primary objective of abating the highest-priority abandoned coalmines. The majority of funding in the program, or 71 percent, is distributed to States on the basis of current production. Yet there is no relationship between current production and the number of priority sites in each State, which is a function of pre-1977 production.

Over the past 25 years, the allocation formula has enabled some States and Tribes to complete reclamation of all abandoned coal mines. Others are decades away from completing work on the most critical, high-priority sites. We estimate it will take 60 years to reclaim dangerous abandoned mine sites in Pennsylvania and 50 years in West Virginia.

Our 2005 budget proposal seeks to correct this problem. We propose to direct reclamation grants to sites where the danger is greatest. The reauthorization proposal will allow all States to eliminate significant health and safety problems within 25 years and would remove 142,000 people from risk annually. At the same time, by shifting funds to speed resolution of serious health and safety problems, the proposal will reduce fee collections and spending by \$3 billion over the life of the program.

Under our proposal, States and Tribes that have certified completion of high-priority projects will be paid their accumulated State share balances in the abandoned mine lands fund as of September 30, 2004. These payments will be made over a 10-year period. Going forward, the grants would be distributed for high priority mine reclamation projects.

The 2005 budget proposes an appropriation of \$243.8 million for the abandoned mine lands program, including \$53.0 million for the initial State share balance distribution to certified States and Tribes.

Indian Trust Programs.—Fulfilling the Department's trust responsibilities continues as one of our highest priorities and greatest challenges. The assets of the trust today include over 56 million acres of land. On these lands, the Department manages over 100,000 leases for individual Indians and Tribes. We collect approximately \$194 million per year from leasing, use permits, sale revenues, and interest for 260,000 open individual Indian money accounts. About \$378 million per year is collected in 1,400 tribal accounts for 300 Tribes. In addition, the trust manages approximately \$2.9 billion in tribal funds and \$400 million in individual Indian funds.

For 2005, we are seeking \$614 million for our Unified Trust budget, a net increase of \$161 million.

In 2003 we began to reorganize trust functions in the Bureau of Indian Affairs and the Office of the Special Trustee for American Indians. The new organization is based on a detailed analysis and a year-long consultation process with tribal leaders. Our reorganization reflects a synthesis of the views heard during the consultation process. When fully implemented, the new organization will better meet fiduciary trust responsibilities, be more accountable at every level, and operate with people trained in the principles of fiduciary trust management.

To support continued implementation of the new organization, the 2005 budget proposes a net increase of \$7.2 million, including funding for 85 new trust-related positions at the local level. We request an additional \$4.0 million to quicken the pace at which probate cases are resolved.

Improving our trust organization will not by itself resolve the issues that we face in managing the trust. A still greater challenge remains. That challenge is the fractionation, or continuing subdivision, of individual Indian interests in the land that the Federal Government holds in trust. Indian trust lands are primarily transferred through inheritance. With each passing generation, individual interests in the land become further subdivided among heirs, each of whom holds a smaller and smaller interest in the land. Many acres of trust land are already owned in such small ownership interests that no individual owner will derive any meaningful value from that ownership. Without corrective action, this problem will grow exponentially.

As the number of interests grows, we expect the cost to the Federal Government for managing, accounting for, and probating these interests to increase substantially, possibly to as much as \$1 billion at the end of the next 20 years.

The Indian Land Consolidation program, which acquires small ownership shares in allotted land from willing sellers, is a critical component of trust reform. We have conducted this program as a pilot for several years. The pilot has taught valuable lessons about the need to target purchases to maximize return of land to productive use and allow closure of accounts associated with fractional interests.

The 2005 budget proposes an unprecedented amount of \$75.0 million for Indian land consolidation, an increase of \$53.3 million. This funding will support an expansion beyond the seven pilot reservations to include additional reservations with the most highly fractionated lands. On a nationwide basis, we are targeting opportunities to purchase the most fractionated interests. Interior plans to use contractual arrangements with Tribes or private entities to acquire individual interests.

This commitment to end fractionation will also require legislative action to provide for workable probate reform, disposal of unclaimed property, and partition of land. We want to continue to work with the Congress to find meaningful and constructive solutions to these issues.

The 2005 budget also proposes funding to address the issue of accounting for past transactions in the trust. As the committee is aware, the American Indian Trust Management Reform Act of 1994 requires the Secretary of the Interior to "account" for "the daily and annual balance of all funds held in trust by the United States

for the benefit of an Indian Tribe or an individual Indian which are deposited or invested pursuant to the Act of June 24, 1938.”

The Department is currently involved in a major class action, *Cobell v. Norton*, and 25 tribal suits over the Department’s management of Indian trust funds. On January 6, 2003, as ordered by the District Court in the *Cobell* litigation, the Department filed The Historical Accounting Plan for Individual Indian Money Accounts. This plan provides for an historical accounting for about 260,000 individual Indian accounts over a 5-year period at a cost of approximately \$335 million. The accuracy of the transactions would be verified by reviewing support documentation on a transaction-by-transaction basis for all transactions over \$5,000 and by statistically sampling transactions under \$5,000. The sampling methodology would be designed to provide a 99 percent confidence level at any error rate.

On September 25, 2003, the *Cobell* court issued a structural injunction directing a far more expansive accounting and requiring that it be completed under more constrained time lines. We estimate that the cost of compliance with the structural injunction would be between \$6 billion to \$12 billion. An appeal from the September decision is pending. The Court of Appeals for the D.C. Circuit has stayed the structural injunction. In addition, the 2004 Interior Appropriations Act provides that the Department is not required to commence or continue an accounting for IIM accounts until 2004 or the Congress amends the Trust Management Reform Act to delineate the Department’s historical accounting obligations or until December 31, 2004, whichever occurs first.

The 2005 budget includes \$109.4 million for historical accounting. This increase of \$65.0 million over the enacted 2004 appropriation is targeted to provide \$80.0 million for IIM accounting and \$29.4 million for tribal accounting. The budget for IIM accounting is based on the estimate of the Department’s costs to continue implementation of its historical accounting process. This amount may be revised depending on how the Court of Appeals rules with regard to the structural injunction in the *Cobell* case and on whether Congress acts to delineate the specific historical accounting obligations of the Department as suggested in the 2004 Appropriations Act. The Department will continue to work with the Congress and trust beneficiaries to consider settlement of the historical accounting and related issues.

INVESTING IN CONSERVATION

Cooperative Conservation.—Among Interior’s most inspiring roles is its mission to conserve lands and waters across America. As we are all aware, nature knows no jurisdictional boundaries. Conservation in the 21st century depends increasingly upon partnerships across a mosaic of land ownerships. At Interior, we recognize that we cannot manage Federal lands successfully unless we are able to work with adjacent landowners, States, Tribes, and communities. We also recognize that the Nation cannot achieve its conservation goals solely by relying upon—and adding to—the Federal dominion of lands.

These two perspectives underscore the importance of cooperative conservation. Through a variety of conservation partnerships, Interior’s land managers are joining with citizen stewards to remove invasive species, reduce stream bank erosion, and enhance habitat for threatened and endangered species. Through these partnerships, the Department is building the new environmentalism of citizen stewards called for by President Bush. These partnerships leverage Federal dollars by a factor of two or more. They engage Americans in conservation. They help us work with citizens to find common ground and simultaneously achieve healthy lands, thriving communities, and dynamic economies. We look forward to working with members of Congress and their constituents in these conservation successes.

The 2005 budget proposal expands opportunities for conservation partnerships with citizens, organizations, and communities throughout the Nation. The budget proposes to spend \$507.3 million, a 20 percent increase, to expand opportunities for conservation partnerships with citizens, organizations and communities.

A cornerstone of our conservation partnership budget is the Cooperative Conservation Initiative. The Department has a long history of working cooperatively with others to achieve its conservation mission. Yet the resources available to land managers to foster innovative and collaborative conservation have fallen short of the demand. Across the Nation, citizens are working to overcome conflict and, instead, work together to maintain healthy lands and waters. Our Cooperative Conservation Initiative seeks to address this growing, giving managers the support necessary to leverage funds with private citizens, States, Tribes, communities, and businesses to protect and restore habitats, wildlife and plants.

Our Cooperative Conservation Initiative builds on existing conservation partnership programs that have established productive relationships with local commu-

nities and citizens. In total, we propose that this initiative will provide \$129.5 million, an increase of \$25.5 million, for a suite of seven programs: the challenge cost share programs in the Bureau of Land Management, the Fish and Wildlife Service, and the National Park Service; the FWS Coastal program; FWS Migratory Bird Joint Ventures; FWS Partners for Fish and Wildlife; and Take Pride in America.

The budget proposes \$29.6 million for challenge cost-share activities, an increase of \$8.4 million over 2004. This request will enable land managers to undertake additional natural resource restoration and species protection projects on or impacting Federal lands. Dynamic partnerships with individuals, Tribes, State and local governments, non-profit organizations, and others will support an array of projects to restore damaged habitats and lands and achieve the conservation goals of the Department's land management agencies. Projects require a one-to-one match or better, thereby at least doubling the benefits of Federal dollars. The request for the bureau traditional challenge cost-share programs is \$24.4 million.

In 2003, challenge cost-share programs funded 256 resource restoration projects with more than 700 partners in 40 States and Puerto Rico. The ratio of matching non-Federal funds to Federal funds was nearly 2 to 1, with the Federal portion at \$12.9 million and total funding at \$36.0 million.

The 2005 budget includes \$50.0 million for the Partners for Fish and Wildlife program. Through the Partners program, the Fish and Wildlife Service has established productive relationships with communities and over 30,000 landowners, providing financial and technical assistance and restoration expertise to private landowners, Tribes, and other conservation partners. Since its inception in 1987, the Partners program has restored 677,000 acres of wetlands; nearly 1.3 million acres of prairie, native grassland, and other uplands; and 5,560 miles of stream and streamside habitat.

In 2005 the Partners program will leverage \$5.0 million in the High Plains region through a public/private initiative that will restore grassland habitats and declining species over an 11-State region. In cooperation with landowners and other partners, the Fish and Wildlife Service will focus conservation efforts on restoring, enhancing, and protecting 2 million acres over the next 10 years. The 2005 Partners budget also includes \$6.2 million for partnership efforts in the Upper Klamath basin.

Augmenting our partnership achievements is the work of over 200,000 volunteers who provide over 8 million hours to Interior's programs and projects throughout the Nation. These volunteers help repair and maintain trails, restore habitat, participate in monitoring and research programs, and assist our land managers in many other ways. To promote this spirit of volunteerism, the Department has reactivated the Take Pride in America program. In California, volunteers enlisted through Take Pride pledged 400,000 hours of service to help restore areas devastated by wild land fires. The 2005 budget includes \$1.0 million for the Take Pride program as part of the Cooperative Conservation Initiative.

Also funded within the Cooperative Conservation Initiative is the Fish and Wildlife Service's Coastal program, for which we propose a funding increase of \$2.9 million, bringing total funding to \$13.1 million. The Coastal program leads FWS conservation efforts in bays, estuaries, and watersheds around the U.S. coastline and leverages Federal funding at a rate of 4:1. We also propose to increase funding for the Migratory Bird Joint Ventures program by \$1.2 million for a total of \$11.4 million. The funding increase will allow FWS to enhance 15 existing Joint Ventures and fund the Northern Great Plains and Central Hardwoods Joint Ventures.

Endangered Species Grant Programs.—The Department's cooperative conservation efforts also include a number of grant programs that provide expanded opportunities for State, tribal, local and private partners to participate in conservation and protection of endangered, threatened, and at-risk species. These programs will help this nation invest habitat protection and recovery of species—the ultimate goal of the Endangered Species Act. Through these investments, we can achieve on-the-ground conservation results and help avoid the conflicts, land management stresses, and procedural workloads that ensue when species become endangered.

The Landowner Incentive Program provides competitive matching grants to States, Territories, and Tribes to create, supplement, or expand programs to protect and manage habitats on private lands that benefit listed species or species at risk. The 2005 budget includes \$50.0 million to assist private landowners in conserving and restoring habitat for endangered species and other at-risk plants and animals. This is an increase of \$20.4 million over 2004.

The Private Stewardship Grants program provides grants and other assistance to individuals and groups engaged in local, private, and voluntary conservation efforts that benefit federally listed, proposed, candidate or other at-risk species. A panel of representatives from State and Federal Government, agricultural and private development interests, and the scientific and conservation communities assess and make

recommendations regarding these grants. The 2005 budget proposes \$10.0 million for the program, a \$2.6 million increase over 2004.

The Cooperative Endangered Species Conservation Fund provides grants to States and Territories to participate in projects to conserve candidate, proposed, and threatened and endangered species. Grants to States and Territories allow them to participate in an array of voluntary conservation projects for candidate, proposed, and listed species. These funds may in turn be awarded to private landowners and groups for conservation projects. The CESCFC grants include funding for States and Territories to implement conservation projects to support the development of Habitat Conservation Plans and to acquire habitat for threatened or endangered species. The 2005 budget proposes \$90 million, an increase of \$8.4 million, for the appropriated portion of this program.

Our grant programs also aid a wide variety of other wildlife. The 2005 budget proposes \$80.0 million for the State and Tribal Wildlife Grants program. These grants help develop and implement State and tribal programs for the benefit of wildlife and its habitat, not limited to species that are hunted or fished. The program exemplifies our cooperative conservation vision, allowing States and Tribes to tailor their conservation efforts in a manner that best fits local conditions. A \$10.9 million increase for the program in 2005 will significantly advance efforts of State and tribal fish and game agencies to address on-the-ground wildlife needs. Based on the high level of interest in this program, we expect this program will have lasting benefits for fish and wildlife, while fostering stronger working relationships between Federal, State and tribal governments.

Full Funding for the Land and Water Conservation Fund.—Our cooperative conservation programs are an important component of the 2005 Land and Water Conservation Fund budget request. Overall, the Department's budget seeks \$660.6 million from the Land and Water Conservation Fund for 2005, including \$153.3 million for land acquisition and \$93.8 million for the State grant program. The Department's request, combined with the request for the U.S. Forest Service, brings total government-wide LWCF funding to \$900.2 million.

The 2005 LWCF budget includes the same mix of programs proposed in 2004. This mix strikes an effective balance between Federal land acquisition and cooperative efforts to fulfill LWCF goals.

We believe effective conservation of lands and natural resources cannot rely primarily on expanding the Federal estate through land acquisition. Such acquisitions remove lands from the local tax base. Equally significant, each time we acquire more Federal lands, future operations and maintenance costs ensue in perpetuity. Supporting local recreation and conservation through partnership programs enables us to leverage Federal funding. In many cases, these programs match Federal funds at a ratio of more than 2:1. They give us an opportunity to work hand-in-hand with States, communities, and local landowners to build support for long-term conservation.

CONCLUSION

The budget plays a key role in advancing our vision of healthy lands, thriving communities, and dynamic economies. Behind these numbers lie people, places, and partnerships. Our goals become reality through the energy and creativity efforts of our employees, volunteers, and partners. They provide the foundation for achieving the goals highlighted in our 2005 budget.

This concludes my overview of the 2005 budget proposal for the Department of the Interior and my written statement. I will be happy to answer any questions that you may have.

PREPARED STATEMENT OF J. RONALD JOHNSTON

My name is Ronald Johnston. I serve as the Program Director of the Central Utah Project Completion Act Office under the Assistant Secretary—Water and Science in the Department of the Interior. I am pleased to provide the following information about the President's fiscal year 2005 budget for implementation of the Central Utah Project Completion Act.

The Central Utah Project Completion Act, Titles II–VI of Public Law 102–575, provides for completion of the Central Utah Project (CUP) by the Central Utah Water Conservancy District. The Act also authorizes funding for fish, wildlife, and recreation mitigation and conservation; establishes an account in the Treasury for deposit of these funds and other contributions; establishes the Utah Reclamation Mitigation and Conservation Commission to coordinate mitigation and conservation activities; and provides for the Ute Indian Water Rights Settlement.

The Act provides that the Secretary may not delegate responsibility under the Act to the Bureau of Reclamation. As a result, the Department has established an office in Provo, Utah, with a Program Director to provide oversight, review, and liaison with the District, the Commission, and the Ute Indian Tribe, and to assist in administering the responsibilities of the Secretary under the Act.

The 2005 request for the Central Utah Project Completion Account provides \$46.3 million for use by the District, the Commission, and the Department to implement Titles II-IV of the Act, which is \$8.3 million more than the 2004 enacted level. Most of this increase is due to a transfer of budgetary authority and responsibility from the Western Area Power Administration to the Department of the Interior (\$6.1 million).

The funds requested for the District (\$28.4 million) will be used to continue the completion of the Diamond Fork System (\$8.5 million); to continue construction on Uinta Basin Replacement Project (\$13.0 million); and to implement water conservation measures, local development projects, and continue planning and NEPA compliance for the Utah Lake System (\$6.9 million). We are pleased to report that the problems in the Diamond Fork System associated with a cave-in and dangerous levels of hydrogen sulfide gas have been resolved, the construction of the alternative facilities is nearly complete, and water should be delivered through the facilities this summer. We are planning a celebration of the completion of these major facilities this summer. The members of the committee will be invited to attend.

The funds requested for the Mitigation Commission (\$15.5 million) will be used to implement the fish, wildlife, and recreation mitigation and conservation projects authorized in Title III (\$7.4 million); to implement the fish and wildlife activities associated with the Uinta Basin Replacement Project (\$1.0 million); to complete mitigation measures committed to in pre-1992 Bureau of Reclamation planning documents (\$1.0 million); and to fulfill the mitigation obligations required under section 402(b)(3)(B) of the Act (\$6.1 million). Title III activities funded in 2004 include the Provo River Restoration Project; acquisition of habitat, access, and water rights; and fish hatchery improvements.

Finally, the request includes \$2.4 million for the Program Office. This includes \$1.7 million for program administration, \$300,000 for mitigation and conservation projects outside the State of Utah, and \$400,000 for operation and maintenance costs associated with instream flows and fish hatchery facilities.

In conclusion, we appreciate the opportunity to testify before the committee and would be happy to respond to any questions.

Senator DOMENICI. Yes, sir.

Senator CRAIG, do you have some questions?

Senator CRAIG. Just a couple.

Senator DOMENICI. All right.

Senator CRAIG. And, again, John, let me thank you for your presence here and the work you're doing. Your reality check, by the graphs and charts you've shown us, clearly demonstrate what is really at risk in the West, and the problems we all face.

In the area of site security, \$43.2 million, there is a growing concern that some of this is overdone. And while site security is critically important, and we all know that, my guess is, when the dust settles from 9/11, we'll learn how to do it better with less. But what are going to be the costs to the users of these facilities? How much of—is there going to be a cost pass-through to users in fees that they might be expecting?

Commissioner KEYS. Mr. Craig, out of the \$43 million that we have requested, \$18 million of that is associated with guards and surveillance. Of that \$18 million, \$12 million would be part of the operation and maintenance budgets, and we would expect to be reimbursed by the water users. Water users being from the power side, from—all of the water users that have an allocation from those Federal projects.

Senator CRAIG. So it's a direct cost pass-through of \$12 million.

Commissioner KEYS. That's correct.

Senator CRAIG. And I assume that, because you've arrived at a figure of \$12 million, you know how that breaks out.

Commissioner KEYS. Mr. Craig, we do. It is based on the authorized purposes for the project and the cost allocations that have been done over—well, when the projects were completed or when the cost repayments started. So it's along the cost allocations that are already in place.

Senator CRAIG. But an increase.

Commissioner KEYS. It would increase over what they were paying before 9/11/2001.

Senator CRAIG. Okay. I'd like to see those figures. I'd like to know how that impacts both users, from the standpoint of water users, and then—and the utility. I assume you're talking about WAPA rate payers in that case, would you not be?

Commissioner KEYS. Mr. Craig, it is all of the power users. It's WAPA, it's Bonneville—

Senator CRAIG. Yeah, all of them.

Commissioner KEYS [continuing]. Power Administration, and the other water users. We can provide that breakdown for you.

[The information follows:]

In referencing preliminary estimates for guard reimbursability, Senator Craig has requested to see the figures. I have agreed to provide that breakdown. Below are those figures:

REIMBURSABILITY OF GUARD COSTS—APRIL 20, 2004

[In millions of dollars]

Projects	Fiscal Year 2005		
	Power Users	Water Users	Reimb. Amount
Hoover	4.7	.....	4.7
Parker/Davis	1.6	.....	1.6
Yuma Area Projects .....	.....	.....	.....
Lower Colorado Region	6.2	.....	6.2
Grand Coulee	2.9	.....	2.9
Pacific Northwest Region	2.9	.....	2.9
Central Valley Project	0.3	.....	0.3
Mid-Pacific Region	0.3	.....	0.3
Great Plains Region .....	.....	.....	.....
Colorado River Storage Project	1.5	0.6	2.1
Upper Colorado Region	1.5	0.6	2.1
TOTALS	10.8	0.6	11.4

These figures are generated from the best available information at the current time. They are preliminary estimates which will be further reviewed within the Bureau.

After further refinement, the guards and surveillance costs remain at \$18 million. There was a greater need identified with an armed response force at Grand Coulee, a National Critical Infrastructure facility. This was offset by changing needs at other facilities.

After further review, the overall total reimbursable amount is now \$17 million, based upon project cost allocations. The above table does not factor into account

Mid-Pacific and Great Plains Region's shift to reimbursability, although the customers in these regions had been apprised that they would be subject to this new reimbursability policy.

The table below clarifies the costs by region, as well as including the updated costs for guards and surveillance.

REIMBURSABILITY OF GUARD COSTS—AUGUST 4, 2004

[In millions of dollars]

Projects	Fiscal Year 2005		
	Power Users	Water Users	Reimb. Amount
Hoover	3.9	.....	3.9
Parker/Davis	1.6	.....	1.6
Yuma Area Projects .....	.....	.....	.....
Lower Colorado Region	5.5	.....	5.5
Grand Coulee	4.1	0.2	4.4
Pacific Northwest Region	4.1	0.2	4.4
Central Valley Project	0.4	2.1	2.5
Mid-Pacific Region	0.4	2.1	2.5
Great Plains Region	1.3	1.0	2.3
Colorado River Storage Project	1.4	0.6	2.0
Upper Colorado Region	1.4	0.6	2.0
TOTALS	12.8	3.9	16.7

We will continue to refine these numbers as Reclamation's Security Program continues to assess its vulnerabilities and take appropriate measures. We will also work closely with our stakeholders to share data and guidance in the areas of risk, and take the necessary responses to ensure the delivery of water service to multiple water users.

Senator DOMENICI. Okay.

The Water 2025, first of all, I obviously applaud the initiative. I want all Americans to become more aware of the realities of the arid West and to better understand water needs out there. At the same time, to be able to work cooperatively with all of the entities involved out there, in conflict resolution and reallocation needs and all of that, will be extremely important.

As you mentioned, you're going out to Idaho this next month. The Idaho legislature spent a fair amount of time resolving, in the short term, for the short term, a growing problem in an area of Idaho, but that's a good example of where the Bureau can really be a facilitator and an assister. And what I would hope you would do, when you find conflicts impossible to resolve because of Federal legislative or regulatory impediments, that you'd come to us and let us know about them so that we might assist you in removing those impediments.

The reality check in the West, if this continues, is that we may have to change some law, we may have to rethink where we are. It isn't a matter of just cutting the slices of the pie thinner; we might need to enlarge the pie a bit. And that is a reality that we're all going to have to face.

I think the chairman spoke to that when he talked about budgets, and we need to know those kinds of things, because I'm looking at Animas-La Plata. It was 1982, and I was a freshman Congressman when I assisted a Congressman from Colorado in this initiative. Do the math. Idaho can't wait 30 years for a decision out of Washington, nor can New Mexico, when it comes to drought and water resources.

But that's what happened in Animas-La Plata. It's nearly 30 years since that idea went on the books and began to be a motivator of public policy, and I just happen to think that's an interesting reality check at a time when we're seeing unprecedented dry numbers.

Thank you, Mr. Chairman.

John, thank you.

Senator DOMENICI. Thank you very much, Senator. I greatly appreciate your participation.

I have about five questions. A couple of them are parochial, some are not.

Senator Craig, I don't know whether my observation regarding improving the use of water by farmers applies to your State, but I want to suggest sometimes there are issues that we don't quite know, in the bureaucracy of the government, where they fit. So since they don't exactly fit, nothing's done.

I believe that farmers could improve the system whereby they apply water, and save a lot of water in the process, by building systems that use the water better, those systems where you feed by a drip system, or you feed by an underground system that delivers the water, or a sprinkler system. And it seems to me that one reason the farmer doesn't do it is because it costs a lot. Now, I wonder if you might seek, in your official capacity, an analysis of whether tax relief for the farmer who enhances the application and use of water in a field of agriculture.

I know a farmer in New Mexico that is a very progressive farmer, but he also has money. And he spent a huge amount of money to make his water go further and to make sure that the application to the soil used far less water to get the job done. He came to see us, and we were talking about this approach, about tax credit of some type, and he quickly said, "Isn't it too bad that I've already made my expenditure before you consider this idea of giving us some kind of tax credit."

I would wonder—this may be a pipe dream, but I wonder if you would use your official hat to ask the Treasury Department and those who engage in agricultural funding whether this makes any sense, and get that for us.

Commissioner KEYS. Mr. Chairman, your suggestion makes all the sense in the world for us, because we are currently launched off on three major efforts on water conservation. The first one is one with the existing programs that we have in Reclamation, for which we have four or five already. And certainly we work mightily to not let the new initiative take monies away from those, so that we can keep working very closely with the farmers on our districts. The second effort is Water 2025, itself.

Senator DOMENICI. Yes.

Commissioner KEYS. That is concentrating on trying to stretch those existing water supplies so that the new demands for water don't place undue pressure on the water supplies for our irrigation projects.

If you look across the Western United States, about 80 percent of our water rights are held for irrigation.

Senator DOMENICI. Yes.

Commissioner KEYS. If we can do the conservation work and provide water for a lot of the new demands that are out there, we can keep that pressure off of the need for conversion, and that's one of the big goals of 2025.

The third thing that we're doing is working very closely with Department of Agriculture. Reclamation's main focus is on the delivery facilities, the dams, the canals, the control facilities. We're working very closely with agriculture for the on-farm stuff.

Senator DOMENICI. Well, they're not—

Commissioner KEYS. Your suggestion for a tax relief would fit very well into that, and we would certainly explore that with you and with Treasury.

Senator DOMENICI. It may very well be that it fits one of the other agencies better than yours, but I'm not really interested in that; I'm interested in somebody finding out whether it makes sense to the farmer and makes sense to the Treasury. So if you would start that initiative, I—

Commissioner KEYS. Mr. Chairman, we will take the lead in talking with Treasury and working with you and trying to see what we can do there.

Senator DOMENICI. It may very well be that it doesn't work.

Middle Rio Grande, in New Mexico. First, I appreciate your support of our Endangered Species Collaborative Program with reference to that. I acknowledge your 2004 spending and the list of agencies and groups who have signed onto the memorandum of understanding. I'm very pleased that some of the tribes have signed up as participants.

We spoke yesterday—"we," being you and our office, and you brought other people with you—we spoke about the idea of sanctuaries, which I came up with, for minnows, these endangered minnows. And I understand that the details are still being flushed out, and I look forward to your follow-up. There is a deficit of \$1.5 million in your 2004 plan to do all that you have on the list of proposed activities for the year.

Now, Senator Craig, I might tell you that we have an endangered species called a silvery minnow, and it generally saves itself and prevails by being very far downstream in a sandy, sandy river, so that we lose thousands of acres in carrying the water from upstream to the bottom, low stream in order to get it to the minnow's habitat. The idea of a sanctuary would be to build ponds upstream, where there is plenty of water, and let the water go in and out so you don't lose any, and prepare that water in a way that would fit the minnow, and then do what I thought of and recommended for a year and a half, that's take the water to the minnow—no, take the minnow to the water, instead of the reverse, of taking the water to the minnow.

So I want to ask you, how do you plan to prioritize what can be done this year? And what kind of growing season do you see for this year for the farmers in my State? Will there be enough water for them? And where do the minnow sanctuaries figure into this?

Commissioner KEYS. Mr. Chairman, on the minnow sanctuary, we have a draft plan and a draft timeline for implementing that plan that we're meeting with your staff on to flesh out. There are four concerns that we're working with.

Senator DOMENICI. Yes.

Commissioner KEYS. The turbidity, the biological opinion, the land area that it takes—those things, we're working on. We think that it will probably take about 2 years to get that done, and we're trying to find ways to accelerate that if we can.

On the water year for the Basin, currently Mr. Craig's characterization of his State, for everything shutting off in March, has been true almost all over the West. We have seen all of our projected runoff figures drop about 20 percent since the first of March, and that is true in the Middle Rio Grande. We started out in the high 80 percent range, and we're below 70 percent now.

I would tell you that we have enough water identified to meet the requirements of the minnow for this year and to meet the requirements for the prior and paramount rights of the Pueblos. In looking at the water supply for the Middle Rio Grande Water Conservancy District, it appears that they have water to take them into and maybe through July, and then they may be out of water. We're working with some of the Water 2025 monies to do conservation projects on that district and seeing if there are not some ways that we can stretch that supply.

Senator DOMENICI. I have a very lengthy question about Animas-La Plata. I will submit it.

For the last 2 years, this committee funded the rehabilitation of the Middle Rio Grande levies. What's the status of the rehabilitation?

Commissioner KEYS. Mr. Chairman, we are on schedule with that 10-year program that we discussed with you a couple of years ago. Our budget this year requests adequate money to keep us on that schedule. We are requesting about \$11 million for those eight or ten levies that we are working with there.

Senator DOMENICI. I have a Western Water Initiative question, and I have a contracting-out question.

I'd like to talk about two issues that I think we ought to be worried about that come within the purview of seeing if we can get more water from existing sources that might help with the problem.

In my State, Senator Craig, there is a huge basin called the Tularosa Basin. It's a salty water, underground basin. And on the edges, you can get it, just by going there and spooning it out. It's, in some places, not so salty; in other places, very salty. But I would submit that with the situation we've got, that somebody ought to take a lead in the desalinization. If we could desalinate that water, we would have huge quantities of water to move from that area to arid parts of New Mexico and maybe even some other States.

So I think that you're aware of this issue. The schedules have slipped, such that an additional \$1.8 million will be needed for the

Tularosa Basin construction, and at least \$7 million for 2005. Have you been aware of the funding issues? And can you commit to bringing me a solution soon so that the partnership with ONR and DOE can be maintained?

Commissioner KEYS. Mr. Chairman, I am aware of that situation, and, yes, we can craft a solution that would provide the necessary money in 2004, and then we would work with you on the funding for 2005.

Senator DOMENICI. Well, I don't know what you think about it, but I would submit to my friend, Senator Craig, that with our huge capacity and technology, it would seem rather unfortunate if, in the midst of a drought, if we had this huge underground basin right in the middle of the West, if we didn't set out sights using the best scientists and technologists to see if we can clean some of that up so we could use it, especially in the agriculture field.

And my last one has to do with another source of saving water. That has to do with the salt cedar. This was brought to the West to help erosion. Unfortunately, there has been a considerable drain on the scarce water supply, approximately 2.4 million acre-feet of water each year. I'm aware that you are using mechanical and chemical methods of removing them, and that you are replacing them with vegetation. Where are you with progress in this area? Is there a threat of erosion? And where are you with finding and certifying a biological control? Were you part of the recent Salt Cedar Conference in New Mexico?

Commissioner KEYS. Mr. Chairman, yes, we were part of that conference. I would tell you that the Department of the Interior has a large initiative on invasive species, and a large part of that initiative is on the salt cedar. And Reclamation is taking the lead for Interior in the efforts on salt cedar. We are part of that effort in Albuquerque earlier this year, and certainly we are looking at different ways to do it.

You talked about the mechanical means. That is the traditional way of doing it. We have recently received approval to release the bugs. They have found a bug that eats salt cedar. And the problem is, they didn't know what he would eat after he ate up all of the salt cedar. And they think now that they have an answer to that. I think they think he'll drop dead. But we'll have to wait and see.

But there are provisions——

Senator CRAIG. John——

Commissioner KEYS [continuing]. For releasing him——

Senator CRAIG [continuing]. It's possible that when the salt cedar is gone, he might become an endangered species.

Commissioner KEYS. Oh, my goodness.

Senator CRAIG. There would be some who would be advocates of that, so be careful of the word use "drop dead," okay?

Don't mention it.

Commissioner KEYS. But it has been approved for release, and there are a number of control areas underway where they're trying that.

On the erosion issue, it has been something that we're paying a large amount of attention to, and there are a number of ways—a number of different vegetations that you can put there that will

control that erosion and not create the problems that the salt cedar did.

Senator DOMENICI. Well, I just want to say—and I know that my friend, Senator Craig—and if we had the rest of this committee here, I think they would all agree that we can't ignore the problem of saving water that is being wasted, and converting water that is not too far from usable if it's there in large quantities, that we clearly ought to spend some money trying to fix it.

I know if Israel is worried about it, we're just as bad off. It's just that they're a lot smaller, and they can focus; and we're a lot bigger, but, I'll tell you, if you saw a map of the United States, like I have, that showed the salty underground water repositories in America, you would be shocked at how much there is. Even over in your side, there's more than you think. But in my State, there just happens to be this monster underground basin, and I think it's worth some money. And we're sitting around rationing what we've got, and it might be equally as important to try to make what we have more functional. And I intend to pursue that with vigor. It's going to take some money, but so what? We've got the United States Navy working on it, incidentally. You know that.

Commissioner KEYS. Yes, sir.

Senator DOMENICI. They have a very big interest, and they've got a major project going in this basin.

I have no further questions. Do you have any, Senator Craig?

Senator CRAIG. Just a parting observation. Your early discussion about conservation and water management is obviously going to be critical during shortages. And even with any abundance, with the kind of growth factors we're seeing in the western high-desert States, clearly management's going to be important.

Interestingly enough, management and new ideas and new alternatives have consequences. The Commissioner is going to Idaho to look at the consequence. In the Snake River Plain Aquifer, when you use the old techniques of flood irrigation, Mr. Chairman, you once fed the aquifer directly by flowing water out over the ground. Starting in the 1970's, because of the Clean Water Act and because of PMDLs and all of that kind of thing, they shifted from flood irrigation to sprinkler irrigation, and that reduced the amount of water going into the aquifer.

Senator DOMENICI. Right.

Senator CRAIG. Now, that water flows out of the aquifer at a given point. And in the 1940's and the 1950's, people filed on the excessive flow as their source of water. It was an abnormal flow from normal flows—

Senator DOMENICI. Water rights.

Senator CRAIG. They developed water rights. Now that we are using the new technologies and sprinkler irrigation, and, some instances, drip, the water is no longer flowing underground into the aquifer and out to the point source that was filed on.

So the value of 2025 is what we're calling it?

Commissioner KEYS. Yes.

Senator CRAIG. Those kinds of initiatives that not only look at how you mitigate, but try to understand what the consequence of mitigation will produce, is going to be every bit as important, because we have traditional, we have western water law, we have

fixed mandates, we have a whole complication of things that tie up inside this marvelous resource. And there are consequences for action and acts when the good intention is made. Now, when you dry these things up, are we going to dry up a wetland by that action, although it's positive? A wetland that was created by man's presence, not by Mother Nature, and on and on and on and on.

Anyway, point made. It's interesting that as we work towards solution, we're now trying to find a way to solve a problem that is created by a positive action on the part of Idaho irrigators.

Commissioner KEYS. Mr. Craig, one of the real cornerstones of Water 2025 is looking at institutional barriers that are there, law-wise or whatever, trying to find ways to make it easier to address some of the problems you're talking about, especially the one on using government facilities to convey private water. The old Warren Act issue.

Senator CRAIG. Um-hum.

Commissioner KEYS. And certainly we may have to come back for some help on the Warren Act one of these times. But we're looking at other laws that we can use to make that happen, like the 1906 Townsite Act—

Senator CRAIG. Yeah.

Commissioner KEYS [continuing]. Or the 30—Section 14 of the 1939 act, or the 1958 act, trying to find ways to make that happen. In the end, we still may have to come back and work with you folks to see how we might change that Warren Act so that it's more compatible.

Senator CRAIG. Well, we think you're headed in the right direction about those analyses. Thank you.

ADDITIONAL COMMITTEE QUESTIONS

Senator DOMENICI. I thank you, Commissioner. We're finished with you, and—

Commissioner KEYS. Okay.

Senator DOMENICI [continuing]. We'll be working with you, and thank you for your excellent testimony, and you were very well prepared.

Commissioner KEYS. Thank you, Senator.

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

QUESTIONS SUBMITTED BY SENATOR HARRY REID

WATER 2025

Question. Commissioner Keys, we find that the budget request has effectively eliminated funding for Title XVI projects with the exception of ongoing projects. Even with that limited commitment, the level of funding has decreased. At the same time, the budget for Water 2025 seeks almost \$13 million in increases. What share of this increase will be dedicated to reuse projects and/or research projects?

Answer. Improving desalination technology is important to purifying salty and brackish waters to increase their utility. Water 2025's goal is to aid technological advances and reduce the high costs that slow adoption of new desalination technologies. The fiscal year 2005 Water 2025 budget includes \$4.0 million for cost-shared demonstration projects for desalination. In addition, approximately \$1.5 million for research relevant to desalination is included in the Title XVI budget.

WATER 2025/TITLE XVI

Question. We also note that the bulk of the request is dedicated to conservation, efficiency, and markets and collaboration. Please explain how the Bureau intends to distribute these resources within the Water 2025 program?

Answer. With the support of Congress in the fiscal year 2004 Budget, Secretary Norton has moved forward with the Western Water Initiative (precursor to Water 2025) Challenge Grant program that seeks projects that make real progress towards avoiding water crises in the West. The Challenge Grant Program requires a 50-50 cost share and targets irrigation and water districts in the West who are willing to leverage their money and resources with the Federal Government on projects that make more efficient and effective use of existing water supplies.

For example, Water 2025 is seeking proposals that will retrofit and modernize existing water delivery facilities, and implement and use water banks and water markets as mechanisms to use our existing water more efficiently and effectively, providing such use is recognized by applicable State and Federal laws and authorities.

Through the development of specific criteria and requirements, these projects and activities will focus, first and foremost on those areas where the competing demands for water by people and the environment mean that crises have the highest likelihood of occurring—based upon demographic or population trends combined with endangered species needs.

TITLE XVI WATER RECLAMATION AND REUSE PROGRAM

Question. What role does the Bureau see itself playing in the advancement of research into recycling?

Answer. Reclamation has requested \$1.53 million for agency-wide activities associated with the Title XVI Water Reclamation and Reuse Program. This program allows Reclamation to conduct research on the treatment of impaired waters, including desalting, and to provide technical and financial assistance to local water agencies interested in investigating the potential for reusing impaired waters. In prior years, the program was focused on providing assistance to local agencies. In fiscal year 2005, the program's main emphasis will be on conducting research. The objective of this research will be to develop technologies that have broad application and that will help bring down the cost of treating all types of impaired water, including municipal and industrial wastewater used in water recycling.

Question. We note that the Water and Energy Management and Development account includes support for desalination research as part of a new initiative begun in 2004. However, the funding for this account has been reduced from \$4 million to \$1.5 million to support the development of high priority recycling and desalination projects as well as research. How does this reduction affect the ability to maintain research project priorities underway and identify new needs that Congress has identified? (Page 56 of the justification)

Answer. Reclamation's fiscal year 2005 Title XVI Water Reclamation and Reuse Program funding request for agency-wide activities is \$1.53 million. This is \$100,000 more than was requested in fiscal year 2004. This account was increased to nearly \$4.0 million due to Congressional action. Among other activities, Reclamation was directed to use these additional funds to continue support for the Water Reuse Foundation Research Program, which is focused primarily on research associated with the recycling of municipal and industrial wastewater. That research is currently underway and is expected to continue well into next year. The \$1.53 million requested for fiscal year 2005 for agency-wide Title XVI activities would be used to continue research on developing low-cost treatment technologies needed to make all types of impaired water suitable for beneficial use, including wastewater.

DESALINATION

Question. Based on your response to question "What role does the Bureau see itself playing in the advancement of research into recycling?" How are we to interpret the Bureau's request of \$100,000 for desalination research from a current year level of \$7.7 million?

Answer. The administration continues to support desalination and water purification related research within the limitations of available funding. We also continue to support the development of other water supply and water management technologies that will ensure that Reclamation and other western water managers have a complete set of tools to tackle water supply problems. In fiscal year 2005, a request for desalination research and other water purification technologies has been submitted under the five programs as summarized in the following table:

Program	Approximate Fiscal Year 2005 Allocation for Desalination Related R&D	Scope of Desalination and Other Water Purification Related R&D
WATER 2025	\$4,000,000	External R&D and demonstration projects.
Water Reclamation and Reuse Program (Title XVI)	\$1,500,000	External and internal R&D.
Desalination and Water Purification Research Program (a.k.a. Desalination Act)	\$100,000	External R&D.
Science and Technology Program	\$1,200,000	Internal R&D Reclamation-wide.
Colorado River Basin Salinity Control Project (Title I)	\$781,000	Internal R&D to reduce the costs of the Yuma Desalting Plant.
Total	\$7,581,000	

The \$7.375 million enacted under the Desalination and Water Purification Program for fiscal year 2004 specified that \$4.0 million shall be used for the construction of the Tularosa Basin National Desalination Research Facility. The reduction between fiscal year 2004-fiscal year 2005 in the Desalination and Water Purification Program stems from the uncertainty of whether the Desalination Research Act will be reauthorized or extended and the uncertainty as to whether other authorities would allow us to continue this national program. The reduction has been partially offset by the increased allocation under Water 2025. In the event of no reauthorization of the Desalination Research Act, the Water Reclamation and Reuse Program (Title XVI) provides Reclamation with the general authority to continue to fund desalination research and demonstration activities.

Question. What kind of work will not continue under the proposed budget cut? (Page 49 of the justification)

Answer. For fiscal year 2005, the Water 2025 program has requested \$4 million for desalination research with an emphasis on demonstration. The following work begun in fiscal year 2004 will continue under the fiscal year 2005 budget request: external research projects (bench-scale, pilot-scale, and demonstration to increase water supplies, reduce desalination costs, reduce concentrate management issues, and to increase energy efficiency), technology transfer (desalination clearinghouse, desalination research road mapping efforts with Sandia National Labs and the guidance of the National Academies of Science, and an internal study of the potential use of advanced water treatment technologies as a resource to create net new water supplies), and partnerships and collaborations (including the Water Reclamation, Recycling, and Reuse Task Force).

TITLE XVI WATER RECLAMATION AND REUSE PROGRAM

Question. Overall, the West continues to face serious challenges in the development of alternative water supplies. A hallmark of confronting this challenge has been a strong Federal partnership in the form of Title XVI. Are we to assume that the Bureau no longer believes that a Federal partnership is advisable?

Answer. Title XVI funding has helped local agencies offset the cost to plan, design, and construct water reclamation and reuse projects. These projects, when completed, will help local water agencies meet some of their existing and future water demand. Reclamation will continue to support those ongoing construction projects that were included in the President's budget request in prior years. We would rather focus resources on completing these projects, so that project benefits may be realized, rather than diffuse resources in support of the many new proposed Title XVI projects, many of which were developed with little, if any, Reclamation involvement.

Question. If so, please explain the basis of this decision and how you propose to fill the gap created by this action.

Answer. Through the Title XVI Water Reclamation and Reuse Program, Reclamation has helped demonstrate that water recycling is a successful means of increasing a municipality's water supply. Water recycling alone, however, will not be able to meet the anticipated future demand in all areas of the West, and other resources management strategies, such as conservation and desalination, will need to be pursued. Reclamation intends to focus its future new Title XVI activities on the development of treatment technologies that can be used to make all types of impaired water available for use, regardless of geographic location.

QUESTIONS SUBMITTED BY SENATOR BYRON L. DORGAN

FORT YATES INTAKE STRUCTURE FAILURE

Question. Mr. Keys, I am know you are familiar with the water crisis at Fort Yates when it experienced loss of water due to extended droughts and low lake levels on Lake Oahe. If unaddressed, low lake levels on both Lake Oahe and Lake Sakakawea will continue to devastate local economies and endanger communities that depend on this water source.

What action will the Bureau of Reclamation take to resolve this issue for communities who depend on these lakes for their water supply?

Answer. We recognize that the drought conditions throughout the Missouri River system are having significant impacts on community water supplies. However, Reclamation's authority to address these issues is limited by the Dakota Water Resources Act of 2000 to the design, construction, operation, maintenance and replacement of the Indian municipal, rural, and industrial (MR&I) water supply facilities. Given current drought conditions, particular attention is being devoted to the Fort Berthold and Standing Rock MR&I systems which rely on the Missouri River as their water supply source. Reclamation became involved with development of the rural water system on Standing Rock with the passage of the Garrison Diversion Unit Reformulation Act of 1986. Reclamation is currently working with the Standing Rock Sioux Tribe on a contingency plan for responding to possible future drought related impacts to their water system.

With respect to the water crisis at Fort Yates, Reclamation completed the installation of a new interim intake for the Fort Yates water treatment plant. The intake was put into operation on March 16, 2004, and has operated reliably since that time. Reclamation expects this intake to provide water until decisions can be made to determine the water treatment plant and intake option that will serve the long-term needs of the Standing Rock MR&I system. Reclamation has also secured funding to investigate the feasibility of constructing horizontal wells as a replacement intake for the Fort Yates and Wakpala water treatment plants. These investigations began the week of April 19, 2004.

Question. Has there been any movement within your agency to find funds that have not been used and reallocate them to the tribal MR&I funding that had to be used during the water supply crisis last year?

Answer. As noted in our letter to you dated April 27, 2004, Reclamation is monitoring other programs for potential surplus funding.

DAKOTA WATER RESOURCES ACT

Question. Funding for the Dakota Water Resources Act is a top priority for me and for my constituents. Although Congress has promised to provide \$200 million for Indian municipal, rural and industrial water needs and \$200 million for State MR&I, the current budget fails to come anywhere close to what will be needed for the next fiscal year and provides only a total of \$4.969 million for MR&I (\$2.485 for State MR&I, including NAWs, and \$2.484 for Tribal MR&I).

Given the fact that this program is severely under funded, what do you plan to do to keep up with the current needs of the program, in light of expected price increases in the major programs if delays occur?

Answer. It was recognized during the development of the Dakota Water Resources Act that funding would be provided over a number of years. To address the expected price increases caused by multi-year funding, the legislation authorized both the State and Indian MR&I project ceilings to be adjusted through the application of engineering cost indices. This measure, contained in Section 10, will account for ordinary increases in construction costs and ensure the appropriation ceiling continues to be adjusted to keep up with the current needs of the program.

Reclamation recognizes that the State and the Tribes have construction capability that exceeds the funding level proposed by the President in the fiscal year 2005 budget. Furthermore, we understand that recent budget levels have not resulted in project accomplishment that keeps pace with the annual indexing of the appropriation ceiling previously described. However, the President's budget request seeks to continue progress on Garrison Diversion Unit, and other on-going construction projects throughout the agency, within the budget targets that have been established.

RED RIVER VALLEY WATER SUPPLY PROJECT

Question. I am also very concerned about the status of the Red River Valley studies that will provide water to eastern North Dakota. I have heard some concerns

that the BOR is scaling back on some of the key items it had planned on doing and cutting back on the investigations needed to prepare a comprehensive study.

Can you update me on the status of these studies and assure me that the Bureau isn't taking shortcuts in this important matter?

Answer. The purpose of the Red River Valley Water Supply Project is to meet the comprehensive water quality and quantity needs of the Red River Valley in North Dakota. As directed by the Dakota Water Resource Act of 2000 (DWRA), Reclamation is conducting analyses to identify future water needs for the Red River Valley and options for meeting those needs. The DWRA requires an analysis of Municipal Rural and Industrial Needs, Aquatic Environment Needs, Recreation Needs, Water Quality Needs and Water Conservation Needs. It also mandates two reports, the Needs and Options Report and an Environmental Impact Statement (EIS). Reclamation is the sole lead for analysis of Needs and Options and will complete the Needs and Options Report by November 30, 2005. In accordance with DWRA, Reclamation and the State of North Dakota are preparing the EIS required to evaluate the environmental impacts of alternatives identified in the Needs and Options Report. The Draft EIS will be completed by December 31, 2005.

Reclamation is placing a high priority on conducting all investigations required for the Needs and Options Report and the EIS using objective, scientifically sound analyses. The work needed to complete both reports is on schedule and being conducted in a rigorous and scientific manner. Reclamation is taking no shortcuts in the comprehensive evaluation of water quality and quantity needs of the Red River Valley, as well as, options for meeting those needs, and the environmental analysis required under NEPA and DWRA.

PICK-SLOAN HYDROPOWER

Question. In Pick-Sloan the Bureau appears to be adding staff for hydropower activities. Please explain.

Answer. Reclamation is adding staff for hydropower activities in Pick-Sloan. Reclamation has discussed this with the preference power customers on several occasions and they agree with our staffing proposal. This staff will perform operation and maintenance to ensure the necessary reliability and availability of the 20 Reclamation Pick-Sloan Powerplants. Reclamation is facing a 40 percent attrition rate in hydropower staffing in the next 5 years and preparation must be made for this. Reclamation continues to deliver power at a cost that is less than the production costs of three-fourths of the other Federal and non-Federal hydropower facilities in the United States and with reliability twice that of the industry average. The impact to the power rate by adding this staff is minimal and Pick-Sloan customers will continue to benefit from the low wholesale rates. Furthermore, attention to such long-term operation and maintenance issues is in line with the recommendations from the 2003 re-PART of Reclamation's hydropower program, which reiterated the need to engage in long-term planning and act with foresight in managing its hydropower facilities.

Question. In addition, where are these employees being placed both geographically and as between technical field positions or administrative/policy and review positions?

Answer. As discussed with and agreed to by the preference power customers, Reclamation filled three positions last year: two apprentices in Wyoming, and one power facility manager at the Green Mountain powerplant in Colorado. In addition, by fiscal year 2006, we are in agreement to hire three apprentices and one O&M manager at the Flatiron powerplant in Colorado, and two engineering positions in the Great Plains Regional Office. These positions will be working on powerplant O&M.

Question. What cost saving measures is the Bureau planning to undertake?

Answer. Reclamation continues to undertake cost saving measures such as further standardizing O&M business practices and procedures and continually seeking measures to improve the efficiency of water use and power generation. Reclamation has been successful in doing this through changes in operations and installation of more efficient equipment.

Question. Is the Bureau attempting to coordinate activities with other Federal agencies to avoid duplication of plant equipment and services, e.g., WAPA and Corps of Engineers?

Answer. Reclamation, in conjunction with other Federal and State agencies, is utilizing the same microwave and radio communication systems. This has eliminated equipment duplication and generated cost savings. Reclamation coordinates monthly powerplant and transmission line outages with WAPA to avoid unnecessary outages and to allow both agencies to schedule work during each other's outages. Reclama-

tion and WAPA continue to communicate in an effort to avoid duplication and reduce costs. Reclamation-wide coordination of asset management and facility condition assessment activities has occurred with the Corps of Engineers, Hydro Quebec, and Bonneville Power Administration. Reclamation's Great Plains Region has recently revised its information sharing agreement with its federal power customers. The new agreement includes Reclamation, the Corps of Engineers, WAPA, as well as the power customers. Through the agreement the parties coordinate budget, operation, and maintenance activities.

SITE SECURITY

Question. The Bureau is proposing to spend \$43 million for site security, including \$12 million which will be reimbursable from Federal power customers. These appear to be annual costs and not one-time expenses.

Since these multi-purpose projects are national assets, benefiting millions of Americans, why are they reimbursable from power customers?

Answer. Beginning in fiscal year 2005, annual costs associated with activities for guarding our facilities will be treated as project O&M costs subject to reimbursability based upon project cost allocations and consistent with prior practices. The project beneficiaries who will be assigned these costs will be primarily power customers, water districts and some M&I water contractors.

Reclamation recognizes there are challenges ahead of us, such as working with our stakeholders in analyzing security related O&M costs to determine the beneficiary's reimbursable obligation in fiscal year 2005 consistent with project specific authorizations and contracts.

Question. Why has the Bureau changed its existing policy on reimbursability and why should the power customers be required to pay these costs?

Answer. Between September 11, 2001 and September 30, 2004, Reclamation has or will spend \$124 million in anti-terrorism dollars, which include guard and surveillance activities.

Reclamation's existing policy has always stated that upon project construction completion, the responsibility of O&M of single-purpose facilities transfers to the water-user entities responsible for the project's construction costs. Beginning in fiscal year 2005, annual costs associated with activities for guarding our facilities will be treated as project O&M costs subject to reimbursability based upon project cost allocations.

The majority of Reclamation's expenditures for anti-terrorism measures, such as security reviews and subsequent implementation of anti-terrorism measures as a result of these reviews, are still considered non-reimbursable expenditures.

HYDROPOWER

Question. The budget proposes that hydropower customers assume the cost of research and development expenses of the science and technology program. This program has always been a non-reimbursable activity of the Bureau.

Why is the Bureau adding yet more costs to hydropower users?

Answer. As a result of the Reclamation Science and Technology Program Assessment Rating Tool (PART) review by the Office of Management and Budget (OMB), we believe that it is appropriate to include hydropower research and development expenses as reimbursable costs in the Power Marketing Administrations' rates since the power customers directly benefit from the successes of Reclamation's hydropower research and development program related to hydropower. These research developments have resulted in significant cost savings to project customers.

Question. Are there any activities with respect to reliability that you are not undertaking that you believe are appropriate?

Answer. Reclamation continues to assess the reliability and long-term viability of our generating facilities. We believe that we are doing everything that is appropriate at this time. We have recently conducted a condition assessment of our major equipment and have found that 46 percent of our major power components are in poor condition. As a result of the 2003 re-assessment of the PART on hydropower, we have revised our long-term performance measures and goals, and aim to reduce this percentage to 40 percent by 2014. Reducing the number of components rated in poor condition will increase generating reliability, and help avoid costly unplanned maintenance and replacement due to component failure. We will be scheduling funding to address this issue over the next several years to assure that our plants remain reliable. Another area we are evaluating is the responsiveness of our governors and excitation systems. Many of our governors are mechanical and as these governors are replaced, we are looking at replacing them with digital equipment, which improves our unit's responsiveness during periods of system distress.

Finally, North American Electric Reliability Council (NERC) and Western Electricity Coordinating Council (WECC) policy require generation owners to perform reactive capability and limit verification of generators with a capacity of 10 megawatts or greater every 5 years. The policy further requires dynamic testing, maintenance, and calibration of voltage regulators, limit functions, power system stabilizers, and governor controls. Also, NERC and WECC policy require organizations to develop and maintain documented ratings of power equipment including powerplant equipment. The ratings must be consistent with documented rating methodology. Reclamation is striving to meet these requirements.

FIVE-YEAR EXPENDITURES

Question. Please provide a specific breakdown of expenditures during the past 5 years by function and authorized project purposes.

Answer. The Bureau appreciates the continued support the committee has provided over the years. The information requested, expenditures by function and authorized project purpose for the past 5 years, is voluminous. We would welcome the opportunity to discuss this request further with the committee staff and tailor the response to ensure it is suitable and useful.

Question. I can be more specific, but it turns into three questions. The answer to these three questions should be a chart, probably with footnotes, explaining what has taken place with the funding provided. It should also show how they applied underfinancing to the project. Hope this helps.

How much money has been allocated, and spent, on the MR&I program for the past 5 years?

Answer. The attached worksheet provides the information you requested on the MR&I program for the Great Plains Region.

PROJECTS WITH RURAL WATER COMPONENTS—WATER & RELATED RESOURCES¹

[In thousands of dollars]

	Fiscal Year 1999 Enacted/ Final Expenditure Budget	Fiscal Year 1999 Expenditures	Fiscal Year 2000 Enacted/ Final Expenditure Budget	Fiscal Year 2000 Expenditures	Fiscal Year 2001 Enacted/ Final Expenditure Budget	Fiscal Year 2001 Expenditures	Fiscal Year 2002 Enacted/ Final Expenditure Budget	Fiscal Year 2002 Expenditures	Fiscal Year 2003 Enacted/ Final Expenditure Budget	Fiscal Year 2003 Expenditures	Fiscal Year 2004 Enacted Budget	Fiscal Year 2004 U/F ² Rescission ² Budget	Fiscal Year 2004 U/F ² Resc. Budget
Mni Wiconi Rural Water Component (only)	*31,344	32,131	*29,400	27,306	*33,735	31,681	*37,489	34,234	*38,800	36,011	*31,471	-2,547	*28,753
Mid-Dakota Rural Water Component (only)	*15,000	19,195	*14,000	13,847	*8,000	9,459	*15,000	14,384	*17,860	17,295	*15,000	-1,450	*13,490
Garrison Rural Water Component (only)	*13,413	17,966	*17,386	16,678	*14,059	13,456	*16,305	14,349	*13,933	11,134	*9,031	-63	*8,951
Fort Peck Rural County Water System	*1,500	590	*3,000	84	*1,500	4,508	*0	397	*0	-3	*0	0	0
Fort Peck Reservation/Dry Prairie	1,126	329	3,412	221	4,687	500	4,000	3,697	7,500	4,492	7,500	-40	6,741
Lewis and Clark Rural Water System	*360	550	*0	199	*435	578	*0	3,697	*7,500	4,840	*0	-719	0
Perkins County Rural Water System	*0	0	*0	10	*1,000	1,499	*2,000	1,824	*7,000	5,800	*17,000	*-1,630	15,279
	*0	0	*0	0	1,524	1,835	*3,400	3,077	*4,300	3,619	*1,000	*-96	899
	0	0	0	0	0	0	0	0	3,622	3,619	0	0	0
Rural Water Program—GREAT PLAINS REGION:													
Enacted Budget	*61,617	66,811	*63,786	58,124	*58,729	61,103	*78,194	71,973	*89,393	78,348	*81,002	*-6,505	*74,113
Expenditure Budget/Expenditures	*71,556	66,811	*63,975	58,124	*61,750	61,103	*71,973	71,115	*79,995	78,348	*0	*0	*0

* Figures marked with an asterisk were Enacted by Congress. The second number in the column, represents what was Enacted plus adjustments which can include prior year funds, carryover, underfinancing, rescissions, and fund transfers.
¹ Columns marked "Enacted/Final Expenditure Budget": The first number in the column is marked with an asterisk to clearly show what was Enacted by Congress. The second number in the column, represents what was Enacted plus adjustments which can include prior year funds, carryover, underfinancing, rescissions, and fund transfers.
² The columns entitled Fiscal Year 2004 U/F and Fiscal Year 2004 Rescission provide a breakdown of how the reductions associated with underfinancing and the rescission were applied. In both instances, each project received an across-the-board reduction per the Fiscal Year 2004 Water and Energy Appropriation Act. For Garrison, the majority of the reductions were applied to the non MR&I components not shown on the chart. No reductions were applied to the \$6 million allocated to the construction MR&I program.

Question. Did the extra \$10 million that was provided by Congress in fiscal year 2004 get spent on the MR&I program?

Answer. The Great Plains Region's fiscal year 2004 Enacted MR&I program was \$81,917,000 which was \$63,915,000 over the President's requested amount of \$18,002,000. Garrison was the only project that received a Congressional write-in of \$10 million. Therefore, the following response is based on the assumption that the \$10 million referred to is related to Garrison. However, we would welcome the opportunity to discuss this request further with the committee staff and tailor the response to ensure it is suitable and useful. The fiscal year 2004 President's request for the Garrison project included zero dollars for MR&I construction and \$3,031,000 for MR&I operation and maintenance for the Tribal program. Of the additional \$10 million received for the Garrison project, \$6 million was allocated for the MR&I construction program (bringing the total Garrison MR&I program to \$9,031,000); \$2 million was allocated for Red River Valley to complete the studies and EIS on the schedule testified to in the December 2002 Senate Field Hearing; and \$2 million was allocated to complete work at the Arrowwood National Wildlife Refuge.

Question. If not, is there any likelihood of the same occurring in fiscal year 2005?

Answer. If Congress provided additional funds for general Garrison program purposes, we anticipate they would be allocated to the MR&I programs.

DEPARTMENT OF DEFENSE—CIVIL

DEPARTMENT OF THE ARMY

CORPS OF ENGINEERS—CIVIL

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

**ACCOMPANIED BY LIEUTENANT GENERAL ROBERT B. FLOWERS,
CHIEF OF ENGINEERS**

Senator DOMENICI. Now, Senator Craig, I have to step out with some constituents. I wonder if you would let Panel Two, Mr. John Woodley, Assistant Secretary, and Lieutenant General Robert Flowers—although he's not here, is that right? He'll be here?—Chief of Engineers, U.S. Army Corps of Engineers. If you'd start that, I'll be back very, very soon.

Senator CRAIG [presiding]. So if the second panel would come forward, we'll proceed with testimony from the Army Corps. Army first, yeah.

Well, thank you all very much. Assistant Secretary Woodley, we appreciate you being here.

We'll allow you to proceed with your testimony, and then we'll move to—I assume both you and the General are the ones prepared for the testimony. Is that correct?

General FLOWERS. Yes, sir.

Senator CRAIG. All right, fine. Please proceed.

STATEMENT OF JOHN PAUL WOODLEY, JR.

Mr. WOODLEY. Mr. Chairman, I appreciate the opportunity to testify before the subcommittee about the President's fiscal year 2005 budget for the Civil Works function of the Army Corps of Engineers.

I'm especially delighted to be accompanied this morning by a very distinguished soldier, Lieutenant General Robert Flowers, the 50th Chief of Engineers. Mr. Chairman, this is General Flowers' last opportunity to appear before the subcommittee, and so I think that should be made note of in the record, and I'd like to express my particular appreciation, on behalf of the President, for his very fine service as Chief of Engineers.

May I also ask leave to summarize my statement and put a complete statement—

Senator CRAIG. Yeah—

Mr. WOODLEY [continuing]. In the record?

Senator CRAIG [continuing]. Your full statements will become a part of the committee record. Thank you.

Please proceed.

Mr. WOODLEY. Our total fiscal year 2005 Civil Works budget is \$4.2 billion, which is about the same as last year's Civil Works

budget request. This year, to develop the budget, we began the use of a performance-based approach built around programmatic goals for our eight business programs. This approach, we feel, has and will continue in the future to enable us to make the most effective use of the limited funding available to us.

For new projects, the budget focuses on commercial navigation, flood and storm damage reduction, and aquatic ecosystem restoration. The budget directs substantial funding to the ongoing construction projects that have among the highest economic and environmental returns to the Nation. We also have given priority to 11 projects that we are able to complete in fiscal year 2005, and to eight projects that we consider high-priority projects, and to a number of dam safety and seepage correction projects.

Funding to plan or design new projects this year is limited, and is targeted to the most productive study and design activities, including five new studies, 23 design efforts, and the current phases of ongoing studies, including an expanded Louisiana Coastal Area study.

Mr. Chairman, the 2005 budget does not include a request for funding for beach renourishment. Our view is that non-Federal interests should carry out renourishment activities once the initial construction of the beaches has been completed. We have an exception to this, at a case in which we are obliged to perform renourishment under a court order.

We have also asked for leave, to free up funding for higher-priority needs, to cancel unobligated balances of projects that may not be the best—the top investments, or, for one reason or another, are not ready to proceed. This recommended cancellation, if it's approved, would take effect with the enactment of the fiscal year 2005 appropriations.

The budget also includes a number of initiatives for operation and maintenance of our existing projects. We ask leave to finance, up front, the operation and maintenance cost of hydropower facilities, with funds provided by three Federal Power Marketing Administrations. Second, we would ask to accomplish recreation modernizations by using new fees and by entering into planning and management partnerships. Third, we would continue antiterrorist protection at key projects and facilities. And finally, we ask to reserve a pool of funds for unforeseen and urgent maintenance and repairs at key projects.

Mr. Chairman, I have three priorities in mind for the Civil Works program during my time as Assistant Secretary. You will see these priorities reflected, in part, in this budget, and I believe to a greater extent in the next. One priority is to develop the Civil Works budget and manage the program based on objective performance measures. In that regard, General Flowers and I have recently provided our Civil Works strategic plan to the committee, and we look forward to working with you on developing it further and hearing your views on it. A second priority is to improve the analytical tools that we use for water resource planning and decision-making. And my third priority is to improve the effectiveness and efficiency of the Corps' regulatory program, the primarily wetlands and navigation regulatory program.

PREPARED STATEMENT

Mr. Chairman, this is a frugal budget that reflects the priorities of a Nation at war. Understandably, and I will say immediately, it does not fund all the good things that the Corps of Engineers is capable of doing, but it does move ahead with many important investments that will yield enormous returns for the Nation next year and in the future.

Thank you, Mr. Chairman.
[The statement follows:]

PREPARED STATEMENT OF JOHN PAUL WOODLEY, JR.

Mr. Chairman and distinguished members of the subcommittee, thank you for the opportunity to testify before the Energy and Water Development Subcommittee of the Appropriations Committee and to present the President's budget for the Civil Works program of the Army Corps of Engineers for fiscal year 2005.

OVERVIEW OF FISCAL YEAR 2005 ARMY CIVIL WORKS BUDGET

The fiscal year 2005 budget for Army Civil Works provides funding to continue the development and restoration of the Nation's water and related resources, the operation and maintenance of existing navigation, flood damage reduction, and multiple-purpose projects, the protection of the Nation's regulated waters and wetlands, and the cleanup of sites contaminated as a result of the Nation's early efforts to develop atomic weapons.

The fiscal year 2005 budget for Army Civil Works includes new discretionary funding requiring appropriations of \$4.215 billion and an estimated \$4.132 billion in outlays from discretionary funding (see Table 1). These figures are approximately the same as in the fiscal year 2004 budget.

The new discretionary funding includes \$610 million from the Harbor Maintenance Trust Fund for harbor operation and maintenance and dredged material disposal facility construction. The discretionary funding also includes \$115 million from the Inland Waterways Trust Fund for construction and rehabilitation on the inland waterways.

The budget includes proposed appropriations language for direct funding of hydropower facility operation and maintenance by Federal power marketing administrations. New discretionary funding of \$150 million would be derived from direct funding in fiscal year 2005. This proposal is described in greater detail below.

Other sources of new discretionary funding include \$3.303 billion from the general fund and \$37 million from Special Recreation User Fees.

Additional program funding, over and above funding from the sources requiring discretionary appropriations, is estimated at \$437 million. This total includes \$71 million from the Bonneville Power Administration (BPA) for operation and maintenance of hydropower facilities in the Pacific Northwest, \$287 million contributed by non-Federal interests for their shares of project costs and for project-related work, \$63 million from the Coastal Wetlands Restoration Trust Fund, and \$16 million from miscellaneous permanent appropriations.

The budget proposes cancellation of at least \$100 million of previous discretionary budget authority. Net discretionary budget authority, including this proposal and the direct funding proposal, is \$3.965 billion.

PERFORMANCE-BASED BUDGETING

Performance-based budgeting is one of the President's Management Initiatives, and the one that is most central to the preparation of the budget. For the Army Civil Works program, performance planning is built around eight program areas: Navigation (including inland waterway navigation and coastal channels and harbors); Flood and Storm Damage Reduction (including from riverine flooding and coastal storms); Environment (including aquatic ecosystem restoration, stewardship of natural resources at operating projects, and the Formerly Utilized Sites Remedial Action Program); Hydropower; Recreation; the Regulatory Program, Emergency Management; and Water Supply (storage at existing reservoirs).

The first element in our performance planning is a strategic plan, which is required by the Government Performance and Results Act (GPRA). I am happy to announce that on March 22, 2004, General Flowers and I provided our strategic plan to the committees and subcommittees of Congress responsible for water develop-

ment authorizations and appropriations, including this committee and subcommittee. This plan is a work in progress. We will continue to work with the Office of Management and Budget to establish program goals, objectives, and performance measures that are called for by GPRA and that provide a sound basis for setting performance targets and building future budgets.

The second element in our performance planning is the use of a government-wide process to assess program performance, which first was instituted for the fiscal year 2004 budget. These assessments are intended to improve the effectiveness of programs and to improve the quality of their management and oversight. Five business programs, program components, or sets of activities were assessed for the fiscal year 2004 budget: the Hydropower program; the riverine flood damage reduction component; the inland waterway navigation component; the Emergency Management program; and wetlands-related activities apart from the Regulatory Program. For fiscal year 2005, the Regulatory Program was assessed. Two of the programs—the Regulatory Program and Emergency Management—have been rated as moderately effective and have received substantial funding in the fiscal year 2005 budget.

The third element is to develop the Civil Works budget and manage the program based on objective performance measures. The fiscal year 2005 budget for Army Civil Works focuses funding on the most productive investments. This is reflected, for instance, in the allocation of funding to the most productive design activities, construction projects, and maintenance activities. At the same time, I recognize that we can do a better job of performance-based budgeting, and one of my priorities is to improve our capabilities in this area. I have placed a priority on making significant progress on further development of sound performance measures for each business program and on using the measures to build our fiscal year 2006 budget. A great deal of hard work is in store for us as we transition to this approach, but the advantages are enormous, and the Army is fully committed to this effort.

FOCUS ON HIGH-RETURN NEW INVESTMENTS

The fiscal year 2005 budget for Army Civil Works targets funding to the new investments that have very high economic or environmental returns. The budget does so by emphasizing priority missions and allocating substantial funding to new and continuing high return continuing construction projects while de-emphasizing the design and initiation of new projects. However, the budget funds three new projects that have high economic or environmental returns and several new high priority studies that competed successfully for funding. The budget also discontinues Federal participation in beach renourishment activities, and proposes to cancel unobligated balances for projects that do not provide high returns or that are not Civil Works responsibilities.

Priority Missions

The budget emphasizes ongoing studies, projects and programs that provide substantial benefits in the priority missions of the Civil Works program for new investments, namely, commercial navigation, aquatic ecosystem restoration, and flood and storm damage reduction.

The budget also provides funding for other areas of Corps involvement, including regulatory protection of waters and wetlands, cleanup of sites contaminated by the Nation's early atomic weapons program, and the management of natural resources and provision of hydroelectric power and recreation services at Federally operated Civil Works projects.

No funds are provided for studies and projects that carry out non-traditional missions that should remain the responsibility of non-Federal interests or other Federal agencies, such as wastewater treatment, irrigation water supply, and municipal and industrial water supply treatment and distribution. Furthermore, the budget does not fund individual studies and projects that are inconsistent with established policies governing the applicable missions.

Ongoing, Budgeted Construction Projects

In recent years, ongoing construction projects that the budget funds have had to compete for funding with numerous new construction starts. To maximize the net returns of the construction program and finish the construction backlog more quickly than under current trends, the budget directs funding to complete 11 ongoing projects in fiscal year 2005, and continues progress on projects consistent with long-established policies, including eight projects that are the highest priorities in the Nation. It also provides substantial funding for dam safety investments. In addition, the budget funds three new projects with high economic and environmental returns.

Altogether, the budget includes funding for construction of 149 projects, not including the projects constructed under the Continuing Authorities Program.

Consistent with this focus on projects already under construction, the budget includes funding to continue or complete design of 23 proposed projects that were selected based on their economic and environmental returns. The budget defers work on all lower priority design efforts. Similarly, we made an effort to prioritize studies of proposed projects. In general, funding is targeted to the most productive study and design activities, including \$8 million for the expanded Louisiana Coastal Area Study. Funding is provided for five new studies that competed successfully with ongoing work.

Beach Renourishment

The budget does not include any funding for beach renourishment. The administration's view is that non-Federal interests should carry out renourishment activities once the initial nourishment has been accomplished, just as they operate and maintain other types of projects once the installation is complete. This policy applies to all types of projects involving beach renourishment, including projects for which Project Cooperation Agreements already have been executed. Work under such agreements is subject to the availability of funding, and the new policy specifies that funding no longer will be sought for renourishment phases.

We will continue to plan for and design shore protection projects, and we will continue to construct initial nourishment phases as well as the structural measures for coastal projects. We also will continue to deposit dredged material from navigation projects on the adjacent shores when it is the least-cost, environmentally acceptable disposal method. In addition, we will participate financially in one-time placements of dredged material for the beneficial use of shore protection, and we will perform follow-on placements for the beneficial use of shore protection if non-Federal interests finance the incremental costs. Within these ground rules, we will continue to participate in regional sediment management activities.

There is one exception to the policy in fiscal year 2005, for the Westhampton Shores, New York, area. We are funding periodic renourishment program as ordered by the district court in the settlement of the case of *Rapf et al. vs. Suffolk County of New York et al.*

Cancellation of Unobligated Balances

To free up funding for higher priority needs, the budget proposes to cancel the unobligated balances of 41 projects that are not consistent with current policy. The cancellation would take effect with enactment of fiscal year 2005 appropriations.

FINANCING AND MANAGEMENT INITIATIVES FOR OPERATING PROJECTS

The Operation and Maintenance program includes funding for four significant initiatives: direct funding of hydropower operation and maintenance costs; recreation modernization; a new emergency maintenance reserve fund; and anti-terror facility protection.

Direct Financing of Hydropower Operation and Maintenance Costs

Historically, each year the Army Civil Works program has financed the operation and maintenance costs of Corps of Engineers hydroelectric facilities, and Federal power marketing agencies have repaid the Treasury for these costs from the revenues provided by ratepayers. The exception has been in the Pacific Northwest, where under section 2406 of the National Energy Policy Act of 1992, Public Law 102-486, the Bonneville Power Administration (BPA) has directly financed the costs of operating and maintaining the Corps' hydroelectric facilities from which it receives power. BPA has been providing operation and maintenance funds in this manner each year, beginning in fiscal year 1999.

Each year, Corps facilities experience unplanned outages around 3 percent of the time. In 1999, the General Accounting Office found that the Corps' hydropower facilities are twice as likely to experience "unplanned outages" as private sector facilities, because the Corps does not always have funds for maintenance and repairs when needed.

To address this problem, the budget proposes that the Southeastern Power Administration, the Southwestern Power Administration, and the Western Area Power Administration finance hydropower operation and maintenance costs directly, in a manner similar to the mechanism used by Bonneville. The budget contemplates that these power marketing administrations, in consultation with the Corps, would make funding available for those hydropower operation and maintenance expenditures that they believe are justified in order to provide economical, reliable hydropower to power customers. We believe that, as a consequence, unplanned outages would decline over time to levels comparable to the industry average. The administration is submitting this as an appropriations proposal. Under current Congressional

Budget Office and Office of Management and Budget scoring, the funds provided by the power marketing administrations offset appropriated funds without PAYGO consequences.

Recreation Modernization

The second initiative is to modernize recreation facilities. The recreation modernization initiative has three components. The first is a legislative proposal that: 1) authorizes the Corps to establish a permanent recreation fee program that is consistent with the existing Federal Recreation User Fee Demonstration program; 2) authorizes the Corps to collect entrance fees; and 3) authorizes the Corps to retain all recreation use fees over \$37 million per year and to use the retained fees for its recreation facilities. To support this proposal, we currently are developing a proposed schedule of recreation use fees, lease receipts, and other sources of revenue, showing the locations where we expect to collect revenue and the kinds and amounts of revenue we expect to collect at each location.

The second is six recreation demonstration projects, at Texoma Lake in Texas, Shelbyville Lake in Illinois, Rathbun Lake in Iowa, W. Kerr Scott Lake in North Carolina, Cumberland Lake in Kentucky, and Beaver Lake in Arkansas. At each location, the Corps will demonstrate new planning, management and financing partnership arrangements with State and local government park authorities and private sector concessionaires. These will be designed to upgrade Corps recreation facilities at little or no cost to the Federal Government. If these six demonstration projects are a success, the Corps will expand the model to other Corps facilities in the future.

The third is \$6 million to upgrade Corps recreation facilities related to the Lewis and Clark Bicentennial commemoration.

Emergency Maintenance Reserve

The budget includes \$35 million for an emergency maintenance reserve fund, from which the Assistant Secretary of the Army for Civil Works will make allocations to meet high-priority, unexpected, and urgent maintenance needs at key facilities. When an unexpected emergency occurs under current practice, it is sometimes difficult to find the needed funds on a timely basis. The new arrangement will enable us to respond to these situations promptly, without interfering with other program commitments.

The Assistant Secretary will make the allocation decisions based on the urgency of the maintenance or repair requirements, the relative availability of funding from lower-priority work, and the likelihood that additional high-priority needs would be identified in the remainder of the fiscal year.

Anti-Terrorist Facility Protection

Since the events of September 11, 2001, the Civil Works program has received appropriations of \$278 million to provide facility protection measures that have recurring costs (such as guards), to perform assessments of threats and consequences at critical facilities, and to design and implement the appropriate "hard" protection at those critical facilities. The administration is continuing its commitment to facility protection in fiscal year 2005, with a budget of \$84 million for facility protection. Of the \$84 million, \$72 million is for projects funded from the Operation and Maintenance account and \$12 million is for other projects and facilities.

PRESIDENT'S MANAGEMENT AGENDA

We are pleased with the progress we are making on the President's Management Agenda. Like most agencies, we started out in 2002 with "red" ratings across the board. Our status rating for the human capital initiative is now "yellow." We now have "green" or "yellow" progress ratings for all five of the President's Management Agenda initiatives.

The Army Corps of Engineers has developed a sound, comprehensive human capital plan and has implemented its "USACE 2012" plan. The 2012 plan is the Corps guiding document for organizational changes and process changes to improve service delivery.

The Corps continues to be a strong supporter of E-Gov initiatives such as Recreation One-Stop, Geospatial, and Disaster Management. It is aggressively working to improve the overall management of its information technology investments by extensively using the Federal Enterprise Architecture to identify opportunities to identify like systems and identify possible opportunities to collaborate.

The Corps has developed a plan and management infrastructure to conduct competitive sourcing and has completed all preliminary planning steps for its first two standard competitions to be announced in fiscal year 2004.

To identify problems identified in its audits for 2002 and 2003, the Corps is improving documentation to support older assets.

We are confident that our work on the President's initiatives will yield greater program efficiency and effectiveness in the years to come.

APPROPRIATION ACCOUNTS

Although the budget was formulated largely by program area, it is presented to Congress by traditional appropriation account.

General Investigations

The budget for the General Investigations program is \$90.5 million. This funding level reflects an emphasis on completing policy-consistent projects that are already budgeted in the Construction account, rather than continuing to plan, design, and initiate new work.

Within this amount, \$8.6 million is to continue or complete preconstruction engineering and design of the 22 projects with the highest expected economic or environmental returns. The remaining funding will be used to continue the ongoing phases of policy-consistent reconnaissance and feasibility studies, and to continue coordination, technical assistance, and research and development. The budget funds four new studies that competed successfully with ongoing work. These studies are as follows: Southern California Wetlands Restoration, California; Boulder Creek, Colorado; Chesapeake and Delaware Canal Environmental Restoration, Delaware and Maryland; and Mississippi River-Gulf Outlet Ecosystem Restoration, Louisiana.

One of my priorities is to improve analytical tools to support water resource planning and decision-making. The budget addresses this, for instance, by increasing funding for research and development on modeling and forecasting tools, including \$2.5 million for the Navigation Economic Technologies research program funded in this account.

Construction

The fiscal year 2005 budget for the Construction program is \$1.4215 billion. Of that total, \$115 million would be derived from the Inland Waterways Trust Fund to fund 50 percent of the costs of construction and major rehabilitation of inland waterway projects, and \$10 million would be derived from the Harbor Maintenance Trust Fund to fund the Federal share of dredged material disposal facilities at operating coastal harbor projects.

The budget proposes funding for three new starts that have very high economic and environmental returns: the Washington, DC, and Vicinity flood damage reduction project; the Rio Guanajibo, Puerto Rico, flood damage reduction project; and the Everglades Pilot Projects Program, Florida. The pilot projects program is part of the Comprehensive Everglades Restoration Plan, which in turn is part of the Central and South Florida project.

Substantial funding is provided for the 11 projects completing construction in fiscal year 2005, for dam safety assurance, seepage correction, and static instability correction projects, and for eight high priority projects nationwide. The high priority projects are the New York and New Jersey Harbor deepening project (\$103 million); the Olmsted Locks and Dam, IL & KY, project (\$75 million); projects to restore the Florida Everglades (\$125 million) and the side channels of the Upper Mississippi River system (\$28 million); two projects to provide flood damage reduction to urban areas, namely, the Sims Bayou, Houston, TX, project (\$16 million) and the West Bank and Vicinity, New Orleans, LA, project (\$37 million); and projects to meet environmental requirements in the Columbia River Basin (\$107 million) and the Missouri River basin (\$69 million). The Everglades work actually is comprised of three distinct projects, as is the Columbia River Basin work.

The budget provides \$52.9 million for the planning, design, and construction of projects under the Continuing Authorities Program. These are small projects for flood damage reduction, navigation, shoreline protection, streambank protection, navigation project impact mitigation, clearing and snagging, aquatic ecosystem restoration, project modifications for improvement of the environment, and beneficial uses of dredged material (including beneficial uses for environmental purposes as well as beneficial use for coastal storm damage reduction).

Flood Control, Mississippi River and Tributaries

The budget includes \$270 million for the Flood Control, Mississippi River and Tributaries account.

The budget includes funding for preconstruction engineering and design for the Morganza to the Gulf, Louisiana, project. The budget also includes funding for one

new study of opportunities for the acquisition of additional real property interests in the Atchafalaya Basin.

Operation and Maintenance

The budget for Operation and Maintenance emphasizes essential operation and maintenance activities at Corps facilities, including maintenance dredging and structural repairs. The overall budget for the Operation and Maintenance account is \$1.926 billion.

The budget continues the past policy of directing funding for navigation maintenance primarily to those harbors and waterways that have high volumes of commercial traffic. For small ports and recreational harbors, the budget funds maintenance work where needed to support significant commercial navigation, commercial or subsistence fishing, or public transportation benefits.

Approximately \$1.103 billion is to fund projects and programs supporting navigation for commercial cargo, commercial or subsistence fishing, and public transportation. Within this amount, the budget provides about \$539 million for deep draft harbors (harbors with authorized depths of greater than 14 feet); \$28 million for shallow draft harbors; \$411 million for inland waterways with commercial traffic of more than 1 billion ton-miles per year; and \$49 million for waterways with less commercial traffic. An additional \$74 million represents joint use costs at multi-purpose projects that are allocated to navigation.

Approximately \$823 million is for projects and programs other than navigation, including flood damage reduction (\$286 million), recreation (\$253 million), natural resources management (\$92 million), hydroelectric power generation (\$153 million), and emergency management (\$40 million, including the \$35 million emergency maintenance reserve).

Regulatory Program

The recent performance assessment of this program concluded that it is moderately effective overall. The budget provides \$150 million, which is a substantial increase over the fiscal year 2004 enacted amount and reflects our assessment that this program needs additional funding. The activities funded in the budget include permit evaluation, enforcement, oversight of mitigation efforts, administrative appeals, watershed studies, special area management plans, and environmental impact statements.

One of my priorities for the Civil Works program is to improve the effectiveness of aquatic resource protection and the efficiency of permit reviews and decision-making. The budget will enable us to reduce permit evaluation times, improve protection of aquatic resources, and continue wetlands protection through watershed approaches.

Formerly Utilized Sites Remedial Action Program (FUSRAP)

The Formerly Utilized Sites Remedial Action Program (FUSRAP) is an environmental cleanup program for sites contaminated as a result of the Nation's early efforts to develop atomic weapons. Congress transferred the program from the Department of Energy in fiscal year 1998. We are continuing to implement needed cleanups at contaminated sites. This year's budget is \$140 million.

General Expenses

Funding budgeted for the General Expenses program is \$167 million. These funds will be used for executive direction and management activities of the Corps of Engineers headquarters, the Corps division offices, and related support organizations. Within the budgeted amount, \$7 million is to audit the Civil Works financial statements, a function formerly carried out by the Army Audit Agency (AAA) using its own funding. The AAA has done this work in the past, but it is not sufficiently independent of the Corps to conduct this audit under new General Accounting Office auditing standards.

Flood Control and Coastal Emergencies

The Flood Control and Coastal Emergencies account finances response and recovery activities for flood, storm, and hurricane events, as well as preparedness for these natural events and for support to the Federal Emergency Management Agency through the Federal Response Plan.

The recent performance assessment of this program concluded that it is moderately effective overall. Accordingly, the fiscal year 2005 budget includes \$50 million, which is the approximate amount the Corps of Engineers spends on flood and coastal storm emergency preparedness, response, and recovery activities in a typical year. This funding will reduce the likelihood of having to borrow from other accounts or obtain supplemental appropriations.

CONCLUSION

The Army Civil Works budget for fiscal year 2005 will enable us to move ahead with many important investments that will yield enormous returns for the Nation in the future.

TABLE 1.—DEPARTMENT OF THE ARMY CORPS OF ENGINEERS—CIVIL WORKS FISCAL YEAR 2005 BUDGET

Requested New Appropriations:	
General Investigations	\$90,500,000
Construction	1,421,500,000
Operation and Maintenance	1,926,000,000
Regulatory Program	150,000,000
Flood Control, Mississippi River and Tributaries	270,000,000
General Expenses	167,000,000
Flood Control and Coastal Emergencies	50,000,000
Formerly Utilized Sites Remedial Action Program	140,000,000
TOTAL	4,215,000,000
Sources of New Appropriations:	
General Fund	3,303,000,000
Harbor Maintenance Trust Fund	610,000,000
(O&M)	(600,000,000)
(Construction—Disposal Facilities)	(10,000,000)
Inland Waterways Trust Fund	115,000,000
Special Recreation User Fees	37,000,000
Power Marketing Administration Direct Funding	150,000,000
TOTAL	4,215,000,000
Additional New Resources:	
Rivers and Harbors Contributed Funds	287,000,000
Bonneville Power Administration	¹ 71,000,000
Coastal Wetlands Restoration Trust Fund	63,000,000
Permanent Appropriations	16,000,000
TOTAL	437,000,000
Total New Program Funding	4,652,000,000
Proposed Cancellation of Prior-Year Funds	(100,000,000)

¹ Beginning in fiscal year 2005, budget authority from BPA is limited to budget authority for joint use costs. Funding for the specific costs of hydropower will be executed in a BPA account and will not count as Corps budget authority. Accordingly, the amount of \$71 million for fiscal year 2005 appears to be a reduction from the total fiscal year 2004 amount of \$143.205 million, but in fact is a slight increase from the corresponding fiscal year 2004 amount of \$69.5 million for joint use costs.

Senator DOMENICI [presiding]. Thank you very much.

General, would you like to comment also? Excuse me, I didn't have my mike on. Would you like to comment also?

General FLOWERS. Yes, sir.

Senator DOMENICI. Your statement will be made a part of the record.

STATEMENT OF LIEUTENANT GENERAL ROBERT B. FLOWERS

General FLOWERS. Sir, I am honored, again, to be testifying before you, along with the Secretary, on the President's fiscal year 2005 budget for the Army's Civil Works program.

Today, thanks to this subcommittee's strong support, this Civil Works program is balanced, responsive, and highly productive. I look forward to your continued partnership in this important program, so broadly beneficial to the Nation.

My complete statement covers more details on the fiscal year 2005 program, including the backlog, transforming the Corps, our business-management system—

Senator DOMENICI. Oh, yeah.

General FLOWERS [continuing]. And the Corps' overall value to the Nation's economy, the environment, and national defense. With your permission, I'll summarize some of the main points.

First, a word about the President's budget and the value of the Civil Works program to the Nation's economy and the environment. This budget funds the critical water-resources infrastructure that has improved the quality of our citizens' lives and provided a foundation for the economic growth and development of this country. Our projects for navigation, flood protection, ecosystem restoration, hydropower generation, and recreation directly contribute to national economic well-being. The sum of benefits realized as reduced transportation costs, avoided flood and storm damages, and improvements in environmental value is considerable.

And I'd like to share some numbers with you that illustrate the direct effect of the Civil Works mission.

First, the navigation program enables 2.4 billion tons of commerce to move on navigable waterways. The U.S. Department of Transportation estimates that these cargo movements have created jobs for 13 million people.

Second, the Corps flood-damage reduction structures have saved lives and property loss. Taxpayers save \$21 billion in damages each year.

And, third, almost all of our construction work and over half of our civil planning and engineering is completed by private-industry contractors funneling money directly into the economy.

This budget also includes funding to support watershed studies. These studies will allow us to work collaboratively with many stakeholders. With the complexity of water problems today, we believe this is the direction we must take to develop the best, most comprehensive solutions.

Moving now to our backlogs, we estimate it will cost approximately \$11 billion to complete the construction projects funded in the fiscal year 2005 construction general budget. The maintenance backlog continues to be challenging. The work the Corps is completing on our infrastructure is a critical element to a strong economy. Sustaining this level of service becomes more of a challenge as our infrastructure ages. The fiscal year 2005 budget includes \$1.926 billion for the operations and maintenance program. I can assure you that I will continue to do all that I can to make these programs as cost effective as possible.

There are many who are interested in transforming the Corps, inside and outside of the organization. Some may have the larger goal of changes in current water policy in mind; others may want us to operate more efficiently and effectively. What I'd like to make clear is that we're listening. I've met with individuals, industry groups, and interest groups to hear what they have to say. The Corps is undergoing sweeping changes as a result of our customer and stakeholder input. We are becoming a team of teams within the organization focusing on eight regional business centers, which will more efficiently deliver service to the public and the Armed

Forces. And let me assure you, I'm committed to working with you and all who are interested, and to doing all in my power to transform the Corps to meet the Nation's needs.

I'm very proud of the Civil Works program and its support to the national security strategy. The Corps' Civil Works experience is proving invaluable as soldiers and civilians of the Corps of the Engineers help to rebuild Iraqi infrastructure. To date, over 1,000 civilian volunteer members have served in Iraq, sharing their knowledge and expertise with Iraqi engineers and other professionals, assisting the Coalition Provisional Authority and the Combined Joint Task Force in repairing and rebuilding Iraqi infrastructure.

PREPARED STATEMENT

The Corps is committed to staying at the leading edge in providing service to the Nation, and I truly appreciate your continued support to this end.

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

[The statement follows:]

PREPARED STATEMENT OF LIEUTENANT GENERAL ROBERT B. FLOWERS

Mr. Chairman and distinguished members of the subcommittee, I am honored to be testifying before your subcommittee today, along with the Assistant Secretary of the Army for Civil Works, the Honorable John Paul Woodley, Jr., on the President's fiscal year 2005 (fiscal year 2005) Budget for the United States Army Corps of Engineers' Civil Works Program.

My statement covers the following 6 topics:

- Summary of Fiscal Year 2005 Program Budget,
- Civil Works Construction Backlog,
- Civil Works Program Transformation,
- Need for a More Robust Business Management System,
- Value of the Civil Works Program to the Nation's Economy, and
- Value of the Civil Works Program to the Nation's Defense.

SUMMARY OF FISCAL YEAR 2005 PROGRAM BUDGET

Introduction

This budget provides new funding for the Civil Works Program, including the Direct and Reimbursed programs, is expected to approach \$5.602 billion.

Direct Program funding, including discretionary and mandatory funding appropriated directly to the Corps, totals \$4.652 billion. Discretionary funding, including amounts ultimately replaced by mandatory funding, totals \$4.215 billion; additional mandatory funding totals \$437 million.

Reimbursed Program funding is projected to be \$950 million.

Direct Program

The proposed budget reflects the administration's commitment to continued sound development and management of the Nation's water and related land resources. It provides for continued efficient operation of the Nation's navigation, flood protection, and other water resource management infrastructure, fair regulation of the Nation's wetlands, and restoration of the Nation's important environmental resources, such as the Florida Everglades.

The budget provides for continued funding of nearly all studies and projects underway, including many started in fiscal year 2005. It also provides for funding of 4 new studies under the General Investigations (GI) program.

Reimbursed Program

Through the Interagency and Intergovernmental Support Program we help non-DOD Federal agencies, State, and other countries with timely, cost-effective implementation of their programs, while maintaining and enhancing capabilities for execution of our Civil and Military Program missions. These customers rely on our extensive capabilities, experience, and successful track record. The work is principally technical oversight and management of engineering, environmental, and construc-

tion contracts performed by private sector firms, and is fully funded by the customers.

Currently, we provide reimbursable support for about 60 other Federal agencies and several State and local governments. Total reimbursement for such work in fiscal year 2005 is projected to be \$950 million. The largest share—nearly \$250 million—is expected from the Environmental Protection Agency (EPA) for cleanup of wastes at numerous sites under its Superfund program. Ninety percent of Reimbursed Program funding is provided by other Federal agencies.

Staffing

Total staffing for the Civil Works Program for fiscal year 2005 is 24,800 FTEs, unchanged from fiscal year 2004. Of the total, 23,700 FTEs are for the Direct Program and 1,100 FTEs are for the Reimbursed Program. Total staffing is allocated 90.6 percent to districts, 4.9 percent to laboratories and other separate field operating agencies, 2.7 percent to division offices, and 1.8 percent to headquarters.

CIVIL WORKS CONSTRUCTION BACKLOG

In the broadest sense, the “construction backlog” is unfunded work. For the Civil Works Program, it is defined more specifically, as the Federal share of unfunded continuing and future construction work at some point in time, e.g., the beginning of some funding period, such as fiscal year 2005. This definition can be further variously qualified. Such continuing and future work could include, for example, only work that is currently programmed on projects now actively under physical construction, while excluding such work where a project has not yet begun physical construction or where physical construction has been suspended for more than a year.

At the end of fiscal year 2005, it will cost approximately \$11 billion in non-inflated dollars to complete the construction projects of the Construction, General, Program funded in the fiscal year 2005 budget, which represents a decrease from last year. The decrease partly reflects a decision to display the backlog in fiscal year 2005 dollars rather than inflating amounts to future dollars. The decrease is also the result of project completions, as well as the decision not to budget for periodic renourishment of shore protection projects.

As part of a comprehensive strategy to reduce the construction backlog, the Fiscal Year 2005 Budget focuses on completing those ongoing construction projects that are consistent with current policies and accelerating work on eight high-priority projects. We believe that narrowing the focus on funding and completing a smaller, more beneficial set of projects will bring higher net benefits to the Nation sooner. We need to be careful that we do not continually start new projects and subsequently stretch out the completion of existing ones. That is why the Budget proposes only three new starts of projects that have a very high benefit-cost ratio.

Maintenance Program

Water and related land resource management facilities of the Civil Works Program are aging. As stewards of this infrastructure, we are challenged to ensure that it continues to provide an appropriate level of service to the Nation. Sustaining such service, and the resultant flows of benefits, through proper operation and maintenance projects, is becoming increasingly more expensive as infrastructure ages.

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

The fiscal year 2005 budget includes \$1.926 billion for the Operation and Maintenance Program. In an effort to improve the efficiency of our investment in operation and maintenance, we are looking closely at how we determine the appropriate level of service and the amount of spending needed to support that level of service. Furthermore, we are searching for ways to reduce costs and thereby accomplish more with available resources.

CIVIL WORKS PROGRAM TRANSFORMATION

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

We have been working very hard internally, within the Corps of Engineers, to transform. We are making our processes more open, and more collaborative. We are working to revitalize our planning capabilities, and to become more efficient, more centralized, with one planning center for each of our eight divisions.

We are becoming a team of teams within the organization, focusing on eight regional business centers, which will move efficiently and deliver service to the public and the armed forces.

Let me tell you about some of the major steps we've already taken:

- We are continuing to spread the spirit and the word of the Corps' Environmental Operating Principles—a clear commitment to accomplishing our work in environmentally sustainable ways—with the express purpose of instilling the principles as individual values in all members of the Corps team.
- We are continuing a rigorous training curriculum to improve our planning capability. This will ensure that the best science is applied in project development and that our planners will integrate economics and ecology in developing Corps projects. We're cooperating with major universities and have begun to sponsor graduate education in water resources planning. We've re-instituted our very successful Planning Associates Program, the first class graduated last year.
- Our Fiscal Year 2005 Budget for the Research and Development (R&D) Program includes funding to improve economic models. One of our principal efforts will be to focus on economic methods and tools for navigation evaluations designed to address, update, and improve specific models, and to address modeling issues raised by the Corps and others. We need to make substantial modeling advances to support decision making on proposed major investments.
- We have redoubled our efforts to engage Federal, State, and local agencies, stakeholders, and the public in meaningful dialogue. We have brought the major resource agencies to the table to assist in decision-making.
- The Corps and ASA(CW) have allocated additional resources to strengthen our internal review capability, and are considering other measures to further improve such capability. With our restructuring under USACE 2012, we have just created an Office of Water Project Review here in Headquarters which effectively doubled the size of our policy compliance review staff. The goal is to have our economists, plan formulation specialists, and environmental reviewers focus on early involvement in study development to assure compliance with established policy as projects are being developed. This group is equipped to additionally oversee administration of external independent review on controversial and complex projects through contracts with outside experts. Over the past year, we have also developed a series of policy compliance checklists to assist District and Division Commanders in the early identification and resolution of issues. I am committed to working with field commanders in providing training, lessons learned and other tools to strengthen the policy compliance quality control/quality assurance process.
- We are making good progress on developing a new Civil Works Strategic Plan that emphasizes the sustainable development, management and protection of our Nation's water and related land resources.
- We have established 5 national planning centers of expertise staffed with engineers and scientists—a step that is essential for successfully addressing the issues that increasingly arise in planning a water resources project, especially those that are costly, complex, or controversial, or which otherwise require very specialized planning work.

We're committed to change that leads to open and transparent modernization of the Civil Works Program for the 21st Century. To this end, we're committed to continuing the dialogue with you and the Corps Reform Network Steering Committee. Additionally, I have issued communication principles to ensure open, effective, and timely two-way communication with the entire community of water resources interests. We know well that we must continue to listen and communicate effectively in order to remain relevant.

Introduction

We have a reputation as the world's premier public engineering organization, which we aim to keep. Our challenge, to this end, is to "stay at the leading edge" in service to the Army, Federal Government, and Nation. The degree to which we will succeed will depend largely upon improved business operations. To enable providing service of highest relevance, we must improve our operations for more expeditious and productive performance. In recognition of this, I have been engaged, throughout my tenure as Chief, in an effort, initiated by my predecessor, to reengineer the organizations and business operations of the Corps of Engineers Civil Works and Military Programs. In that effort we have selected the project management way of doing business, or "modus operandi," as the basis for developing a business management system and attendant organizations and operations. Accordingly, we have come to call our effort the Project Management Business Process (PMBP) Initiative.

*Project Management Business Process Initiative**Rationale for Selection*

Our philosophy is that everything we do is a project, and every employee is a member of some one or more project teams. Selection of the project management modus operandi as the basis for developing a business management system is consistent with this philosophy. Furthermore, the Corps has used project management principles and methods in accomplishment of much of its business throughout its existence, providing seamless, flexible, efficient, and effective service for its customers. Applying this highly successful model to all of our business was eminently logical.

Purpose

In order that our 41 districts, 8 laboratories, 2 centers, and 8 divisions to work together as one United States Army Corps of Engineers (USACE), we established common business practices that transcend organizational and geographic boundaries. Accordingly, the purpose of our PMBP Initiative is to develop, implement, and sustain a set of modern, standardized business processes, based on industry's best business practices, and an automated information system (AIS) to facilitate use of the PMBP throughout USACE. In short we call our Project Management AIS "P2".

Implementation

The PMBP Initiative focuses on the business relationships between and among people, including customers and stakeholders; process, and communication. To create and sustain the PMBP we must examine and define, to the PMBP system, how we do our work. In the process, we are transforming ourselves into a customer-focused, team-based, learning organization. Implementation of PMBP will be accomplished in four steps, described below, under the aegis of subject matter experts from all functions and echelons of the Corps.

Business Process Manual

The PMBP Manual provides guidance for achieving our policy and doctrine. It establishes standard business processes for Corps-wide application that:

- ensure consistency in program and project execution,
- focus on meeting customer expectations,
- set parameters for means to measure progress across the entire organization, and
- enhance our ability to function both regionally and virtually with efficient management of diverse resources.

These standard business processes are used to accomplish project delivery and provide services. They enable sharing workforce resources throughout the Corps to complete projects. If a project delivery team needs someone with a particular skill to accomplish work on its project, it can borrow service of whomever may be available with that skill in any Corps office. The processes enable effective management of projects in all lines of business in our Civil Works and Military Programs. The processes are open for continuous improvement, giving all team members opportunity to change them for the better. This will lead to addressment of concerns of project managers, technical experts, and customers to assure improvements in quality, project performance, and customer satisfaction.

Automated Information System "P2"

Management of projects in accordance with the PMBP will be facilitated through use of "P2"—an automated information system. This system, expanding upon and

replacing PROMIS, will be used by the Corps team for project delivery in all lines of work. It comprises commercial-off-the-shelf (COTS) software configured with templates of our standard business processes to assist project delivery teams in managing their projects. The manufacturers of this software—Oracle, Primavera, and Project Partners—are assisting the Corps in configuring the software to provide the templates.

P2 software employs state-of-the-art technology embracing program and project management best-practices and enabling compliance to our PMBP Business Manual. P2 will become the principal tool of Corps project and technical managers in collecting, manipulating and storing program and project data. P2 provides a single source of all project-related information for all programs and projects managed by field commands, and will interface with other modernized systems to assure single-source data entry. P2 will enable streamlined project and resource management, affording wider availability and Web interfaces. And, finally, because of lower costs to maintain and upgrade COTS software in future years, P2 will be more cost-effective than PROMIS.

PMBP Training

We have developed a training curriculum to promote PBBP as our new way of conducting business within the Corps and to guide individuals and organizations in the progressive development of skills for using PMBP. The curriculum promotes cultural change through individual self-paced compact-disk courses followed by small group discussions on the courses. Each individual covers the material and shares his/her interpretation with others in facilitated small group discussions. This process promotes common understanding of PMBP, its purpose, the roles of individuals, and the means to develop projects through teamwork.

Summary

In summary, the PMBP is being implemented Corps-wide to manage all Corps projects more efficiently and effectively. Supporting policy and doctrine, definitions of our business processes, and curriculum are in now in place Corps-wide. We are currently in the process of deploying P2 throughout the Corps. P2 is scheduled to be fully deployed during June of this year. Once fully deployed, the PMBP system will greatly enhance our ability to better support the Army, other Federal agencies, and the Nation.

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

The National Welfare

Water resources management infrastructure has improved the quality of our citizens' lives and supported the economic growth and development of this country. Our systems for navigation, flood and storm damage reduction projects, and efforts to restore aquatic ecosystems contribute to our national welfare. The stream of net benefits, realized as reduced transportation costs, avoided flood and storm damages, and improvements in environmental value can be considerable.

Research and Development

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

The National Defense

The Civil Works Program is a valuable asset in support of the National Security Strategy in that it provides a way to maintain a trained engineering workforce, with world-class expertise, capable of responding to a variety of situations across the spectrum of national defenses. This force is familiar with the Army culture and responsive to the chain of command. Skills developed in managing large water and land resource management projects transfer to most tactical engineering-related operations. As a byproduct, Army Engineer officers assigned to the Civil Works Program receive valuable training, in contracting and managing large projects.

The Corps of Engineers continues to contribute to the ongoing war on terrorism, as our civil works experience proves invaluable in restoring and rebuilding Iraqi and Afghanistan infrastructure. To date, over 1,000 Corps soldiers and civilians have volunteered to serve in Iraq, sharing their technical knowledge and expertise along with their project management skills and experience with Iraqi Engineers and other professionals. Corps employees have also served in other Central Command areas

of operations providing a wide range of services and support to the CENTCOM commander's efforts.

In Iraq, we have been deeply involved in the restoration of the Iraqi Oil industry. Our involvement has helped ensure that more than 268 Million Barrels of crude oil have been exported, resulting in more than \$7 billion being returned to the Iraqi economy. This income is forming the basis of the emerging national economy in Iraq, with much of the profit being reinvested in restoring Iraqi infrastructure. We are also assisting in the procurement of refined oil products in Iraq, which are essential to every day life in Iraq.

The Corps is proud to have worked closely with the Coalition Provisional Authority, U.S. Agency for International Development, and the Iraqi Governing Council in restoring reliable electricity throughout Iraq. When it became obvious that years of neglect and sabotage had brought the Iraqi electrical power production and transmission to near collapse, the Corps, working with the CPA and USAID exercised its time-proven civil emergency response capabilities and provided a much-needed boost to electricity delivery across Iraq. We continue to assist the CPA and USAID in electrical power production and distribution, and today, the average Iraqi has greater access to electricity than he had before the war. No longer is access to electricity a measure of loyalty to the Iraqi regime.

The Corps is also playing a major role in securing and making safe the more 600,000 tons of former regime munitions spread across Iraq through our Captured Enemy Ammunition mission. As of February 10, 350,000 tons of captured enemy ammunition had been secured and protected from the hands of saboteurs and terrorists. Another 43,000 tons has been destroyed. This mission is vital to the safety of our soldiers, coalition partners, and innocent citizens of Iraq, as it helps deny terrorists access to raw materials they need to make weapons and explosives.

We are also contributing to the continuous improvement of the safety and quality of life for soldiers, sailors, airmen and marines in both Iraq and Afghanistan as we continue to construct and upgrade their living and working areas. In Afghanistan, we are also working with the USAID and the Ministry of Transportation as they restore the infrastructure necessary for a prosperous Nation.

HOMELAND SECURITY

In addition to playing an important role in supporting the war on global terrorism. We are providing security for critical physical infrastructure, throughout the Nation, including components of transportation, water, and power systems vital to our Nation's welfare. The Corps is also a key member of the Federal Response Plan team with proven experience in support of disaster response.

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

For fiscal year 2005, \$84 million is targeted for security enhancements at key Corps facilities. Facility security systems can include cameras, lighting, fencing, structure hardening, and access control devices designed to improve detection and delay at each facility.

CONCLUSION

Under both our Civil Works and Military Programs, we are committed to staying at the leading edge in service to the Nation. In support of that, we are working with others to transform our Civil Works Program. We're committed to change that leads to open and transparent modernization of the Civil Works Program for the 21st Century. We also are strengthening our business management capability for best performance of both programs Corps-wide.

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

Senator DOMENICI. Senator Craig, would you come down with me? We have a Senate photographer. This is the last appearance of the General, and we'd like to take a picture.

Senator CRAIG. I'm sure he'll want this committee etched firmly in his memory banks.

Senator DOMENICI. Come on, we'll do it up here. Actually, I think that his appearance before us will be memorable.

And good, not bad. Right here. Gosh, I've got to straighten up here. I don't look like a general, but—thank you. He came in a hurry.

General FLOWERS. Thank you, sir.

Senator DOMENICI. Okay. Mr. Secretary, we're not going to take your picture. You're probably going to be around here a little while.

Mr. WOODLEY. You're very optimistic.

Senator CRAIG. We're hoping.

Senator DOMENICI. I am. Why not?

Well, I want to say that all of these good things that you all have talked about may not get done, because the President's budget is pretty weak. We may be challenged, but we're doing the best we can on the numbers, and we figure that the fiscal year 2004 enacted is \$4.571 billion, and the real request for 2005 is \$4.065 billion. The difference is \$506 million. That's the cut. Now, I hope that's wrong, but that's what my staff tells me. Now, I don't know how we can do all the things we have to do with those kinds of budgets.

General, I want to say, for the record, that you've gone through some hard times. You've gone through a period of time when you were strained by accusations and allegations that turned out to be much, much less than the hullabaloo made about them. But the Corps continues on.

And I would like to share with my colleagues, who may not already be aware, that the Corps is the project management in Iraq. They are the agent. They are the agency directly tasked with the physical reconstruction of Iraq because of both its expertise and in management, on a large scale, and its rehabilitation of critical infrastructure. I find it ironic that the Corps' talent that we are heavily relying on in Iraq is the very same one that is most negatively impacted by the budget of the administration.

I believe the administration, if it had its way, the Corps would merely become an operations and maintenance agency. I will tell you, Mr. Secretary, that the very core talent we are utilizing in Iraq was only developed as a direct result of the domestic work that we're doing in all of our States.

I think the administration is missing the point, that this country's economic well-being is closely linked to the waterways, be they rivers, harbors, or wetlands. Further, it's our interest to ensure that we maintain these resources for our continued successful competition with the world marketplace. We talk a lot about it, but we never mention that our waterways, our harbors are terrifically important as that goes on in the world.

This country has an aging water-resource infrastructure. For example, 50 percent of the Bureau of Reclamation's dams were built from 1900 into the 1950's, before the current state-of-the-art construction and the techniques that go with it; therefore, they require maintenance of a special type. Even though the budgets are tight, I am concerned that no one is working to address the longer-term problem, an aging infrastructure, one of these problems that we all put off. We absolutely have to address them.

It costs us more when we delay them, and we are going to wait around until something drastic happens, and then somebody's going to be blamed. At least we know it, at least you tell us, at

least you warn us. Nobody seems terribly interested, from what I can tell.

Now, I note that in my opening statement, which I'll make part of the record that the administration's budget is about 11 percent, that's what that number is, below the 2004 funding level. Now, that's my evaluation, because I take into consideration some things the administration assumes we're going to get, that will be moved over to the budget and be a plus. Same thing with the Bureau of Reclamation.

Mr. Woodley, if the Congress were to enact the President's request—I don't intend to put you, as an administration appointee, in too much of a bind—but if we were to enact the President's request, without modification, can you tell us now, or would you prefer to tell us in writing, what the impact on the Corps of Engineers would be?

Mr. WOODLEY. Mr. Chairman, I'll explain—I'll give you my views to the maximum extent possible now. If you'd like for me to elaborate in writing, I'd be delighted to.

Senator DOMENICI. Well, we need to know.

Mr. WOODLEY. Yes. This is a very frugal budget that will allow us to continue generally with the things that are underway in 2005, with contracts that are already in place in 2004. It will allow us to move forward in an appropriate way on the 11 projects that are expected to be completed in 2005. It will allow us to continue in an aggressive way with the priority projects that we've identified, that are very good projects. But it will cut back substantially on our ability to do studies that are needed for future work, going forward, and it definitely will not allow us to make a great deal of headway on deferred maintenance, for instance. It is a very frugal budget.

Senator DOMENICI. Well, let me tell you, Mr. Secretary, the budget contains multiple proposals, which, if enacted as proposed, would terminate many ongoing projects. You know that.

Mr. WOODLEY. Yes, sir.

Senator DOMENICI. The Energy and Water bill, and the proposal is to carry a general provision as part of that to cancel specific projects. States affected are Alabama, Alaska, Mississippi, North Dakota, West Virginia, just to name a few. Specifically, there are 29 projects which would be legislatively terminated. How this list was arrived at, I don't know. Maybe you know. Do you?

Mr. WOODLEY. Yes, sir, I do.

Senator DOMENICI. Do you want to tell us?

Mr. WOODLEY. These are projects that, for a variety of reasons, it was felt were not the best investment at the time or were not prepared and fully vetted and ready to proceed with the investment in fiscal year 2005.

Senator DOMENICI. Well, I'll tell you, I hope you know that this committee and this chairman are put in a terrific bind because you may not know, but the General knows; he's been around here long enough, but we don't have complete control over this. Senators want projects. Senators have approved of a number of these projects. And you can sit around all you want over there saying they don't make sense, et cetera, but there are none of them that don't fit the cost-benefit ratios required by the Corps.

You now say they don't fit, whatever you just said—but the cost benefit was established as a way to clear projects so they would not be irrelevant, pork-barrel, and whatever else you call them. How many of these projects are under construction, if you know? And what would be the impact of terminating?

Mr. WOODLEY. I would have to provide that for you, unless—

Senator DOMENICI. Do you know, on the Corps side, General?

General FLOWERS. I think there are 12 projects currently under contract, and 5 more were planned to be awarded in fiscal year 2004, so 17 projects, sir.

Senator DOMENICI. Seventeen projects, between those that are in-being, ongoing, and five that were ready to go that Senators and their States are expecting.

General FLOWERS. That's correct, sir.

Senator DOMENICI. Okay.

The Corps is carrying out a study to restore the Bosque along the Rio Grande, in Albuquerque. That's our green way that runs through it. You've been there, General, I think.

General FLOWERS. Yes, sir.

Senator DOMENICI. Can you update me on the status of the study and next steps? And when do you anticipate the project will be ready for construction authorization?

Anybody know?

General FLOWERS. Yes, sir. We have completed the reconnaissance phase through—or will complete that, through fiscal year 2004 funding. And fiscal year 2005 funds are used to initiate the feasibility study. And so the budget does include \$175,000 toward completing the study.

Senator DOMENICI. Okay. Now, I'm fully aware, General and Mr. Secretary, that we are short of money, but, I'll tell you, I don't intend to wait around forever for this project. It's very important. It's one that will establish, for the city of Albuquerque, kind of what the city is, and that's pretty important, if you know about cities.

I want to ask a question about the internal operation of the OMB versus the Corps. What I've heard is startling, but I'd like you to tell me.

Mr. Woodley, how many OMB examiners does the Corps, which is a \$4.5 billion agency, have? And how many does the rest of the Department of Defense have? Who knows?

Mr. WOODLEY. I don't know the answer to that.

Senator DOMENICI. General?

General FLOWERS. Sir, I think the last count I had, there were eight Corps examiners. That includes the two supervisors that are a part of that group.

Senator DOMENICI. Okay.

General FLOWERS. And I am not sure on the number for the rest of the Department of Defense, but I believe that number to be three.

Senator DOMENICI. Three. Well, I wonder who makes the decision that the Corps of Engineers needs eight examiners, and all of the Department of Defense has three. Who makes that kind of decision? Who knows? You don't know?

Mr. WOODLEY. I would have to ask the director of the—

Senator DOMENICI. OMB.

Mr. WOODLEY [continuing]. Of the office, Mr. Chairman.

Senator DOMENICI. Well, we're going to ask him.

Mr. WOODLEY. I don't know.

Senator DOMENICI. If the committee doesn't mind, we'll ask him now, as a result of this hearing. And if he doesn't answer, we'll haul him up here and ask him why.

I'm of the opinion that they're out to get you and it's rather strange to me that this goes on, and nobody raises any Cain. But we will. That's an unfortunate situation, unless they have some justification that I'm not aware of.

I want to close by telling you I have about eight or nine questions, but we're close to lunch, and we have two Senators who want to ask questions, and I want to let 'em.

Senator Craig, would you mind if we let the Senator proceed with a few questions? She's told me it's going to take 6 minutes.

But then she suggested 6 minutes on Senate time.

And then I suggested 6 minutes on the chairman's time.

Senator MURRAY. And I'm not sure which is better. I'll take the better one.

Senator DOMENICI. Okay. Proceed.

STATEMENT OF SENATOR PATTY MURRAY

Senator MURRAY. Thank you, Mr. Chairman. Thank you to all of you for being here today.

General Flowers, as you know, I and my Northwest colleagues have been supporting the Columbia River Channel Improvement Project. With the support of Chairman Domenici and Senator Reid, I've been able to provide \$10 million for that project over the past 4 years. Each time, this subcommittee has had to add money, because the President's budget never provides any funds for the project, and this year is no different.

This page from the budget shows that, once again, the administration's budget is zero for this project, and I wanted to be here today to ask you a series of questions about the Columbia River Channel Improvement Project and the administration's lack of funding.

First, General Flowers, is it true that the recon study, feasibility study, authorization, and Chief of Engineer's report on the Columbia River Channel Improvement Project are all complete?

General FLOWERS. Yes, ma'am, it is.

Senator MURRAY. Thank you. General, in its original budget submittal to the Office of Management and Budget, did the Corps request funding for the Columbia River Channel Improvement Project in fiscal year 2005? And if they did, how much did they ask for?

General FLOWERS. Ma'am, there are a number of internal deliberations that go on inside the Agency and Administration, and there's a process that's put together to vet projects before—and clear them—before they can be included in the budget, and this one was not fully vetted and cleared, so it was not.

Senator MURRAY. So the Corps did not request funding for this project.

General FLOWERS. No, ma'am.

Senator MURRAY. Well, it was my understanding that the Corps did want to move on this project. Can you tell us why the President's budget did not contain any funding for this?

General FLOWERS. We were—the project was not cleared by OMB.

Senator MURRAY. Was not cleared by OMB. General, what would be the minimum funding level necessary to move on this project in fiscal year 2005?

General FLOWERS. It's \$15 million, ma'am.

Senator MURRAY. Okay. Well, I want to ask you about a Texas project, called Brazos Island. And let me be clear with the committee, I don't know anything about that project, I have no position on it, but I do find its situation really interesting in comparison to the Columbia River Project.

Have the recon study and feasibility study been completed for the Brazos Island Project?

General FLOWERS. No, ma'am.

Senator MURRAY. Has not. Has the Chief Engineer's report been completed for that project?

General FLOWERS. Has not.

Senator MURRAY. Well, in its original 2005 budget submittal to the Office of Management and Budget, did the Corps request construction funding for Brazos Island?

General FLOWERS. No, ma'am. We—I would not request funds for a project that did not have a favorable Chief's report.

Senator MURRAY. Well, who put funding in, then, for Brazos Island?

General FLOWERS. I do not know.

Senator MURRAY. Well, in light of the Brazos Island budget, it seems clear that OMB could have provided funding for the Columbia River Channel Improvement Project based on same criteria. Would you agree with that?

General FLOWERS. Yes, ma'am.

Senator MURRAY. The Corps budget has language suggesting that the administration may propose construction funding in fiscal 2005, pending OMB review. Has the ASA report been submitted to OMB for review?

Mr. WOODLEY. Do you want me to answer that, ma'am?

Senator MURRAY. Yes. Well, I would prefer that the General did.

General FLOWERS. Yes. The answer is yes, ma'am.

Senator MURRAY. Okay. Should we expect a fiscal year 2005 revised budget request supporting construction for Columbia River Channel Project? And if so, when?

Mr. WOODLEY. Well, I'm sorry, I must not have understood the prior question—

Senator MURRAY. Should—

Mr. WOODLEY [continuing]. Senator.

Senator MURRAY. Well—

Mr. WOODLEY. I apologize. Let me say, Senator, that I have just returned—

Senator MURRAY. I—

Mr. WOODLEY [continuing]. From the region.

Senator MURRAY. I understand.

Mr. WOODLEY. I spoke with the directors of the ports and with the leaders of the division and district. We are very anxious to get that project moving forward, in spite of the fact that, as you know, we are facing litigation with respect to the project that I certainly hope will not be any kind of impediment to us.

Senator MURRAY. Well, I understand that, but—

Mr. WOODLEY. As I understand the status right now, the report is under review in my office. I have given it the highest priority, and I want it to be sent to OMB as soon as possible. And I want it to be sent this month.

Senator MURRAY. So are we to expect a revised budget request supporting construction?

Mr. WOODLEY. That is certainly something that is seriously under consideration. I certainly am not in a position to make a commitment to that, but it is under very serious consideration, and it will be done as soon as possible.

Senator MURRAY. Well, given the shortfall in the Corps overall budget, what projects that are included are going to give up funding for the Channel River Improvement Project?

Mr. WOODLEY. I think that we would have to consult on that and see what other adjustments can be made elsewhere in our budget, or elsewhere, working very closely with the Office of Management and Budget to provide the funding at the appropriate level for fiscal year 2005, but that is a—

Senator MURRAY. Well—

Mr. WOODLEY [continuing]. Project that I am anxious to move forward. I am—

Senator MURRAY. So you can't—

Mr. WOODLEY [continuing]. Doing everything I can—

Senator MURRAY [continuing]. Tell us where the money'll come from right now?

Mr. WOODLEY. Not today. No, ma'am.

Senator MURRAY. Well, General Flowers, another project, the Green/Duwamish Restoration Program, was given a new start by this subcommittee in 2004. It's authorized, and its studies are complete. Can you tell me if the Chief of Engineer's report on that program is complete?

General FLOWERS. Yes, it is.

Senator MURRAY. Can you tell me why OMB has not provided an administration position on that program, and not provided any funding for that program?

General FLOWERS. No, ma'am, I cannot. To my knowledge, it's still under OMB review.

Senator MURRAY. Well, General—Mr. Chairman, really—I am concerned about the role that OMB seems to be playing in delaying or advancing these projects, and I'm wondering if OMB is also playing a role in the final position of the Chief of Engineer's report.

Can we be assured, General, that the Corps alone is determining all final reports and can stand before a judge and swear to each one's integrity?

General FLOWERS. Ma'am, until this year, the answer to that question would have been absolutely yes, but I am now concerned. And I would like to give a very brief explanation.

No intent to beat up on OMB. I think they are civil servants, who are trying to do their job. And in so doing, they are now trying to take a more active role in looking at projects as the Corps is going through its process. And I commit to you that I will resist the—I will resist any attacks on the integrity of the Chief's report, because my job is to provide you the best engineering and science and recommendations—

Senator MURRAY. Sure.

General FLOWERS [continuing]. Based on that, that's possible. But there is a tendency now for the Office of Management and Budget to try to clear pieces of our process before we are permitted to continue. And we are internally debating that right now, and I can't tell you what the outcome will be.

Senator MURRAY. Well, thank you, General, for your honesty.

Mr. Chairman, I find that deeply disconcerting, and I hope this committee pursues that.

Senator DOMENICI. You heard me awhile ago.

Senator MURRAY. I did.

Senator DOMENICI. The reason they can do it is because they have so many of their people, OMB's people, hanging around the Corps—

Senator MURRAY. Yeah.

Senator DOMENICI [continuing]. Doing all kinds of investigations and analysis, and that's a lot. I mean, there are some big departments that don't have eight, I can tell you that. If they did, they wouldn't have enough space for OMB. They'd be coming out—they'd have to have an office of their own.

Senator Craig.

Senator CRAIG. Thank you, Mr. Chairman.

General Flowers, what the Senator from Washington has just led you through is something that is strongly supported by the delegations of the three States affected by that Lower Columbia Basin—or Lower Columbia River dredging. If we want to render the Port of Portland and Tacoma, and all of that area down through there, ineffective after hundreds of millions of dollars of investment, all the way through to Lewiston, Idaho, which is the last port facility in that series of facilities along the Snake and the Columbia system, then we will do so by simply not dredging that stretch from Portland, west to the mouth. And it's been a long time coming, a tremendous investment has been made, phenomenal efforts at environmental mitigation have occurred. It is ripe and ready, and there is no reason it should not move forward.

Or you simply turn the lights out at the Port of Portland, and then you progressively turn the lights out up the system, and that is not our intent. It will not be our intent. And I'm glad to hear that it's under critical review again. I hope it becomes a priority, posthaste, as it relates to funding. Enough said about that.

All I will comment, Mr. Secretary—as it relates to the 41 projects that are not consistent with current policy, here's the operative question. And the question goes like this. Senator *x* says to this Chairman, "Mr. Chairman, is one of my projects of the 41?" And if it is, then that Senator is going to put phenomenal pressure on this chairman to deny you what you're attempting to do. I've not

yet asked that operative question of the chairman “Are any one of these 41 in Idaho?”, but the question will get asked. Here is—

Senator DOMENICI. And then, besides, when you get the answer, if it is that it is, you will go to work—

Senator CRAIG. Of course.

Senator DOMENICI [continuing]. In the committee to try to get it.

Senator CRAIG. Yeah.

Senator DOMENICI. Not just me. If you go to work on me, I don’t have all the votes; I might say I won’t do that, Senator Craig. But then you’ll go to work on Senators, and they will have what we always have, and that’s that Senators of the United States want it.

Senator CRAIG. Yeah.

Senator DOMENICI. All right?

Senator CRAIG. Yeah.

Mr. Secretary, here is—before I close, General Flowers, let me again thank you for your service to this country and to this area, and, most importantly, your work before this committee, your forthright-fulness. We appreciate it greatly, and we thank you, and we hope you have success in a different role in a different life.

General FLOWERS. Thank you, sir.

Senator CRAIG. Mr. Secretary, let me turn to you for my last question, and it’s a bit involved, but I think it’s an important one. And, Mr. Chairman, for the work that you’ve been doing the last good number of years, along with me and others, I think this is an important question.

Congress has been working on a comprehensive energy bill for over 3 years now, and this chairman has led a phenomenal effort. There is no question that our country needs an energy policy, and we’ve been trying to deliver that to the American people. One of the key elements of the pending legislation is infrastructure reform.

Although we’ve focused on infrastructure nationwide, there is a growing concern about natural-gas infrastructure in the Northeast. The market for natural gas has grown considerably in the Northeast, and new pipeline construction is critical to meet this growth. The Federal Energy Regulatory Commission is the jurisdictional agency for reviewing and approving natural-gas pipeline construction in the United States.

Like the hydroelectric licensing process at FERC, the pipeline construction process at FERC is substantial and complicated, but I’m learning that the process is becoming even more complicated because other agencies, like the Corps are also involved in the pipeline construction process and bringing their own understanding of purpose and need to the project. In the Corps’ case, your agency is involved in a—*is a consequence*—the Corps’ involvement is a consequence of the Clean Water Act authority to issue Section 404 permits before construction can take place.

Here’s my problem. FERC is the agency given the responsibility to determine whether a pipeline project can—should be constructed. That determination must include an assessment of need, as well as environmental impact. By law, the Corps, as well as other interested Federal and State agencies, have been given the opportunity to participate in the process.

Here are the questions. Why, then, would it take over 17 months since the issuance of the FERC certificate for the Islander East Pipeline for the Corps to act on a Section 404 permit for that project? If you don't have the answer, I'd like to know the answer. Seventeen months. A year and a half, or nearly that. Why would you act in a sequential fashion after the Commission has acted on this project?

My bigger question is—and one more focused on the purpose of this hearing today—why are you using resources to redo work already done by a Federal agency with the exclusive jurisdiction of determining the need and environmental sufficiency of a pipeline project? This is government redundancy run amok. Or by at least appearance, it is.

What expertise does your district office have in pipeline siting and construction that would put your staff in a position to second-guess the Commission's staff, public review, and determination of what constitutes a reasonable set of viable alternatives? Would you support the concept of one Federal—one lead Federal agency record for the review of infrastructure proposals by all agencies?

Those are the series of questions that we're trying to address in the energy bill. And in sorting through what's going on out there, the Islander East Pipeline appears to be a perfect example of why we ought to be changing the way this system doesn't work.

Your response?

Mr. WOODLEY. Senator, certainly the question of taking 17 months on a single permit cries out for an investigation, and I will investigate that. I am not aware of the details of the project as I sit here before you. We are very much in need of a streamlined process, and the administration has been working on streamlining our processes in many arenas. I'm aware of transportation work, I'm aware of some work in the energy arena, and the Corps has been part of that, and I want to continue that and foster it and support it in every way.

We have to proceed very carefully, however, because of the potential for litigation in these contexts. I'm concerned. For instance, if you look at the situation that we're facing with coal mining in the Appalachian region, where we have the Office of Surface Mining, for many years the Corps deferred to their expertise in this arena, which I believe was entirely appropriate. Unfortunately, a Federal court decided that it was not appropriate, and we have a very difficult situation that we are trying to manage in that region to get a permitting operation in place there that will be effective and efficient, and will survive Federal court scrutiny.

Senator CRAIG. Well, I've asked a series of questions, and I would hope that you would search for answers—

Mr. WOODLEY. I will, indeed.

Senator CRAIG [continuing]. Because the reason it is asked is, in part, to be critical, but it is also to point out that you may be part of a problem. And it's a problem we're trying to solve. And when you have district offices who would assume to have the expertise that a national office who specializes in a given area has, and would second-guess them or third-guess them, that's a kind of duplication this country can ill afford. And I've not even talked about State agencies' roles yet, or role that they play in these siting situ-

ations. While they are critical—and we're trying to bring a major delivery system down out of Alaska into the Lower 48 to distribute gas and drive down costs and hopefully drive up employment and avoid the dislocation of industries that are today employing thousands of people that are now going offshore, and we can't—and we have to wait 17 months for a process, why should we do our effort? Unless we go right down to the system and clean it out.

Now, I know that the administration is very intent on trying to streamline and organize. We've talked about centralizing and—so that we can get a certification or a movement process that isn't redundant upon—this idea of time, time, time. The chairman spoke of my effort in hydro relicensing. Perfect example is right here now in pipeline. You know, 2, 3, 4, 5, 6, 7 years? Because agencies upon agencies thought they knew better than somebody else and could dot an "i" better than somebody else could? It would seem to me almost easier to do it within your authority, to do it reasonably. And if you get locked up in the courts, you might get into court and get a decision sooner than 17 months. And you're not even guaranteed now that you will get that after the fact. So another 17 months from now, we may still be waiting for this to be processed by a court.

Senator DOMENICI. Yup.

Senator CRAIG. And now we're into another couple of years. I mean, I've spoken my frustration here. I'm very happy to work with you on this. These kinds of problems have to get resolved, unless our country just implodes on its own ability to produce and supply energy, and we drive everything offshore. Shame on us if we do. But if we can solve it, and we're trying to, and we want you to work with us, here's a good example. And maybe this ought to be a template by which we can make a decision on what ought to be improved and changed.

Mr. WOODLEY. Yes, sir.

Senator CRAIG. I thank you all very much.

Senator DOMENICI. Well, General, you got by without me asking you about our famous Acequias in New Mexico, but I think we've at least taught you how to say it.

General FLOWERS. Yes, sir.

Senator DOMENICI. These are these little ditches in New Mexico that are historic, and it's one of the few projects that you don't have to have a cost-benefit ratio, because there's a statute saying we want to protect them. They're 400 years old.

But I will say, just ask, there's nothing holding this project up other than budgeting, is that right?

General FLOWERS. No, sir, there's nothing holding it up.

Senator DOMENICI. All right. And this is another year where the administration didn't fund it. Didn't even fund \$2 million worth. We'll find it and keep it going.

Let me ask, General, what's the difference between the Corps that you are part of and the soldiers that are part of the Corps that are going to Iraq? Aren't they all the same?

General FLOWERS. Yes, sir. We have a way of describing ourselves. We call ourselves the Engineer Regiment, and it's made up of soldiers from all components—active, guard, and reserve—Department of the Army civilians, and contractors, who work, in some

cases as part of our staff, and who perform all of the work that we do. Then the Civil Works program that is a great part of the Corps of Engineers is a capability that the Nation leverages, particularly when it transitions from peace into conflict, or conflict back into peace. And, as I mentioned, we've had over a thousand of our civilian employees volunteer and serve, many from our Civil Works program, and have served both in Iraq and Afghanistan.

Senator DOMENICI. I tell you why it comes to my mind. You know there's such a rotation system, and it's so firm that we lose our colonel in New Mexico just about the time he understands how to say Acequia and just about the time he knows what New Mexico's problems are. But this last time, he was down on the Rio Grande River, where such a beautiful job was being done in cutting down salt cedar and burned-down trees, and he didn't look too happy. And I asked him what was the matter. He said, "Well, I'm going to leave here in a couple of weeks, and I have a wife and one baby—and she's pregnant—and I'm going to Iraq." I had no idea, at that point, that somebody like that would go to Iraq, but I found out from him that he's very much needed, and he'll go over there and fit right in and be part of the team that's building things, right?

General FLOWERS. Yes, sir.

ADDITIONAL COMMITTEE QUESTIONS

Senator DOMENICI. And they're good at it, and it is amazing, to me. And I'm going to find out why that the Office of Management and Budget spends so much time and effort and so many people dedicated to trying to find out what you do and how you do it, and what you do right and what you do wrong. I just don't understand it. I'm going to ask them how many they'd need if they gave this ratio to all the departments in the government. It would be a very interesting fact. In fact, we'll submit that question to them as a result of this meeting, just tell them we've heard about this and found out about this and we'd like to know.

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

QUESTIONS SUBMITTED BY SENATOR TED STEVENS

Question. The Corps started studying the Tatitlek breakwater and harbor in 1994, it was approved as a Section 107 project in 1995, the study phase was almost completed in 2001, with a draft report circulated within the Corps and submitted to the Pacific Ocean Division. Since then it has been stalled with little progress in the last 2 years. Does the Corps plan to get this project back on track?

Answer. A Draft Detailed Project Report and EIS was presented to the Local Sponsor and the Village of Tatitlek on March 11, 2004 regarding development of a harbor at Tatitlek using the Section 107 Continuing Authority Program for small navigation projects. The cost for the National Economic Development plan was estimated at \$10.3 million of which a non-Federal sponsor would need to provide about \$6.8 million due to the \$4 million statutory Federal limit on Section 107 projects. The Local Sponsor (Alaska DOT and PF) and the Village of Tatitlek are currently evaluating their options and trying to identify potential sources of funds to build a harbor. Due to depletion of existing funds, if the Local Sponsor decides to continue the Section 107 study, the Local Sponsor will be required to provide additional matching funds (as required by the Water Resources Development Act of 1986) to finalize the Detailed Project Report and EIS.

Question. Language was included in the fiscal year 2004 Omnibus Appropriations Bill to waive the matching requirements for the City of Sitka to correct the design

deficiency for the breakwater for the Thomsen Harbor. However, the Corps has informed us that the language was not sufficient to waive the local match and that Sitka must still provide a match to redesign the breakwater that was not designed/constructed properly in the first place. Does the Corps intend to require Sitka to fund the local match of the breakwater for a second time?

Answer. The State of Alaska, rather than the City and Borough of Sitka (CBS), funded construction of the Thomsen Harbor breakwaters. The breaks in the breakwaters were installed at the request of environmental resource agencies with the full knowledge of the State and the CBS. At the time the State and the CBS did not want to spend the money and take the time required to conduct a physical model study of the breakwaters configuration. If physical modeling were performed at that time, the deficiency in the breakwaters would have been apparent. A technical study, which includes physical modeling and updates of the economics and environmental aspects of Thomsen Harbor, would need to be performed before design and construction could be initiated. Unfortunately, the language to waive cost sharing in the fiscal year 2004 Appropriation Bill Senate Report does not override the cost sharing law of WRDA 1986.

Question. All of the Alaska District construction projects require additional funding for the projects to stay on track. Why is there such limited funding for construction projects in Alaska?

Answer. The Alaska District has received almost \$20 million from other Districts in fiscal year 2004 for construction projects. The Alaska District has funding for four construction projects in the fiscal year 2005 budget proposal, Chignik, Nome, St. Paul, and Sand Point harbors. The funding for these projects was limited to the appropriate amount consistent with the administration's assessment of national priorities for Federal investments. Additional capabilities have been expressed for each of these projects as follows: Chignik—\$3 million, Nome—\$23 million, St. Paul—\$16 million, and Sand Point harbor—\$10 million. Kake Dam, False Pass, Seward, and Wrangell harbors will also be under construction in fiscal year 2005 but have not been budgeted. Kake Dam's outcome is not considered a high priority by the administration and the remaining projects will not be budgeted until after OMB review of the respective decision documents is complete. Capabilities for these projects are Kake Dam—\$7 million, False Pass—\$10 million, Seward—\$6 million, and Wrangell harbor—\$10 million.

Question. There is \$50,000 in fiscal year 2005 budget for the Anchorage Harbor Deepening. Is the Corps coordinating this work with the Port of Anchorage with regard to the port expansion?

Answer. Yes, we have been working closely with the Port of Anchorage and congressional staffers to develop authorizing language for dredging that will be required as a result of the port expansion.

Question. There is no funding in the fiscal year 2005 budget for ongoing construction work at Seward Harbor. Does the Corps intend to complete this project?

Answer. Please refer to the response to question No. 3. The construction contract for Seward Harbor was awarded on Feb. 3, 2004 in the amount of \$8.47 million. Alaska District was given authority and funding (Public Law 108-7) to award the construction contract even though OMB has not approved the feasibility report. The Corps will not be allowed to budget for this project until it receives OMB approval of the project. The anticipated construction placement in fiscal year 2005 for this project is \$6 million, which will complete this project. If sufficient funding is available, the Corps intends to complete construction activities in fiscal year 2005.

Question. The Permit for King Cove road was issued on January 22, 2004 and the preferred alternative for the road is one supported by the community which extends the road 17 miles and utilizes a hover craft to cross Cold Bay to King Cove. Do you anticipate any further problems or potential delays for King Cove road?

Answer. There is no reason to expect any delays caused by permitting requirements. Aleutian East Borough has awarded the construction contract to SKW (Arctic Slope Regional Corporation-Nugget); they are scheduled to start fieldwork in June 2004. The Corps has received no indication from any organization or group indicating that there would be any legal challenge to the permit authorization.

Question. I understand there are some concerns with work being done at St. Paul Harbor regarding NOAA requesting the Corps to perform diesel seep site remediation. What is the status of these discussions?

Answer. NOAA did ask the Alaska District to modify the existing Saint Paul Harbor, Phase II, contract. We had several concerns about modifying the existing contract, and suggested that we use another contract mechanism that would allow the diesel seep work to be awarded in fiscal year 2004 and performed in fiscal year 2005. NOAA has verbally informed us that they will use one of their own contracts to perform the work in fiscal year 2004. We will continue to work closely with

NOAA to assure that our respective work that is in the same area proceeds smoothly.

Question. It is my understanding that the Corps does not believe that there will be any Federal interest in the proposed Knik Arm Bridge. What is your understanding of this matter and do you believe the Corps should be involved in the planning, be it greater dredging and deepening in the Cook Inlet, or otherwise for the Knik Arm Bridge?

Answer. The Corps is still performing the Knik Arm Bridge reconnaissance study. Funding is being used to complete a 905(b) assessment that will determine if there is Federal interest in further studies. However, the addition of bridge approaches, abutments, and piers could greatly affect the sediment deposition patterns and tidal currents at the Port of Anchorage, which in turn will affect the ongoing operation and maintenance of the Corps' navigation project. If the 905(b) assessment recommends proceeding with a feasibility study, these affects on the port will be included in the future study. Due to the large tides and complex tidal currents in Cook Inlet, a detailed hydrodynamic mathematical and physical model would be needed to identify the most acceptable design for the bridge length, abutments, and pier configuration required to maintain efficient operations at the Port of Anchorage. Other authorities that would enable Corps assistance in future planning studies in Cook Inlet include Section 216 of the Flood Control Act of 1970 (Public Law 91-611) which authorizes the Corps to assess modification of existing projects due to changed physical or economic conditions. The Section 216 language is as follows.

"The Secretary of the Army, acting through the Chief of Engineers, is authorized to review the operation of projects the construction of which has been completed and which were constructed by the Corps of Engineers in the interest of navigation, flood control, water supply, and related purposes, when found advisable due to significantly changed physical or economic conditions, and to report thereon to Congress with recommendations on the advisability of modifying the structures or their operation, and for improving the quality of the environment in the overall public interest."

We have also met with members of the Knik Arm Bridge Authority to discuss future Corps assistance. There was some interest expressed in using our physical model capabilities, engineering services such as surveying and drilling, and gathering data, developing, and performing portions of the EIS. Unless other specific Congressional instructions and funding are provided, these services could be provided under such programs as Planning Assistance to States and cost shared 50/50 with the Sponsor.

CONCLUSION OF HEARINGS

Senator DOMENICI. Okay, we're in recess until the call of the Chair. Thank you.

[Whereupon, at 12:15 p.m., Tuesday, April 20, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]