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THE PRESIDENT'S FISCAL YEAR 2014 BUDGET: ADMINISTRATION PRIORITIES FOR THE U.S. ARMY CORPS OF ENGINEERS

(113–12)

HEARING

BEFORE THE

SUBCOMMITTEE ON
WATER RESOURCES AND ENVIRONMENT

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

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U.S. House of Representatives

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Washington, DC 20515

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April 19, 2013

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SUMMARY OF SUBJECT MATTER

TO: Members, Subcommittee on Water Resources and Environment
FROM: Staff, Subcommittee on Water Resources and Environment
RE: Water Resources and Environment Subcommittee Hearing on "A Review of the President's Fiscal Year 2014 Budget Request for the United States Army Corps of Engineers."

PURPOSE

The Water Resources and Environment Subcommittee is scheduled to meet on Wednesday, April 24, 2013 at 2:00 p.m. in 2167 Rayburn House Office Building, to receive testimony from the Army Corps of Engineers (Corps) on their proposed budget and program priorities for fiscal year (FY) 2014.

This hearing is intended to provide Members with an opportunity to review the FY 2014 budget request for the Corps, as well as Administration priorities for consideration in the Subcommittee's legislative and oversight agenda for the First Session of the 113th Congress.

BACKGROUND

General

The Corps provides water resources development projects for the Nation, usually through cost-sharing partnerships with non-federal sponsors. Activities include navigation, flood damage reduction, shoreline protection, hydropower, dam safety, water supply, recreation, environmental restoration and protection, and disaster response and recovery. The appropriation request in the Administration's FY 2014 budget submittal for the Corps of Engineers is $4.726 billion, slightly above the FY 2013 sequester-adjusted appropriations of $4.718 billion.

There is a proposed reduction for some of the major accounts that fund Corps projects and activities. Major accounts and initiatives are described below.

Investigations

The President's budget requests $90 million for the Investigations account. This is $28 million less than the FY 2013 appropriations of $118 million. These funds are used for the study of potential projects related to river and harbor navigation, flood damage reduction, shore protection, environmental restoration, and related purposes. They also cover the restudy of authorized projects, miscellaneous investigations, and plans and specifications of projects prior to construction. Under this proposed budget, while 10 new studies are funded, the focus is on completing existing studies.

Construction

The President's budget requests $1.350 billion for the Construction account. This is $237 million less than the FY 2013 appropriations of $1.587 billion. These funds are used for the construction of river and harbor, flood damage reduction, shore protection, environmental restoration, and related projects specifically authorized or made available for selection by law. The budget proposes four new construction starts and funds for five construction completions. Generally, the reduced construction budget gives priority to completing on-going projects with a remaining benefit-cost ratio greater than 1.0. Continuing on-going projects with a benefit-cost ratio between 2.5 and 1.0 receive some level of funding.

Operation and Maintenance

The President requests $2.588 billion for expenses necessary for the preservation, operation, maintenance, and care of existing river and harbor, flood control, and related projects. This is $302 million more than the FY 2013 appropriations of $2.286 billion.

While proposed to be increased out of cuts to other parts of the Corps program, the constrained budget for operation and maintenance in the past few fiscal years is beginning to affect the navigability of certain waterways. Needed maintenance dredging continues to be delayed. For example, parts of the Lower Mississippi River have been closed to commercial navigation due to lack of maintenance dredging. The President's budget request for operation and maintenance in FY 2014, particularly by not fully utilizing the Harbor Maintenance Trust Fund, will continue to exacerbate this situation. Underfunding the Operations and Maintenance account and seeking subsequent supplemental appropriations when outages occur complicates effective planning and creates inefficiencies.

Regulatory Program

The President's budget requests $200 million for the regulatory program. This is $17 million more than the FY 2014 appropriations of $183 million. The requested funding provides for costs incurred to administer laws pertaining to regulation of activities affecting U.S. waters, including wetlands, in accordance with the Rivers and Harbors Act of 1899, the Clean Water Act, and the Marine Protection, Research, and Sanctuaries Act of 1972.

Formerly Utilized Sites Remedial Action Program (FUSRAP)

The President's budget requests **$104** million for FUSRAP for FY 2014. This is $4 million more than the enacted level of $100 million for FY 2013. FUSRAP provides for the cleanup of certain low-level radioactive materials and mixed wastes, which are located mostly at sites contaminated as a result of the Nation's early atomic weapons development program. This program was transferred from the Department of Energy to the Corps in the FY 1998 Energy and Water Development Appropriations Act.

Mississippi River and Tributaries

The President's budget requests **$279** million for FY 2014 for planning, construction, and operation and maintenance activities associated with Mississippi River and Tributaries water resources projects located in the lower Mississippi River Valley from Cape Girardeau, Missouri to the Gulf of Mexico. This is $40 million more than the FY 2013 appropriations of **$239** million.

Water Trust Funds

The Harbor Maintenance Trust Fund is supported by an ad valorem tax paid by the shippers (not including exporters) of cargo loaded or unloaded at a U.S. port. The funds are used to do maintenance dredging of harbors and to provide for disposal facilities for dredged material. The budget would use only $834 million from the fund resulting in an increase in the estimated balance to $8.97 billion at the end of FY 2014. It is estimated that the tax collected more than $1.85 billion in FY 2013. Approximately one-third of the Nation's federal navigation projects are currently at their constructed depths and widths, making our ports inefficient. As a result, the cost of traded products in 2010 increased by $7 billion. This will rise to $14 billion by 2040 if operation and maintenance needs are not met.

According to the American Association of Port Authorities (AAPA), seaports provide for $200 billion in federal, state, and local tax revenue each year. Thirty million jobs are directly related to international trade, with the U.S. maritime industry alone providing 13 million jobs throughout the country. Overall, the AAPA research finds that maritime trade creates $2 trillion of commerce annually in the United States. The Economic Research Service of the United States Department of Agriculture notes that for every dollar of goods exported, another $1.36 in supporting activities is created.

The Inland Waterways Trust Fund is supported by a tax on commercial fuel used on specified inland waterways. The fund is used to pay for half of the federal cost of constructing navigation improvements on those waterways; the remaining half is paid from general revenues. The budget calls for using $93.88 million from the fund in FY 2014.

Aging infrastructure along the inland waterway transportation system presents a growing challenge. The Corps is responsible for the operation and maintenance of 227 lock chambers in 185 locations nationwide. The average age of these locks is almost 60 years old. Reliability of transportation networks is critical to the Nation's economy. While this infrastructure has served

the Nation well, operation and maintenance expenditures will only slightly prolong the life of a depreciating asset that will continue to diminish in performance. In addition, as the asset gets older, its operation and maintenance requirements will grow.

The Administration has proposed instituting a tax on commercial vessels that utilize the Nation's inland waterways system. This proposal intends to raise $80 million in FY 2014 and would be used to supplement the Inland Waterways Trust Fund that is used to provide for capital improvements on the inland waterways system.

Flood Control and Coastal Emergencies

The Administration's budget request proposes $28 million for the Corps' Flood Control and Coastal Emergencies (FCCE) account. The Corps has authority under the Flood Control and Coastal Emergencies Act (P.L. 84-99) for emergency management activities, including disaster preparedness, emergency operations (flood response and post flood response), rehabilitation of flood control works threatened or destroyed by flood, protection or repair of federally authorized shore protective works threatened or damaged by coastal storms, and the provision of emergency water due to drought or contaminated sources. This includes $2.5 million in support of the Silver Jackets, an interagency group that creates federal support teams for communities experiencing local flood emergencies and prevents emergencies through flood risk management solutions. Funds for the Corps' FCCE account are typically provided on an emergency basis through supplemental appropriations acts.

WITNESSES

Honorable Jo-Ellen Darcy
Assistant Secretary of the Army—Civil Works

Lieutenant General Thomas P. Bostick
Chief of Engineers, United States Army Corps of Engineers

THE PRESIDENT'S FISCAL YEAR 2014 BUDGET: ADMINISTRATION PRIORITIES FOR THE U.S. ARMY CORPS OF ENGINEERS

WEDNESDAY, APRIL 24, 2013

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

The subcommittee met, pursuant to notice, at 2:05 p.m. in Room 2167, Rayburn House Office Building, Hon. Bob Gibbs (Chairman of the subcommittee) presiding.

Mr. GIBBS. Good afternoon. At this time, the Subcommittee on Water Resources and Environment will come to order.

Today we have a hearing on the administration's budget. We have the Honorable Secretary Darcy, Army Civil Works, and General Bostick, head of the Army Corps of Engineers.

I will start here with an opening statement and then I will turn it over to my ranking member.

The President's fiscal year 2014 budget is the administration's priorities for the U.S. Army Corps of Engineers.

I am a strong supporter of the efforts by Congress to control Federal spending. However, I feel like this is a belated Groundhog Day for most of us on the subcommittee. Many of the Army Corps of Engineers activities that we are examining today are true investments in America because they provide jobs and economic return.

For nearly two centuries, the Civil Works mission of the Corps has contributed to the economic vitality of the Nation and improved our quality of life.

Once again, like Groundhog Day, this administration has misprioritized the projects and programs of the Army Corps of Engineers. I believe we must be supportive of programs that have a proven record of providing economic benefits.

The fiscal year 2014 budget request by the administration for the Corps of Engineers is $4.7 billion. This request is almost the exact same as was requested in previous budgets.

In 2011, we had some of the worst flooding on record in this country. In 2012, we were struck by several major natural disasters. In either 2013 or 2015, it is likely the expanded Panama Canal will become operational.

Yet the President has learned little by the recent experience of Superstorm Sandy, since his budget proposes investing only a little

over $25 million for construction of shore protection projects nationwide.

In addition, he sends to Congress a budget that has an ecosystem restoration construction budget that is four times larger than its coastal navigation construction budget.

The fiscal year 2014 budget is where we expected to find the funds to match the administration's rhetoric on initiatives like the President's export initiative or the President's "We Can't Wait" initiative.

Instead, while the President is proposing $834 million out of the Harbor Maintenance Trust Fund for operation and maintenance activities in fiscal year 2014, just last year in fiscal year 2013, it is estimated the administration collected $1.85 billion in harbor maintenance taxes, paid by businesses for the purpose of maintaining America's ports.

This will not keep up with the growing demand on our ports to accommodate more and larger ships that will leave the Trust Fund with almost $9 billion in IOUs to the Nation's ports at the end of the next fiscal year.

This administration is not the first to shortchange America's water transportation system. I find it irresponsible for any administration or for Congress itself to not fully spend the tax dollars collected for their intended purpose.

I know we have to find savings, but savings can be found by slowing down work on some environmental restoration projects until the economy turns around.

Instead, the President's budget prioritizes these activities above navigation. The largest navigation expansion in the construction general account is less than $50 million.

By comparison, the three largest ecosystem project expenditures in the construction general account are one project for more than $100 million and one project for almost $90 million, and one project for more than $70 million.

Two of these multimillion-dollar ecosystem restoration activities are at the behest of other Federal agencies like the United States Fish and Wildlife Service and the National Marine Fisheries Service.

While we in Congress understand the Corps of Engineers has to comply with the Endangered Species Act and other laws, every year the agency has to spend hundreds of millions of dollars on so-called environmental compliance activities at the whim of other Federal agencies with no end in sight.

I think the Corps of Engineers needs to know when to say no.

Budgets are about priorities. A priority of any administration should be to put the United States at a competitive advantage in world markets, but not one single coastal navigation project in the President's budget will be completed construction in the next fiscal year.

According to this budget, the coastal navigation system the Nation has today, which is the same coastal navigation system we had when the President took office, will be enough to keep the United States competitive when the Panama Canal expansion is complete.

Many of us in Congress disagree. While the President's export initiative and the "We Can't Wait" initiative made some promises

to the public, unfortunately, many of us in Congress believe that the President's budget does not deliver on these initiatives.

Like Groundhog Day once again the President's budget over promises and over delivers.

I look forward to the testimony from our two witnesses today, and I recognize the ranking member, Mr. Bishop, for any statement he might have.

Mr. BISHOP. Thank you very much, Mr. Chairman. Thank you for holding this hearing.

This budget hearing is very timely. We are considering a new water bill. We are dealing with issues that are being presented to us by stakeholders in a series of roundtables that Chairman Gibbs and Chairman Shuster have arranged.

By the way, let me commend Chairman Shuster and Chairman Gibbs for hosting these roundtables. They have been very helpful and very informative.

I have four slides that I just want to show. I think they really summarize the challenge that is before us.

The first slide up, basically, this is a summary of what we have heard most frequently from the stakeholders, that the project is taking too long, it has been authorized for construction, but it is not being built. The other is the project is authorized for study but we are not moving it to the construction phase.

We have a $60 billion backlog in authorized but unconstructed projects. We need to fully spend down the Harbor Maintenance Trust Fund collections for their intended purposes, make sure the Fund addresses the needs of all ports, the inland waterways.

The Trust Fund is broken and needs to be fixed, and the Olmsted Locks and Dam project is taking all of the money out of the Inland Waterways Trust Fund.

That represents—at the risk of providing you with a CliffsNotes version of what has been a really good and extensive process—that represents a summary of what we hear most often.

If we can go to the second slide. The second slide shows the line moving slightly up and to the right, inflation adjusted approps starting with fiscal year 2009. If we took fiscal year 2009 and simply adjusted it for inflation, in other words, whatever level of activity we had in fiscal year 2009, we would be able to continue that level of activity through fiscal year 2013 and beyond, simply by adjusting for inflation.

The line going down to the right is actual enacted appropriations that this Congress has enacted.

As the chairman said, President Obama is not the first President to request funding for the Army Corps that is inadequate. I would point out that the President's request for fiscal year 2014 is higher than any request that President Bush put forward for the Army Corps.

This is a problem, and the Congress, we are the ones that make the judgment with respect to what it is we are going to enact. We have consistently over those 4 fiscal years following fiscal year 2009 provided the Corps with less than what they had in fiscal year 2009.

Let's move to the third. This represents a pictorial summary of what would happen if we were to enact into law the budget resolution that passed the House of Representatives.

The first bar is fiscal year 2013 approps. The second bar is fiscal year 2014 President's request. The bars following the second bar are what the appropriation would be if we were to enact the House passed budget resolution as the 302(b) allocation level for the Corps.

You will see that there is approximately a $600 million difference in fiscal year 2014 between what the President requested and what the House budget resolution would set as maximum Corps expenditures, and you will also see that it is not until fiscal year 2020 or even fiscal year 2021 that Corps expenditures, if we were to follow that, would reach what the President has requested in fiscal year 2014.

I think I just heard Chairman Gibbs say he considers the President's request for fiscal year 2014 to be inadequate. I certainly consider it to be inadequate.

If we were to follow the House budget resolution, we would not even get to that level until fiscal year 2021.

The last slide. We have had several proposals made that we should, for example, spend down the Harbor Maintenance Trust Fund. The blue bar on the left represents the fiscal year 2014 construction request for Corps accounts.

If we were to enact the RAMP Act, that is to say fully spend down proceeds of the Harbor Maintenance Trust Fund without increasing the 302(b) allocation for the Corps, that would eat up some $850 million of Corps spending, presumably taken out of construction, because I am not quite sure where else you would take it from if you did not take it out of construction.

If we were to then enact on top of that the Inland Waterway User Board proposal for how to fully fund the needs of the inland waterways system, which by the way, are serious needs that we can no longer ignore, then we would further erode the construction account, and then if we were to Federalize the Olmsted project, which is something that has been proposed, in other words, take Olmsted out of the Inland Waterways Trust Fund, put it fully on the General Fund's budget.

If we were to do all those things, it would leave us with a construction account of around $250 million for the country.

My point here is that all of these "solutions," and I will put the word in quotes, are simply pushing around the problem unless we increase the total amount of funding that is available, and that is our job. That is the job that all of us in the Congress have to do.

If we think these are important things to do, if we think operation and maintenance is important, if we think we have to make our ports Panamax ready, if we think it is unacceptable that we have locks and dams that have lived beyond their useful life span, if we think shore line protection is important, all the things we all say to one another, all the things we all do, we cannot keep going to the Corps and saying do more with less.

Every Corps person I have ever asked what do you do with less, the response is you do less with less. That is just the reality.

I want to put those numbers out there so we all have them. I want to put the implications of these policy choices out there so we all have them. I hope that what we can engage in is a constructive discussion on how do we prioritize the Corps within the larger picture of the General Fund's budget.

I agree with the chairman, we have needs that we simply must address, but we are not going to address them if we keep driving down the 302(b) allocation for the Corps.

With that, Mr. Chairman, I thank you for your indulgence and I yield back.

Mr. GIBBS. At this time, I recognize the chairman of the Full Transportation and Infrastructure Committee, Chairman Shuster, for any remarks he might have.

Mr. SHUSTER. Thank you very much, Chairman Gibbs. Thank you for holding this hearing today. It is an important hearing. It is always important to hear the priorities and the views of the agency that carries out an extremely important role in the water resource activities of our Nation.

General Bostick and Secretary Darcy, thanks for being here today.

You do play an important role when it comes to our water infrastructure, and this transportation system we have, as everybody knows, is the least expensive and the safest way to move cargo throughout our country.

When operating efficiently, the infrastructure can significantly lower the transportation costs, which can go up as much as 10 percent of the total cost of a product.

I look at the cost to ships things around, and I have an example that I have been talking about for the last couple of months, or the last month, I should say, and it is the cost to U.S. soybean growers. To move 1 ton of soybeans from Davenport, Iowa, to Shanghai, China, costs in our system $85. When you move that same ton of soybeans, same distance, from Brazil, it costs $141.

We have a significant competitive advantage, but when you look at what the Brazilians and the Chinese are doing in Brazil, they are investing upwards of $26 billion into their water infrastructure to be able to better compete against us.

I think that sends a clear message that if we do not properly invest in maintenance and modernization of the most efficient means of transportation, we are going to lose that economic advantage.

It is going to cost us jobs. It is going to cost us more to buy goods at the stores and markets. It is going to cost us in the world economy when the products we manufacture cost them more money to get into that world economy.

This is an important subject. The President's budget, as has been pointed out, previous Presidents, Republicans and Democrats alike, are proposing to not spend the full amount of the "user fee," I call it, that you pay to use the ports of this country.

The Harbor Maintenance Trust Fund has only allocated $834 million out of $1.8 billion that has been collected. Again, this practice continues to grow.

On the last surface transportation bill, many colleagues on my side with my support tried to pass the RAMP Act, to try to make

sure that money is dedicated to the purpose for which those folks are paying into that Fund.

One thing that was disconcerting is for months/years, we have been asking the question exactly where does that money go, that other $1 billion.

Recently, the Senate Appropriations Committee sent a letter to the Senate Environment and Public Works Committee. We found out that if that money were to go 100 percent to its intended purpose, it would require a significant cut at the Department of Energy. It is the old Washington shell game of we collect here, we are not going to spend it there, then we fund something else.

It is very disconcerting to me and I know the folks that operate in those ports and harbors around this country.

As the chart my colleague from New York showed, that would make a significant improvement. If we could spend that money, there would be significant improvements to our harbors and ports.

Again, it is bad enough when the Corps puts hurdles up to projects, but in many instances, we found the White House and OMB are requiring studies and information that they really do not need to make informed decisions. They continue to throw those hurdles up.

It is one of the things I have consistently heard in our series of roundtables we have had, that the endless studying and studying and studying and never actually getting finished to accomplish a project is really hurting us. It takes too long. It costs too much.

We were at a roundtable about 2 weeks ago. If I did not know who was a Democrat and who was a Republican in the room, I would have thought we were all in the same party.

We all were saying the same thing about the need to reform the Corps, look at new innovative ways to make it more efficient, and as we move forward, I am dedicated to trying to help the Corps improve what it does, look at things like bring in the private sector to help, whether it is funding or other innovative ideas they may bring to the table.

Again, I really appreciate Chairman Gibbs and Ranking Member Bishop for their hard work on this issue. As we move forward in this Congress, again, as I said, I am dedicated to passing a water bill that I think is extremely important to the economy of the United States.

Again, thank you very much.

Mr. GIBBS. Thank you, Chairman. One housekeeping business. I ask unanimous consent that the record of today's hearing remain open until such time as our witnesses have provided answers to any questions that may be submitted to them in writing.

Any objection?

[No response.]

Mr. GIBBS. Hearing no objection, so ordered. At this time, I welcome our witnesses. The first witness is the Honorable Secretary Darcy, Assistant Secretary of the Army, Civil Works. Welcome. The floor is yours.

TESTIMONY OF HON. JO-ELLEN DARCY, ASSISTANT SECRETARY OF THE ARMY (CIVIL WORKS); AND LIEUTENANT GENERAL THOMAS P. BOSTICK, CHIEF OF ENGINEERS, U.S. ARMY CORPS OF ENGINEERS

Ms. DARCY. Thank you, Congressman. Thank you, Mr. Chairman, and distinguished members of the subcommittee. Thank you for the opportunity today to present the President's budget for the Civil Works Program of the Army Corps of Engineers for fiscal year 2014.

I would like to summarize my statement and ask that my complete written statement be included in the record.

The President's 2014 budget provides $4.826 billion in gross discretionary appropriations for the Army Civil Works Program, offset by $100 million rescission of unobligated carryover from appropriations prior to fiscal year 2013.

This is $95 million higher than the President's 2013 budget for Civil Works.

The budget also supports the restoration of certain sites contaminated as a result of the Nation's early Atomic Weapons Development Program, emergency preparedness and training to respond to natural disasters, and recreation, environmental stewardship and water supply storage at existing projects owned or operated by the Corps.

These investments will contribute to a stronger economy, improve reliability of waterborne transportation, reduce flood risks to businesses and homes, and support American jobs.

The budget funds the completion of 3 flood risk management projects, 1 navigation project, 1 hydropower project, and 21 studies and designs.

The Civil Works budget includes funding for 4 high-performing construction new starts, 10 new study starts in the investigations account, and 1 new activity in the operation and maintenance account.

The budget includes the highest amount ever budgeted for use of receipts from the Harbor Maintenance Trust Fund to maintain coastal channels and harbors.

Inland waterway capital and investments in the construction account are funded at the maximum amount that is affordable within the projected Trust Fund revenue under existing law.

The administration will continue to work with Congress and stakeholders to enact a mechanism to increase revenue for the Inland Waterway Trust Fund.

The 2014 budget provides $392 million for dam and levee safety activities, which includes $41 million to continue the levee safety initiative.

The budget provides $75 million for additional measures to support navigation on the Mississippi River in the current drought, which has been affecting the water levels on the river, if it continues into 2014.

The budget provides continued funding for restoration of five of the Nation's significant aquatic ecosystems, the California Bay Delta, the Chesapeake Bay, Everglades, the Great Lakes, and the gulf coast.

The Army continues to work to modernize the Civil Works Planning Program. Proposed changes are aimed at dramatically shortening the time as well as the costs for completion of preauthorization studies while retaining the quality of our analyses.

The budget again this year includes $3 million for the Veterans Curation Program, which provides vocational rehabilitation and innovative training for wounded and disabled veterans while achieving historical preservation responsibilities for our ecological collections that are administered by the Corps of Engineers.

In summary, the 2014 budget for the Army Corps Civil Works is a performance-based budget that supports continued progress on important water resources investments that will contribute to a stronger economy and continue progress on important water resources investments that will yield long-term returns for the Nation and its citizens.

Mr. Chairman and members of the subcommittee, I look forward to working with you in support of the President's budget, and if I could take a few seconds, Mr. Chairman, I would like to recognize the woman who is sitting behind me, who probably has the biggest smile on her face.

She is my Deputy for Management and Budget, Claudia Tornblom, she is retiring from Federal service this Friday after 34 years.

This is her last visit to Capitol Hill in that capacity. She has been an incredible asset to the Army Civil Works Program. I want to thank her for her service.

Mr. GIBBS. Thank you, Secretary Darcy. Thank you for your service and good luck in your retirement.

At this time I would like to welcome Lieutenant General Thomas Bostick. He is the Chief of Engineers at U.S. Army Corps of Engineers.

Welcome, General. The floor is yours.

General BOSTICK. Thank you, Chairman Gibbs, members of the subcommittee. I am honored to testify before the committee today along with the Honorable Jo-Ellen Darcy on the President's fiscal year 2014 budget for the Civil Works Program of the U.S. Army Corps of Engineers.

This is my first time to testify before this subcommittee, and I look forward to working with each of you.

I have been in command for nearly a year, and I want to touch briefly on the four campaign goals that we set for the U.S. Army Corps of Engineers starting last August.

First, we must support the war fighter with our work in areas of operations of the combatant commands and on U.S. installations around the world.

Second, we must transform Civil Works. We do this by modernizing our project planning process, enhancing the budget development process, and by using a smart infrastructure strategy to evaluate our portfolio of water resource projects, and finally, by improving our methods of delivery.

Third, we must reduce disaster risks and continue to respond to natural disasters under the national response framework, as well as our ongoing efforts with flood risk mitigation.

Fourth, we must prepare for tomorrow, positioning our workforce and our processes for future challenges and focusing on research and development efforts that will help solve the greatest challenges that this Nation and our Army will face.

In 2012, the Corps responded to several weather related events, including Hurricane Sandy, under the national response framework in support of FEMA. Drought was a significant challenge as we experienced extraordinarily low water on the middle Mississippi River. The great men and women of the Corps of Engineers worked tirelessly together with our State, local and industry partners to ensure that we could deliver on our many commitments.

This country is experiencing even today some challenges as we face significant flooding in many parts of the Nation. It is through the efforts of our people and our partners at every level that we will continue to carry out the projects and programs included in the 2014 budget.

Mr. Chairman, I ask that you and other Members refer to my complete written testimony submitted to the committee for the specifics on the following areas: the summary of the budget, much of which Ms. Darcy outlined earlier.

The investigation program, our construction program, operations and maintenance program, program for planning modernization efficiency and effectiveness of Corps operations, the value of the Civil Works Program to the Nation's economy, research and development, and our support to the national defense.

Thank you, Mr. Chairman, and members of the subcommittee. I look forward to your questions.

Mr. GIBBS. Thank you, General. I will start off with questions. Secretary Darcy, on July 19, 2012, the President released part of his "We Can't Wait" initiative calling for the expedited actions at the Ports of New York, New Jersey, Charleston, Savannah, Jacksonville and Miami.

As for the Port of New York and New Jersey project, according to the press release from the White House last Summer, it states that "The Corps expects to complete this $1.6 billion project in 2014."

The President's budget devotes approximately $49 million to this project in 2014. The President's budget shows the Corps completing five construction projects in 2014, the Port of New York and New Jersey is not one of the projects forecasted to be completed.

Can you explain why this project and others in the President's "We Can't Wait" initiative will not be completed in 2014?

Ms. DARCY. Chairman, I believe the schedule for completion has always been 2015. It is part of the "We Can't Wait" initiative because it is being looked at with a number of other Federal agencies, which is one of the requirements for being part of that initiative.

I believe the completion date is 2015.

Mr. GIBBS. 2015? That is not what the press release said. They must have changed it, I guess.

Ms. DARCY. I believe that we had it budgeted and scheduled for 2015. I can go back and check that.

Mr. GIBBS. I have the release here and it says the Corps expects to complete the $1.6 billion project in 2014. For the record, I guess.

Kind of a followup, the Port of Miami is another project included in the initiative. The same press release says the Corps expects to complete the deepening of the navigation channel by late 2012.

Has the Corps carried out the deepening of the Miami channel? We were told the Port would be carrying out the project.

What does the President's fiscal year 2014 budget do for the Port of Miami?

Ms. DARCY. The Port of Miami is in the President's 2014 budget for an adjustment to the 902 limit.

The State of Florida, who is our local sponsor and partner in this project, is going to be contributing $77 million of their own money in contributed funds to help meet the deepening of this Port.

Mr. GIBBS. My understanding is it has been approved on the 902 issue, but I think the Corps could have moved ahead up to the 902 limit, could they not?

Ms. DARCY. Chairman, we have to have the 902 limit enacted before we can enter into a project partnership agreement with a local sponsor.

Mr. GIBBS. Can you also give the committee a status on the funding levels of work needed to finish the study of the Port of Charleston deepening project?

Ms. DARCY. I will check the numbers but the Port of Charleston again is one of the "We Can't Wait" initiatives; it has been part of our smart planning or 3×3×3 initiatives, where we were trying to get a handle on the studies that are out there. The Port of Charleston is in the President's budget. I will check for what it is in 2014.

As part of our smart planning effort, we have reduced 4 years off the study, and we have also found a way to save $8.2 million on this study through our smart planning initiative.

Mr. GIBBS. Also, in the President's budget that is concerning to me is he is budgeting $108 million for construction of coastal port projects, which is about a quarter of what is supposed to be spent on ecosystem restoration projects.

Of the 11 navigation projects funded in the budget, how many of these will be completed in 2014? For instance, I see the Port of Oakland in the President's budget is for $100,000. Will that $100,000 complete the project at the Port of Oakland?

Can you comment on the massive discrepancy between investing on our infrastructure assets $108 million or 25 percent compared to the ecosystem restoration projects?

Ms. DARCY. Chairman, if you look at the budget overall and if you look at the breakdown, about 39 percent of the President's 2014 budget is going to be for navigation, another 33 percent will be for flood risk reduction, and the remaining 30 percent is a combination of ecosystem restoration and regulatory programs.

Mr. GIBBS. Excuse me. You are referring to the overall budget. We are just talking about the general construction budget. Is that correct?

Ms. DARCY. That was your question, on the construction budget. We have budgeted one navigation project to completion in the 2014 budget. I would have to ask staff which one that is.

I am sorry, the rest of your question was about the comparison between ecosystem and navigation?

Mr. GIBBS. Yes.

Ms. DARCY. In putting the budget together, we look at all of the missions within the Corps of Engineers and priorities and the value to the Nation. Within ecosystem restoration, we have several projects that not only will help restore ecosystems but can also be job producers.

Mr. GIBBS. When you look at funding priorities, first, invest in construction on tangible assets, whether it be locks and dams or ports versus eco restoration.

Do you look at the economic benefits to compare what is the smartest investment?

Ms. DARCY. We do performance-based budgeting. We look at what the return will be on the Federal investment on each of those projects.

Within the ecosystem restoration program, there is not the same comparable cost-benefit analysis as is done for other kinds of projects because of the value——

Mr. GIBBS. I am out of time. Quickly, do you also factor in tangible assets, the age and possible failure, especially in the inland waterway system? Maybe we should be investing more there. The average age is 60-plus years, and we have likely, by the Corps' own admission, failures that could be catastrophic.

Ms. DARCY. Within each of those accounts, Chairman, we do that kind of analysis, what is the most urgent need, especially as it relates to safety and the economy.

Mr. GIBBS. Thank you. Representative Bishop?

Mr. BISHOP. Thank you very much, Mr. Chairman. I thank both of our panelists for their testimony.

I want to stay on the issue of the Harbor Maintenance Trust Fund and to some extent the Inland Waterways Trust Fund.

The expected collections in the Harbor Maintenance Trust Fund this year are $1.758 billion. The President proposes transferring $890 million of that to the operation and maintenance account.

This is roughly the historical average, a little over 50 percent of proceeds become expenditures. The last budget that President Bush submitted was a little over 50 percent, although I will point out that the last budget that President Clinton submitted spent down 96 percent of the annual proceeds, or at least requested that 96 percent be spent down.

If we were to pass the RAMP Act, that does not give you $868 million more to spend unless we increase the overall budget of the Corps. Is that correct?

Ms. DARCY. Yes, Congressman.

Mr. BISHOP. If we were to pass the RAMP Act thereby mandating that the Corps spend $868 million more than it is contemplating spending in O&M, unless we increase the Corp budget, you will take that from some other place in the Corps?

Ms. DARCY. Yes, we would have to.

Mr. BISHOP. The chart that I put up presumed that you would take it out of construction since that is the next largest account. Is that a reasonable presumption?

Ms. DARCY. Yes.

Mr. BISHOP. What we are dealing with here is we are proposing a solution that not only does not solve the problem, it exacerbates the problem. Am I right about that?

Ms. DARCY. Yes.

Mr. BISHOP. Thank you. The same can be said if we were to Federalize Olmsted or if we were to have more General Fund expense come out of the Inland Waterways Trust Fund?

Ms. DARCY. Yes.

Mr. BISHOP. The answer is that either we increase the Corps budget or we cannibalize other elements of the energy and water appropriations bill by we either increase the 302(b) allocation for the Corps or we increase the 302(b) allocation for the energy and water budget. Right?

Ms. DARCY. Correct.

Mr. BISHOP. At least we all understand the problem. Again, I will say to my colleagues, we have to figure out how important it is to us to spend the Harbor Maintenance Trust Fund proceeds for Harbor Maintenance Trust Fund related activities. Right? That is our job, not yours.

Ms. DARCY. Correct.

Mr. BISHOP. Let me move to another subject. It is my understanding that there are approximately 30 projects, and please correct me if I am wrong, for which known costs are either approaching or have exceeded their 902 limit. Is that about right?

Ms. DARCY. I think it is about right; yes.

Mr. BISHOP. Can you (a) give us a brief explanation of what is happening that caused this 30 projects to exceed their originally budgeted expectation?

Ms. DARCY. There are several reasons, also depending upon the projects. Sometimes it is because it is an older project and over time, the prices have escalated from the originally authorized project authorization. As you know, 902(b) means the authorized project costs have escalated to more than 20 percent of the originally authorized costs, and 902(b) requires us to come back to Congress and ask for an increase in that authorization.

Thirty is too many. We need to be taking a look at our own way of doing our cost estimating. We have established a center of expertise in one of our districts out in Walla Walla, Washington, and they are going to be looking at all cost estimates for our projects in the future.

We are also committed to notifying Congress well in advance of knowing we have a 902(b) allocation problem because it would need to be authorized and take an act of Congress to increase that authorization.

We are also going to be doing what we call agency technical reviews earlier on in our 902(b) calculations. We are looking throughout the agency, both at the district level all the way up to headquarters, as to what the implication is going to be of this cost increase.

Mr. BISHOP. Secretary Darcy, I am going to have to cut you off because we have 4 minutes left in a vote.

I want to just ask—are we coming back.

Mr. GIBBS. We are going to come back. Go ahead and ask.

Mr. BISHOP. Real quick. The existence of the earmark ban complicates the process by which the Corps would return to us to ask for an increase in funding for these 30 some projects. Am I right about that?

If Congress were to authorize them, additional spending, that would be considered an earmark. Is that correct?

Ms. DARCY. That is correct.

Mr. BISHOP. We would be left in the unenviable position of having spent a considerable amount of Federal money to undertake a project but because of the earmark ban, which was designed allegedly to save money, we would wind up wasting money because we would not be able to complete the projects that had previously been authorized. Am I right about that?

Ms. DARCY. That is correct.

Mr. BISHOP. Thank you. I have no more questions, Mr. Chairman.

Mr. GIBBS. Votes have been called. We have three votes. The first vote, there is 3½ minutes still to go, 19 people have not voted yet. It will be about 3:00. There are two more 5-minute votes.

We can try to reconvene here about 3:15 or 3:20, if you can indulge us. Thank you.

We stand in recess.

[Recess.]

Mr. GIBBS. We will call the subcommittee hearing back to order on the President's priorities for the Corps of Engineers budget.

We will probably have more Members straggling in here from the vote, but we will go to Mr. Hanna for questions he may have.

Mr. HANNA. Thank you, Chairman. Thank you both. I want to preface this by saying that I have had a very good experience with Commander Bale in Buffalo, while not productive, I regarded him as a honest player in this rather complicated process.

I would like to talk about something that is not directly related to the issue at hand, the budget. I would like to raise an issue that I have. I represent Marcy, New York, and in my district, the Corps placed special conditions and subsequently denied a section 404 permit for Mohawk Valley Economic Development Growth Enterprises, also known as EDGE, to construct a pad for a potential nano technology company, a multibillion-dollar company, to come in and build a manufacturing plant on several acres of marginal wetlands.

The Corps denied the permit primarily on the grounds that the applicant could not specify with precise detail what the end footprint of the plant would be, although the applicant offered numerous, numerous times to mitigate those marginal wetlands, a few acres, four or five acres, some place else in the community, offered to do anything possible to get this permit for this potential nano technology plant in a very starved community in upstate New York, where I live, very economically deprived and in trouble.

Quite naturally, this is a Catch 22, because without a shovel ready pad, the applicant could not compete with foreign companies to attract a manufacturer. Without a manufacturer in hand, the applicant could not give the details for the specifications of the final plant design to the Corps of Engineers.

What we seem to have and what I am told is spreading to other districts, I have talked to other congressmen, is the Corps is halting economic development and holding up good paying jobs and growth and opportunity and transfer of jobs back into this country

over a brand new, new, I emphasize "new" interpretation of the Clean Water Act.

You may be aware that Chairman Gibbs and this subcommittee has taken an interest in this case, and on April 12, requested that the Corps provide us with a complete administrative record for this project, as well as all communications between the Corps and the EPA on this matter.

I trust the Corps will cooperate in this regard.

The main question is section 404 does not require that the Corps cannot give a permit for speculative purposes, for growth purposes, for potential customers that we know are there and want to build, it does not require that they deny a permit without an end user or defined end user.

The community was willing to and offered to define a maximum footprint to allow the Corps to analyze this with regard to the few acres of what I think are widely accepted as marginal wetlands.

How does the Corps of Engineers expect to be a good servant to this country and to its constituents, to allow growth and opportunity, and speculation is part of what all that requires, if they are going to change their interpretation of this law to make it so very, very severe and difficult for a community that has spent tens of millions of dollars and 10 years of hard work and many, many trips abroad, how does the Corps view that?

Frankly, I am happy to hear that I am wrong in my interpretation.

Ms. Darcy?

General BOSTICK. Congressman, I will start. The Corps of Engineers wants to work with all of our partners, both Federal and non-Federal, and certainly with the local communities, to try to help support them in their efforts.

Under the Clean Water Act, our interpretation of the guidelines is we have to have a committed tenant.

Mr. HANNA. This is a new interpretation. We have been able to find examples previously with other administrations that allowed this to happen.

This is a severe crime against this community. I believe Commander Bale would have liked to see this problem go away and offer us a permit, this community a permit, but his hands were tied and I respect that, because of the interpretation that we cannot find in the Code that supports the allegation that we are speaking to.

General BOSTICK. I think the guidelines provide that we review alternative sites and we look at what type of mitigation needs to occur.

You brought up a point that you would be willing to show the maximum footprint that might be able to offset the designs. I did not realize that. I think the final design could in fact show you need less of a footprint.

If we did look at a maximum footprint, I would have to go back to see if that is something allowable for us to grant the permit under those conditions.

Mr. HANNA. What we believe is that the most Draconian and harsh approach was taken in this process. It has been appealed. As

I said, tens of millions of dollars from an otherwise very economically challenged community has gone into this.

We still have no resolution. We have watched plants being built in other communities around the State and around the country.

The idea that there is so little latitude, let's say I am completely wrong and there is no latitude in the law, I just suggest to you that is also wrong, that the Corps of Engineers should broaden its horizons and its perspective, that if it is a very rigid set of rules and regulations that it is only allowed to follow, then following those does not further the benefit certainly for the community I am in and did not.

General BOSTICK. I would be happy to take a look at it and we can follow up with you on whether from a legal perspective we have any ability to work outside the bounds that we have in this case.

Mr. HANNA. Can I expect from you your full cooperation with the request for the administrative record?

General BOSTICK. Yes.

Mr. HANNA. Thank you very much. No further questions.

Mr. GIBBS. Representative Johnson?

Ms. JOHNSON OF TEXAS. Thank you very much. Let me thank our witnesses for being here. My question is to Assistant Secretary Darcy.

I really am interested to know why the Dallas Floodway Extension Project is included in the rescission list when the project is ready to move forward.

It seems unfair and unwarranted to include the Dallas Floodway Extension Project on the rescission list, especially since any delay with obligating the funds were due to lead contamination, not mismanagement, and certainly not because the funds are unneeded.

It seems especially inappropriate to rescind these funds since they will be used to complete the wetlands portion of the project, which is a critical component of improving the flood protection to downtown Dallas, and providing safety for many of my constituents, and something that the administration claims is its priority.

I am really having a difficult time reconciling what the administration says about its commitment to infrastructure and what the budget reflects.

Could you please respond to that? I have a second question.

Ms. DARCY. The project you are referring to, the Dallas Floodway Extension Project, is a project that we have not budgeted for, which is one of the reasons it is included on the rescission list in the budget.

Ms. JOHNSON OF TEXAS. I am sorry?

Ms. DARCY. We have never budgeted for that project, which is one of the reasons it is included on the general provisions rescission list in the President's budget.

Ms. JOHNSON OF TEXAS. Could you give me a reason why?

Ms. DARCY. Why it has never been budgeted? It has not competed well with the other projects within our entire portfolio.

Ms. JOHNSON OF TEXAS. The other question is Joe Pool Lake sits partially within my district and the Trinity River Authority of Texas entered into a contract with the Corps in 1976 for 100 percent of the water supply.

Under the terms of the contract, the city of Cedar Hill elected not to activate that portion of the water supply and instead opted to defer the interest payments. The interest rate was set in 1976. It is very high in today's standards.

By this June, the accrued interest and principal due from the city of Cedar Hill is $68.9 million. In Texas, we have a desperate need for water, but when the city is being forced to pay such exorbitant rates, it makes the use of this water and probably others untenable.

They visited me just recently and said they would never be able to come up with that money.

I want to know with this population and the Ft. Worth/Dallas Metroplex, it is going to double in 50 years, it is the fastest growing area in the country now, so it makes the need for water more crucial, what authority does the Corps currently have to renegotiate these water supply contracts?

I know it is not just this one. There are others. What other option may be available to communities in this situation?

Can you provide a list of communities throughout the U.S. that are in similar situations where they have deferred payments with costs nearing millions?

From what I am hearing, there are many communities that are similarly situated and would like to make payments to the Treasury but are unable under these present terms.

If nothing happens here to renegotiate, they will never be able to use that water.

Ms. DARCY. Congresswoman, the Secretary of the Army does not have the authority to reduce the balance, lower the interest rate, or allow return to the storage of the Government without payment or a penalty.

The Secretary of the Army and the Corps of Engineers does not currently have the authority to do so, and I would be happy to provide a list to you about other communities who are finding themselves in a similar situation as yours.

Ms. JOHNSON OF TEXAS. You need the authority given by Congress to do that? You have many locations that will never be able to pay this money. They are very small communities. Nobody is getting the money at this point.

Ms. DARCY. If it was back in 1976, you are correct, the interest rate would be a lot higher than they could get today. It is unfortunate but currently we do not have the authority to do that renegotiation to lower the interest rate.

Ms. JOHNSON OF TEXAS. You are aware there are a number of small municipalities around the country in that shape?

Ms. DARCY. That are in the same situation; yes.

Ms. JOHNSON OF TEXAS. Thank you.

Mr. GIBBS. Representative Mullin?

Mr. MULLIN. Thank you, Chairman. Thank you for coming in today. I have some type of sympathy for you just for the simple fact that your hands are tied to a certain degree, and you have a tremendous responsibility ahead of you.

There are still a lot of questions that I feel like the Corps could address without having to ask permission to do so.

I am from Oklahoma. We have one of the busiest if not the busiest and biggest inland water ports on the national waterway system. Yet for 4 hours every day, the locks to bring up our barges are being locked because they are saying less than 1,000 lockages are being used in our waterways.

Back 2 or 3 years ago, I guess, there was a study done. A recommendation by the Corps was to save money, we are going to start closing these locks. If a lockage on inland waterways, which in the current system has fewer than 1,000, we are going to lock it.

As of 2012 when this started, when you started the locks, the numbers were sufficiently higher than 1,000, because the data you are using is from 3 years ago, when the economy obviously was in bad shape.

My question to you, ma'am, is when are you going to fix this problem? When are you going to look at the new data that is out and quit allowing a backlog that is setting at these lockages waiting to get through for 4 hours because you are using old data?

Ms. DARCY. Congressman, you are correct, the data is from that long ago, and we just instituted this reduced levels of service this past year.

What we are going to do every year, beginning this summer, is look at what the impact has been for this calendar year, or once the levels of service were reduced, looking at both the data from that year and as close as we can come to the most current data to evaluate whether the levels of service should be changed.

You are correct that we are looking at 1,000 commercial lockages or more would get the increased levels of service.

We were operating all of our locks and dams 24/7.

Mr. MULLIN. The data is already in support of these 3, there are 5 on the McClellan-Kerr waterway, but there are 3 in Oklahoma, and data is already there that all 5 are locking more than 1,000 already.

My question is why do we need more data? You already have it there. There is no more study that has to be done. The rule was fewer than 1,000 lockages, commercial lockages, and we are well over that number now.

Ms. DARCY. We will reexamine those numbers. We were basing it on 1,000 or more commercial lockages. If it is demonstrated that 1,000 or more commercial lockages are being locked on that facility, then they would be raised back to the initial level of service one.

Mr. MULLIN. We can provide that information. My office can provide that information for you. What is the turn around time on this?

Ms. DARCY. I would have to check with our district commander. We would be happy to look at it.

Mr. MULLIN. Are you saying we could get this accomplished fairly quickly? This is directly a decision that you can make. This is not something that has to come through Congress. This is not something you have to ask permission for.

Ms. DARCY. That is correct.

General BOSTICK. This is something we can decide on. Our plan was to use the data we had and then come back a year after that,

make an assessment, and then with the new data at the end of the year, make the proper adjustments.

I think the bigger issue is we have a lot of infrastructure out there and a lot of it is failing or is about to fail. We just do not have the money for O&M in order to maintain it.

Mr. MULLIN. General, with that being said, that brings me to another question. We have three locks on the McClellan-Kerr system, like I said, and by your own admission, there is a 50/50 chance these could fail at any time, and we are talking about $100 million of backlog, of repairs needed to be done.

Underneath the new budget, $98 million is going to just one project. Why are we not spreading that out? Why are we focusing on just one project when there are so many inland water ports that are so dependent on the infrastructure, that we are focusing on just one area?

General BOSTICK. Again, we have talked about the projects. What we try to do is make sure that life safety comes first and then we focus on navigation, aquatic ecosystem restoration and flood risk management. Those are the three areas we look at.

When you look inside the inland waterways, the top six rivers carry about 95 percent of the commercial cargo. They receive about 70 percent plus of the funding. We have to take that remainder of the money and spread it out based on the priorities that we can see. The bottom line is there are much more requirements that we have than we have funding.

Mr. MULLIN. Thank you. Ma'am, we will get that information to your office and I look forward to hearing from you.

Ms. DARCY. OK. Thank you.

Mr. MULLIN. Mr. Chairman, thank you.

Mr. GIBBS. Representative Frankel?

Ms. FRANKEL. Thank you, Mr. Chairman. First of all, I want to just give a shout out, Madam Secretary, to our district commander in Florida out of Jacksonville, Colonel Dodd. He and his staff have been very, very cooperative to work with. I want to thank you for that.

First question is if this committee does not authorize specific projects in the upcoming water bill, what will drive the Army Corps work agenda in the future?

Ms. DARCY. Congresswoman, we will continue to construct and operate and maintain the existing projects that we are responsible for now. If there are not any additional projects authorized, there are about 23 Chief's Reports before Congress right now awaiting authorization, but if those projects do not get authorized, we will continue to hopefully complete and operate and maintain the projects that we have authorization to do.

Ms. FRANKEL. Thank you. I want to talk a little bit about Everglades restoration, which is very important to Floridians, and has always enjoyed bipartisan support.

The comprehensive Everglades restoration plan, as you know, provides a framework and a guide to restore, protect and preserve the water resources in southern Florida, including the Everglades, and was approved in a water bill in 2000.

I want to sort of answer a question that was asked about economic impact of these types of projects. A recent study by the Ever-

glades Foundation shows a 4:1 return of an investment, because it is not just about making the environment look pretty, restoring the Everglades, it is improving our water quality, our fishing opportunities, our habitat, hunting, increasing real estate values, park visitation.

There are a lot of economic factors of why we need to continue with these projects as well as life sustaining. It is our drinking water and natural habitat that live in the Everglades.

My question to you is in doing this water bill, in order to continue the work of the Everglades restoration, do you need specific authorizations?

Ms. DARCY. Congresswoman, there are, I believe, four projects awaiting authorization that impact the Everglades restoration. I would have to check my notes to see what they are. Four of them would need to be authorized soon in order to be able to complete, not complete, in order to continue the restoration efforts. Most of what is being proposed in the entire south Florida system is a system's approach to the restoration so each of them are connected, and the four that are currently pending need to be authorized as soon as we can.

Ms. FRANKEL. Does there have to be specific language identifying those particular projects?

Ms. DARCY. In the authorization bill in 2000 that authorized the entire program, there was language that required a project implementation report for each of these projects, and that is what we have submitted through the Chief of Engineers and through the administration to the Congress. Yes, they need to be authorized.

Ms. FRANKEL. Another quick—I do not know if this quick, but, first of all, thank you. I know we met last week if you remember because we were trying to get a Chief's Report for Port Everglades. And one of the issues that we talked about was the economic model that is being used in order to do the evaluation. And I am wondering whether you have given any more thought to how you can share information so that—in a transparent way?

Ms. DARCY. The district met with the local sponsor for the Port of Everglades study that you are referring to in order to try to do just that. The Harvard simulation model, which is what we are using to do the economic modeling for this project, has various inputs, both from Corps of Engineers data and also the local sponsors' data input to help run the model. So we are trying to be able to share as much as we can, barring any legal or proprietary arrangements that we have with those who have provided that data to us in a way that we can be transparent, as well as share that information with the local sponsor so that we can get this economic model in sync and ready to go to support this Chief's Report.

Ms. FRANKEL. And very quickly, many of our local governments in south Florida have been waiting to receive millions of dollars owed to them for beach renourishment, how are we going to get our money?

Ms. DARCY. I do not know if I have an answer to that one. You and I also spoke about the Sand Report. Is this related to the domestic sand burst?

Ms. FRANKEL. Well, this has to do with the federally authorized cost share program.

Ms. DARCY. I am not quite sure which projects you are referring to unless they are all part of the beach renourishment projects on the coast?

Ms. FRANKEL. There are many of them along the coast in south Florida.

Ms. DARCY. Right, well, all of our beach renourishment projects are on a renourishment schedule because they are authorized. Most beach renourishment projects are authorized for a 50-year project life, and within that authorization, there is a renourishment cycle. Where the project sits, the tides and the little drift determines what the renourishment cycle will be. And each project can be renourished every year or every 10 years, depending again on the project's location and its authorized purposes.

We have been budgeting for renourishment projects so they should be able to continue hopefully at the rate that they had been authorized.

Ms. FRANKEL. Thank you. Thank you, Mr. Chair.

Mr. GIBBS. Mr. Massie?

Mr. MASSIE. Thank you, Mr. Chairman. This question is for Ms. Darcy. In the decision, *National Mining Association* v. *Jackson*, the court ruled that the enhanced coordination procedures developed by the EPA to dictate or influence the terms of section 404 permits under the guise of coordinating with the Corps unlawfully changed the permitting process for section 404 coal mine permits under the Clean Water Act. And these unlawful policies, adopted more than 3 years ago, created a permit moratorium, if you will, resulting in almost as many section 404 permit applications being withdrawn by applicants as issued by the Corps. How is the Corps ensuring that these permits are going to be issued in a timely manner and consistent with the court's ruling?

Ms. DARCY. I think the enhanced coordination procedure is what you are referring to, which was overruled by the courts. Since that ruling, we have been doing all that we can to do timely reviews of our 404 permits in compliance with the law. I do not, off the top of my head, have our current rate of review, but, again, it is all dependent upon whether we get all the information that we need upfront for that timely review. I will have to check with my staff, but I think it is between a 30- and 60-day review period depending upon the complexity of the permit.

Mr. MASSIE. Since the ruling, have any permits been issued?

Ms. DARCY. Since then? Yes. I can get you the number for the record if you would like.

Mr. MASSIE. OK, thank you very much. Now, switching gears a little bit. Recognizing the desperate need for upkeep and investment in our inland waterways, the commercial carriers and users of these waterways have pretty much volunteered to help make a contribution to this, but the question is how will this user fee, if you will, be collected. So, there has been some discussion as to whether this would be collected as a lock fee or, as is currently the case, as a fuel tax, if you will. Can you talk to that?

Ms. DARCY. Sure. Currently, there is the tax on diesel for the inland waterway users. The lockage fee that has been proposed by the President would be established. We have not elaborated on all the details of the fee, but we would like to be able to work with

our stakeholders, as well as this committee, to determine how that lockage fee would be assessed and collected.

I think part of it is just what exactly would the mechanism be for the collection? Would it be at each lockage site? Would it be some cumulative accounting that would be collected at the end of a year? Those details have not been established.

Mr. MASSIE. Let me ask this then, wouldn't that create—creating another fee when there already is a mechanism for collecting a user fee, creating that new fee, wouldn't that create another level of bureaucracy and some inefficiency and also a disproportionate burden on users on one portion of the inland waterway versus another?

Ms. DARCY. Well, again, those are the kinds of questions that we need to work out and get some input on because we don't want to create additional bureaucracy or an additional administrative expense. So maybe it would make sense to collect the lockage fee in the same way that we currently collect the tax, although the tax is, as I say, on the fuel that each barge owner and each transporter pays.

Mr. MASSIE. In your opinion or professional opinion, do you think it could affect users disproportionately on the inland waterways if it were collected as a lock fee versus a fuel tax?

Ms. DARCY. Well, again, it would not be in the same proportion as the tax because the tax is on the amount of fuel you use. This would be on the numbers of times you lock into a lock. So those users who lock in more would be paying a larger fee than those who use different portions of the inland waterway system. Where you don't have as many locks or as many lockages per trip, would be paying less.

Mr. MASSIE. Would it be easier just to use the existing structure than to create a new bureaucracy, if you will?

Ms. DARCY. Well, the existing structure is the diesel tax, and this would be a different fee. It would not be a tax on the commodity that they are purchasing. So, it would be a different structure but maybe there is a way that we could develop it so that it would not create the duplication that you might be considering would be as a result of this.

Mr. MASSIE. OK, thank you very much. I yield back.

Mr. GIBBS. Just for a point of clarification, Secretary Darcy. You referred to it as a "lockage fee," I believe in the President's budget request, he refers to it as a "vessel fee," which I think could be a different animal because, you know, a lockage fee would be a charge every time a vessel goes through the lock. A vessel fee could be something different where you charge a license to be on the system.

Ms. DARCY. Right, or you could charge per barge or as you say per vessel as opposed to per lockage—per barge as opposed to each time you go into the lockage fee.

Mr. GIBBS. So, what is the administration requesting, a vessel fee or a lockage fee?

Ms. DARCY. I think we are open to either.

Mr. GIBBS. Open?

Ms. DARCY. We are open to finding out which would be the best use and create the best revenue source for it.

Mr. GIBBS. OK.

Ms. DARCY. We are not locked in, no pun intended.

Mr. GIBBS. Representative Kirkpatrick?

Mrs. KIRKPATRICK. Thank you, Mr. Chairman. Assistant Secretary Darcy, you know I represent the city of Flagstaff. I sent you a letter in February of this year about the Rio de Flag project. For the past 20 years, that has been a major priority of the city of Flagstaff. We have had 15 major floods, large floods, since 1888. And another flood would affect half the population of a town of 65,000.

I just want to quantify some of the economic damages and have that in the record. Another single flood would cause damage to approximately 1,500 structures valued at $450 million. A single large flood event would cause an estimated $93 million in economic damages to the area. On the other hand, completion of the Rio de Flag project would result in an estimated $100 million in economic development to the community. This project really is the lifeblood of the community.

The Federal Government has spent more than $24 million to date. The city of Flagstaff has kicked in more than $14 million. At this rate, it will take us 20 years to complete this project. So my question is when will the Corps commit significant resources to this project to ensure that this city and its citizens and businesses will not be at risk for another catastrophic flood?

Ms. DARCY. Congresswoman, I do not believe that this project was budgeted for in the President's 2014 budget, so at this time I cannot make a commitment as to when it would be budgeted.

Ms. KIRKPATRICK. That is very disappointing. In my letter to you, I asked—I requested $3.9 million just to keep the project going. And I think it is so important not only to the community, but we do not want to waste taxpayer dollars that have already been spent on this project. So I hope that it will continue to be a top priority of the Corps and the administration.

My second question goes to another project in my district, the lower Santa Cruz. The lower Santa Cruz River has a long history of severe floods that can destroy everything in its path during heavy rains. The Army Corps' own report states, "Today, with the area's rapid growth and river flow changes, damage from a major flood could devastate the entire region and cost billions of dollars in damage. Before the Army Corps can move on this project, a reconnaissance study must be completed at the cost of $100,000 in Federal funds." Can you use fiscal year 2013 work plan funds? And, if not, can you use fiscal year 2014 monies in your budget to fund the reconnaissance study?

Ms. DARCY. We cannot use 2013 work plan money because it was not in the 2012 budget; we cannot budget for anything in the 2013 that was not funded in 2012.

Ms. KIRKPATRICK. Well, what about 2014? Using the work plan funds for that in the 2014 budget?

Ms. DARCY. Well, the President's budget for 2014 does not include funding this project. We will have to decide whether we get a 2014 work plan or not. If we are operating under a continuing resolution, which we have done for the past 3 years, then we would develop a work plan for spending in 2014. But in the past, we have

been directed not to fund anything in that work plan that was not funded in the previous work plan.

Ms. KIRKPATRICK. So, basically, I have to report back to this community there is not going to be any funding for several years for this very important major project?

Ms. DARCY. Unfortunately, it is not in the 2014 budget.

Ms. KIRKPATRICK. OK, thank you.

Mr. GIBBS. Thank you. I am going to rotate back and forth a little bit with myself, me and myself some time. Secretary Darcy, I want to—in light of yesterday's U.S. Court of Appeals, District of Columbia, court decision on the revocation of the 404 permit that was done 3 years after the Army Corps issued the permit, and my understanding is on that permit that the Army Corps issued, there was no violations of the permit. There wasn't a problem. I believe last Congress in our testimony we heard—we had reports from the State of West Virginia, the EPA did not support the U.S. EPA's actions. The Army Corps admitted there were no issues with the permit in violations or anything like that.

Questions come to mind that is really concerning to me is a business entity goes through the long process, in this case it was a number of years, and get their permit and start the operation. And 3 years later, the U.S. EPA revoked the permit, which I believe really is the first time in American history that ever happened. What is the value of getting a permit from the Corps with that threat?

And then, secondly, what did the Corps do in your capacity to stand up, you know, to uphold the Corps decision to grant the permit? Did the Corps make any arguments in support of the actions of the Corps?

Ms. DARCY. I am familiar with the court case, Chairman. And because the Corps of Engineers is, in the State of West Virginia, currently under litigation on this same permit. I cannot comment.

Mr. GIBBS. OK. OK, so I guess I will see if I can rephrase that question. So there wasn't—I guess I am at a loss here what to say. The question would be during—was there consultation before the permit was revoked in 2010 between the Corps and the EPA? Can you comment on what consultation might have happened when I assume the Corps got word that the EPA was considering doing the revocation, was there any consultation previous to revocation?

Ms. DARCY. Congressman, unfortunately because——

Mr. GIBBS. OK.

Ms. DARCY [continuing]. Of the situation, and because this case has been remanded, it means it is still ongoing—it has been remanded back to the circuit court, and then our ongoing litigation.

Mr. GIBBS. OK, OK, let me ask—let us forget about that then. Let's ask more of a hypothetical in the future. What would your role as assistant secretary of Army Civil Works do if an issue where you issued a permit, and things were going along fine in the operation of the entity that has the permit, what would be your role as the Corps to argue the case or not argue the case to defend the actions of the Corps, what would be your response to the EPA?

Ms. DARCY. We would defend the issuance of a Department of the Army permit. A Department of the Army permit goes through any number of consultations from the beginning to the end, and

once it is issued, I think that we would defend it. It is under section 404 of the Clean Water Act, I think it is section T that is the veto authority for the EPA.

Mr. GIBBS. Is there any thoughts of—or maybe you have already done it, having some guidelines set up, some kind of a framework that the Corps and the EPA would work instead of just an ad hoc policy?

Ms. DARCY. If we issue a permit and EPA has issue with that permit, and wants to use their veto authority, the Department of Justice is sort of the arbitrator in that situation for us.

Mr. GIBBS. OK, would you concur with me that we should do everything possible because of the value of the permit, these companies, these entities, expend a lot of dollars to go through the environment studies and all the things they need to do, create a lot of jobs, to make sure that the value of that permit really has something behind it. So you would go on record saying that the Corps would defend that permit, especially if there is no violation of the permit?

Ms. DARCY. Yes.

Mr. GIBBS. OK, want to make that clear. Mr. Garamendi, go ahead.

Mr. GARAMENDI. Thank you very much, Madam Secretary. Thank you for your appearance here. I think we have heard virtually all of us that we want more. We want something done. I am going to join in that, but I want to thank you for the work that has been done. I want to thank you for the work that you have done on saving these people's lives in floods and responding to those floods. You and the men and women of the Army Corps of Engineers have done an exceptional job over the years.

I suspect that a lot of the problem that we have heard from various—from us and others comes not so much from the Corps but rather from us, from the appropriations, or lack of them, from our desire not to do earmarks puts the Corps in a very, very difficult situation.

Ranking Member Bishop laid out very well the conundrum that we all face. It is a conundrum that you are being held accountable for but it is really our responsibility. We have not made the appropriate—we have not made the appropriations. We have not analyzed projects that should be discontinued and put them aside. We have let projects continue on. So I think the problem really lays here, but you are being held accountable. And I do not think that is right.

I do want to thank the Corps for what you are proposing, and what you have done in my district and the surrounding areas. You are moving very quickly on the Sutter Buttes levee project, a 40-mile critical levee project in Sutter County. We thank you for getting that done and moving it expeditiously.

You have provided in the President's budget, and I hope that we keep it in, money for the Yuba River fish passage, a critical issue, as well as money for the Yuba River Basin. I thank you for that. Even the children's center at Beale Air Force built ahead of time and below cost by the Corps of Engineers, we thank you for that. We know you are going to do some drudging at the Port of Stockton. We thank you for that continuing. On the American River, a

huge project that is going to protect the second most at-risk city in the Nation, Sacramento. And I know you are moving forward on the Chief's Report for the Natomas. We thank you for that. And little Hamilton City, which is clearly going to be flooded the next time the Sacramento River rises, you have proposed money for that. And we thank you for that.

And I would simply say that for the rest of the issues, I suspect that if we gave the Corps the money it needed for all that we have asked, you would get it done on time.

I want to also bring to your attention something you are doing already, and I would like you to continue to do this, it is your 3×3×3 program. I think it can work. I think if there is a flaw in it such that you do not have the money to complete the third 3, and once again that comes back to us. We will talk about other things along the way. We have got the Bay Delta, a huge issue, and I know that you are engaged there with the Bay Delta studies and the levees, thousands of miles of levees in my district.

I look forward to working with you on this. Thank you very much.

Mr. GIBBS. Representative Hahn, do you have a question?

Ms. HAHN. Thank you, Chairman Gibbs, Ranking Member Bishop. There is certainly more attention now than ever has been I think on the idea of spending the Harbor Maintenance Trust Fund fully for the purpose that it was intended. And I know in my bipartisan PORTS Caucus, this issue is really, really coming to the forefront. So, ports are now coming to the forefront of our—of the dialogue here. The President even mentioned the need to modernize and keep our ports competitive.

I mean when we really talk about the economy and the jobs, it really does come down to our ports being dredged, maintained and modernized, and yet we do know that we are spending so little of the HMT. We are glad to see that the administration is proposing to increase the spending to I guess the highest level yet at $890 million, but that is still only half of what the Harbor Maintenance Tax is collecting. And it is collecting it for the express purpose of maintaining our harbors. The American Association of Port Authorities suggests that full channel dimensions are available less than 35 percent of the time. So, I think that is a real problem as we move forward with the Panama Canal coming online, keeping our ports in this country competitive.

So, every time I suggest that we spend the Harbor Maintenance, which by the way has a $9 billion surplus right now, every time I suggest spending it for the intended purposes for which it is collected or returning the tax to the ports where it was collected, I get pushed back. And what I usually hear is, "Well, if you actually spend that money for dredging our harbors, maintaining our harbors, actually spend it on what it is intended to be used for, all these other projects that the Corps has will have to be suspended, put aside, not done." Can you explain to me why that is?

Ms. DARCY. Congresswoman, because there is a cap to our budget, I mean the President's request is $4.8 billion for this fiscal year. If we take the $890 million in the Harbor Maintenance Trust Fund, which is appropriated out of that Trust Fund by the Congress, and if we were to say we are going to double that, we are going to use

it all, then we are still only at $4.8 billion. So that money has to come from someplace else. So that additional $890 million would have to come from other projects.

Earlier, Congressman Bishop was talking about the fact that that would delete our construction budget probably only down $200 million that we could spend on construction. We are capped at $4.8 billion for our overall budget.

Ms. HAHN. So if that—if your budget, if the cap was lifted?

Ms. DARCY. If 302B allocations, both within the energy and water appropriations bill were changed or within the Army Corps of Engineers, that would be a way to increase the spending from the Trust Fund.

Ms. HAHN. And say that we—that happened, and we lifted the cap, and we actually—Congress agreed to spend the entire Harbor Maintenance Trust Fund back where it is meant to be spent in its ports and harbors, could the Corps actually—or maybe I should ask how long would it take for the Corps to bring up all of our Nation's ports to their authorized deepening level?

Ms. DARCY. Oh, I would just be speculating. I might defer to the Chief on this, but it depends again if we are talking $2 billion a year.

Ms. HAHN. Yes.

Ms. DARCY. Let us say $2 billion a year; I think it would take us, at a $2 billion a year expenditure rate, at least 5 years to get to that authorized level.

Ms. HAHN. And how many jobs do you think would be created if we actually got all of our harbors up to speed?

Ms. DARCY. I do not know. I would have to do a calculation as to the increased numbers and the availability of dredges and what per——

Ms. HAHN. I would like you to get that back.

Ms. DARCY. OK.

Ms. HAHN. I would like to see it. I think that is really how we should talk more in this country when we talk about these kinds of appropriations, what it actually means to job creation, as well as global competitiveness. So, I do think that this is an issue that we are probably—we are pushing I think probably more than any Congress ever has before, so get ready.

Ms. DARCY. OK.

Mr. GIBBS. Representative Napolitano. I struggle with your name, sorry.

Mrs. NAPOLITANO. Just try Grace. Thank you, Mr. Chair. It is good to see you, Secretary Darcy and General Bostick. Look forward to working with you. I have got to tell you both that both your former directors in the area, my area, we worked with them for years, Colonel Mangus and Colonel Troy. And they are both excellent. Not only my staff but all my entities and others are really very much in agreement that they are very easy to work with and very responsive to the needs of the communities that we all serve. So I wanted to thank you for them.

As you are aware, Santa Fe Dam is in my area, and it is a very, very critical part of the flood control and water conservation. One of the biggest problems is sediment buildup because you get all the sediment coming off the mountain range. And the ability to remove

that requires the Corps to look at its policy to market the sediment instead of giving it away, like many of the other flood control agencies do, and they get rid of it real easily, very quickly to be able to be ready for the next storm. It is a major bureaucratic burden, and we want to be able to work with you. How can we speed up the process? Does it require an act of Congress? Is it something we can put into WRDA? What can we do to be able to effectively speed up the process to be able to capture more rainwater since we are in a drought condition? Yes?

General BOSTICK. I am not sure I am tracking with the question, Congresswoman. I thought you were talking about the sediment and whether we can dredge more.

Mrs. NAPOLITANO. Right, the Santa Fe Dam is in my area, and they have apparently looked to the Corps to request the ability to move that. And apparently the Corps policy requires you to market the sediment instead of giving it away. Well, it is a major bureaucratic burden for them to act quickly and efficiently, value the sediment and get rid of it, while other local control agencies are able to give it away without having to go through a bureaucratic maze. How can we expedite that? Does it require us to be able to include it in WRDA or what can we do so that we can effectively dredge those areas, remove that sediment and allow for more capture of storm water?

General BOSTICK. I think I am going to have to follow up, Congresswoman. I really do not have the answer to that specific issue.

Ms. DARCY. But I agree with the Chief. I think that kind of valuing in the market of sediment would have to compete with some of the other missions that we have similar to that in the area. But I think we do need to follow up because I am not aware of the marketing component that you are referring to.

Mrs. NAPOLITANO. Well, this was brought up to me by some of the L.A. County folks. And then there was an issue—and I understand this is taken care of, but I am not quite sure. The Water Replenishment District offered to help pay for the Whittier Narrows Study to upgrade the leak study in the dam. And they offered to help pay for the study, and we could not get the Corps or anybody to accept the money to be able to get it done. And it was listed as a top priority, yet to this day I do not think the study has been finished because of the money. And we were able to get some funding, but they were willing to help pay for the study. And we could not find anybody to accept the money.

Ms. DARCY. We do have authority to accept contributed funds, but I believe we have to have a project partnership agreement with a local sponsor before we can accept those contributed funds. But in this particular case, Congresswoman, I will look into it because it just seems as though that makes sense.

Mrs. NAPOLITANO. Well, it would have expedited the ability for them to be able to work, and the Replenishment District would have had more potential of putting recharge.

With EP's direction to pursue an integrated watershed approach for water resource planning, local agencies are looking for using a multibenefit regional water resource project, projects, plural. They would integrate a variety of water management objectives, including storm water quality improvement, increased storm water cap-

ture to enhance local supplies and increased recreation with enhancing habitat. Because there is such a value in water, we have the North and South fights over water, and the drought situation, we are looking to see how we can help get the Corps' help to contribute to such projects?

Ms. DARCY. Congresswoman, we are currently looking at doing something just like that; we are doing our watershed budgeting. Actually, we have got a couple of pilots right now that hopefully we are going to be able to include and propose in the 2015 budget that would do watershed budgeting, which would incorporate many of those concepts and how we would budget for our future project.

Mrs. NAPOLITANO. I look forward to working with you, and being able to clarify and expedite any of these that we may. If it requires congressional approval, then we need to know so we can begin the process.

One last question, Mr. Chair. It requires the new fees that are being imposed on the county parks department, the Los Angeles Department of Parks and Recreation has an 836 acre facility, and apparently there is a concession agreement with the Corps. And they are requesting based on a letter of January 11th of 2012 to be able to pay for analyzing concession—review and analyzing concession agreements. Is that something new? When was that put into effect, and can we get more information? I do not need your answer now, but I will talk to you about it.

Thank you, Mr. Chair.

Mr. GIBBS. I will yield to myself a couple more questions. General Bostick, first of all, I would like to thank you and General Walsh for expediting the rock pillar destruction and the dredging there on Cairo, Illinois, on the Mississippi to keep that openness pass several months. And I know in my local farm elevator in my local community was paying attention to that, so I know the agricultural community and other shippers are really appreciative of that, to get that expedited and get that job—keeping that part of the river open.

General BOSTICK. Thank you, Chairman. I will pass that on to the troops. They reacted fairly well when we got support from throughout Washington down to the local level, so we appreciate it.

Mr. GIBBS. That is great. I know you are able to expedite the contracts, and do all that you needed to do, so things cannot happen until we determine to get them to go, I think.

General Bostick, the President's budget requests a change in the cost of the Olmsted Locks and Dam project. It increases it approximately $3.1 billion. How much of that cost increase can be spent—will be spent on salaries and administrative costs at the district level? Do you have any idea?

General BOSTICK. Chairman, could you say the specific project again?

Mr. GIBBS. The Olmsted Locks and Dam project that the President—it has been, you know, there has been a lot of cost overruns there. It has been a project that has gone on now for nearly 30 years, and it has been up to $3.1 billion, which is several times the original appropriation. My question is how much of that cost and the overruns in the future is being allocated to salaries and admin-

istrative costs at the district level, which would be the Louisville District?

General BOSTICK. I do not have the specific number, Mr. Chairman, but I could follow up with you on that.

Mr. GIBBS. OK, appreciate that. Also, due to schedule and cost overruns I mentioned at the Olmsted lock, the Olmsted Locks and Dam project is being built to replace the very aging locks, 52 and 53. How much of this funding increase for Olmsted is going to rehabilitate locks 52 and 53? And when do you think those—the major rehabilitations will occur?

General BOSTICK. What I would say, Mr. Chairman, for Olmsted to move forward, we need a 902 fix. If it does not move forward, then we will continue to do the work that we are doing to maintain locks 52 and 53.

Mr. GIBBS. I fully understand that. I am going to get to the 902 in a second, but my question is what are we allocating towards locks 52 and 53 because my understanding is they need to stay operational? We are going to invest money because we are probably what, 8 or so years away of completing the Olmsted Project? And so I am wondering is the $3.1 billion, is that part of the allocation for Olmsted to facilitate the rehabilitation of locks 52 and 53 or is that in addition?

General BOSTICK. That cost is just for Olmsted. The maintenance of locks 52 and 53 is separate, and I would have to get that figure for you.

Mr. GIBBS. OK, OK, I appreciate that. Also, the 902 fixes that will be needed in 2013, how many 902 fixes are there for this fiscal year 2013 and also for fiscal year 2014?

General BOSTICK. I think the total is about 30, but I would have to follow up. It is roughly about 30.

Mr. GIBBS. Yes, we would like to have a list of that, and then also I think the amount, the dollar amount since we are working on the WRDA bill. I think in order to put all this together, we have to get a handle on that.

Also, in WRDA 2007, Congress authorized the Corps to utilize independent peer review for some of its projects. How long do these reviews typically take, and how much do they typically cost on these peer reviews? Any idea on that?

General BOSTICK. It really depends on the size of the project, the magnitude and the level of difficulty. I really cannot put a number on it that would be a typical number or a cost. We try to work these as rapidly as we can, and it just varies between projects.

Mr. GIBBS. Secretary Darcy, I think you want to comment?

Ms. DARCY. Well, I believe our report to Congress last year was on how we had implemented since 2007. We had spent about $8.2 million on I believe it was 29 independent external peer reviews. And, as the General said, it varies from project to project but that is just a broad brush look at what has happened since 2007.

Mr. GIBBS. OK. General, also the Harbor Maintenance Trust Fund for fiscal year 2013, salaries and administrative costs and overhead, you probably will not be able to answer this today but hopefully you can get back to us about the money that is generated in the Harbor Maintenance Trust Fund, how much of it is allocated for administrative costs and overhead and also for fiscal year 2014?

General BOSTICK. I will follow up with you on that.

Mr. GIBBS. OK. Another question, Secretary Darcy, the Inland Waterways Users Board, those appointments have not been made by Secretary Hagel, Department of Defense. Can you give us an update of when we could expect those appointments?

Ms. DARCY. Sure. The charter has been renewed. We got that word at the beginning of this week, and we are awaiting the selection of the members. We have been in contact with the Secretary of Defense's office, and I am hoping that within the next couple of weeks, we will be able to get those appointments made.

Mr. GIBBS. I think it is important that we have that in place, at least it is a good sounding board, communications back and forth in the Corps and the stakeholders, and hopefully we can make things work a little better.

Mr. Bishop?

Mr. BISHOP. Thank you, Mr. Chairman. And I appreciate very much this hearing, and I appreciate very much the testimony of our witnesses. And I want to echo what Mr. Garamendi says. I want to thank the Corps for the work you do under—at times in pretty trying circumstances. So, thank you very much.

At the risk of being irreverent, my summary of both this hearing and the current state of affairs with respect to the Corps is we have met the enemy and it is us. And the "us" in this case is the Congress. We are constantly asking you to do more, constantly wringing our hands that you are not doing more or doing the things we want you to do, and yet we are giving you less. We are proposing phantom solutions to real world problems. The earmark ban prevents you from going forward on the 23 Chief's Reports that are completed for which we have expended taxpayer money. The earmark ban prevents you from acting on the 30-some projects for which we have hit the $902 cap for which we have spent a great deal of taxpayer money. So, I just very much hope we now have a very clear understanding of what we need to do.

And, again, I want to thank Chairman Gibbs and Chairman Shuster for these listening sessions, and these stakeholder sessions. I think they have been enormously valuable. We know what we need to do in terms of the work that needs to get done, but we also now know what we need to do as a Congress if we really want to see it get done.

So, I very much hope that—this committee has always had a very clear, bipartisan problem-solving approach, and I hope we can summon that approach in this circumstance to see to it that we give the Corps the resources that it needs to have in order to get the work done that we all agree has to get done.

With that, Mr. Chairman, I will yield back. Thank you.

Mr. GIBBS. OK, Mr. Garamendi, you have another question?

Mr. GARAMENDI. In my earlier comments, I had intended not only to thank Secretary Darcy but also General Bostick and the men and women in your organization, particularly Colonel Leedy out in California and Sacramento. It is a pleasure to work with him and his staff there.

I would like to hear from you, perhaps in writing on a subsequent meeting, how we could change the systems, some of which are law, some of which are procedures that have been practiced for

some time by the Corps, to be more quick, eliminating unnecessary steps and other elements that slow down the process. I know that much of that is, again, here. It is our authorization and our appropriation process, and the lack of continuity that I talked about before.

But I think we—I would like to engage in a discussion with the Corps about how we could change, perhaps the 3 by 3 effort is a way of accomplishing that. If so, further detail on how to make that more than just an experiment but make it a reality. And your perspectives on our work, on how our processes make it difficult, and in some cases impossible, for you to carry out your tasks. So, I will put that out there, and then look forward to a detailed discussion about that.

Ms. DARCY. I think that would be a great conversation to have, Congressman.

General BOSTICK. And thank you for the compliment on Colonel Leedy, he and his team are doing a great job and many other commanders and civilians at all levels answering the call to duty. But we look forward to having that discussion as well.

Mr. GARAMENDI. In that regard, I recall the flood of 1986 in California. And the colonel at the time, who I despair I cannot recall his name, came to the community of Walnut Grove where I lived where we had a flood underway, and we said, "Well, if we could build this short levee, about a quarter-mile levee, we could save the city,"—"the town," not hardly a city. And he said, "Let me see." He went back, took out his book and said, "Here is the section, what do we need to do?" And he had called two contractors who happened to be nearby. He said, "Gentlemen, I want to bid. I want to raise this levee 5 feet, and I want it done in 1 week. Give me a bid." And so the two contractors went off to one side. "No, no, you over there and you over there." They came back with a bid on the back of an envelope. He took the low bid. Then the two contractors got together, and they did it. And they saved this small town.

I appreciate the Corps. Thank you.

General BOSTICK. Thank you.

Ms. DARCY. Thank you.

Mr. GIBBS. Thank you. I just wanted to make a couple of closing remarks. As we work on the Water Resources Development Act, as we have kindly referred to as WRDA, as this committee and the full committee with Chairman Shuster, as was referenced to earlier today, we have held a lot of listening sessions with the stakeholders and roundtables. And the common theme, and I think Ranking Member Bishop mentioned some of it, we know there needs to be more additional resources, but we also know there are some things we can do on the cost side. And one thing that has come up a lot is all the studies that you are required to do. And then study and study and study it some more.

So, hopefully, I think this WRDA bill, it will be heavy on the policy side where we can hopefully do some reforms to lower the cost, to streamline the projects, to be a little more efficient, and improve the process so we do not have so many cost delays. Because when you have delays, it adds to the cost, as we all know. And also things that we can do, working with local sponsors, how we can do it better.

It just amazes me. I have had the mayor of the city of Miami, Florida, in my office here a few weeks ago, and they are ready to do their project down there. They are getting ready for the—the bigger ships coming through the Panama Canal, but they cannot move forward without the authorization. So things we can do.

Also, a frustration I think to a lot of us is we look at the President's budget, and I mentioned it in my opening statement, his export initiative, it is a great initiative; we can't wait initiative, great initiative. But we need to make sure that we are making those capital investments in those assets that due to the economic return, to grow our economy, keep us competitive in the global economy.

And I know we have environment issues, and we have to address them, but when we are looking at more than four times on the construction budget for equal restoration projects and not going to grow those aging assets, that is concerning because if we fall behind—continue to fall behind and lose this battle with our foreign competition, there will be less dollars in the big picture for everything. And it is so important that we make these investments in our physical assets and our ports.

So, I just want to leave it at that, and we look forward to working for you—working with you, and also give my thanks to all the people at the Army Corps for all the work that they do. Sometimes it is very technical work, and can be dangerous work at some times. But they are dedicated. I meet with the colonels from the districts and the other generals of the regions, and we all got the same thing we want to get done, make sure that we get the economy growing and create the jobs. And our maritime transportation system and flood control is where it needs to be, and that is what the American people expect.

Thanks for being here today, Secretary and General. And this concludes this hearing of the subcommittee.

[Whereupon, at 4:30 p.m., the subcommittee was adjourned.]

DEPARTMENT OF THE ARMY

COMPLETE STATEMENT

OF

THE HONORABLE JO-ELLEN DARCY
ASSISTANT SECRETARY OF THE ARMY
(CIVIL WORKS)

BEFORE

THE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT

UNITED STATES HOUSE OF REPRESENTATIVES

ON

A REVIEW OF THE PRESIDENT'S FISCAL YEAR 2014 BUDGET
FOR THE ARMY CORPS OF ENGINEERS

FISCAL YEAR 2014

APRIL 24, 2013

Mr. Chairman and distinguished members of the Subcommittee, thank you for the opportunity to present the President's Budget for the Civil Works program of the Army Corps of Engineers for Fiscal Year (FY) 2014.

OVERVIEW

The FY 2014 Budget for the Civil Works program reflects the Administration's priorities through targeted investments in the Nation's water resources infrastructure, including dams and levees and navigation investments as well as the restoration and protection of the Nation's aquatic ecosystems and generation of low-cost renewable hydropower. Funds are provided for the planning, design, construction, operation and maintenance of such projects. The Budget also supports the restoration of certain sites contaminated as a result of the nation's early atomic weapons development program; emergency preparedness and training to respond to natural disasters; and recreation, environmental stewardship, and water supply storage at existing projects owned or operated by the Corps. These investments will contribute to a stronger economy, improve reliability of waterborne transportation, reduce flood risks to businesses and homes, and support American jobs.

The primary objectives of the Budget are as follows:

- Focus funding on water resources investments that will yield high economic and environmental returns or address a significant risk to public safety.
- Support commercial navigation through maintenance and related activities at the most heavily used coastal ports and inland waterways in the Nation.
- Provide significant funding for dam and levee safety, including interim risk reduction measures designed to immediately lower the risk level at the highest risk dams, and continue funding for the Corps' national levee safety initiative.
- Restore large ecosystems such as the California Bay-Delta, Chesapeake Bay, the Everglades, Great Lakes, and Gulf Coast.
- Increase the organizational efficiency and improve the management, oversight, and performance of ongoing programs.

FY 2014 DISCRETIONARY FUNDING LEVEL

The Budget for FY 2014 for the Civil Works program provides a fiscally prudent, appropriate level of investment in the Nation's water resources infrastructure and in the restoration of its aquatic ecosystems.

In keeping with the Administration's commitment to continue to invest in those efforts that are a priority for the Nation, while putting the country on a sustainable fiscal path, the Budget includes $4.826 billion in gross discretionary appropriations for the Army Civil Works program offset by a $100 million rescission of unobligated carryover from appropriations prior to FY 2013. This gross funding level represents the amount of new Federal discretionary resources that would be available to the Civil Works program. It is $95 million higher than the amount proposed in the FY 2013 Budget. The net and gross FY 2014 funding levels for the Civil Works program reflect a considered, practical, effective, and sound use of the available resources.

Within the $4.826 billion recommended appropriations, $1.35 billion is for projects in the Construction account, and $2.588 billion is for activities funded in the Operation and Maintenance (O&M) account. The Budget also includes $90 million for Investigations; $279 million for Mississippi River and Tributaries; $28 million for Flood Control and Coastal Emergencies; $200 million for the Regulatory Program; $104 million for the Formerly Utilized Sites Remedial Action Program; $182 million for the Expenses account; and $5 million for the Office of the Assistant Secretary of the Army for Civil Works. Attachment 1 shows this funding by account and program area.

The FY 2014 Budget continues the Army's commitment to a performance-based approach to budgeting to provide the best overall return for the Nation in achieving economic, environmental, and public safety objectives. Competing investment opportunities for studies, design, construction, and operation and maintenance were evaluated using objective performance metrics, which guided the allocation of funds.

The FY 2014 Budget supports an appropriate level of investment in commercial navigation, flood risk management, aquatic ecosystem restoration, and our other programs. Of the total in the Budget, 39 percent is allocated to commercial navigation; 28 percent to flood risk management activities; and 33 percent to environmental, hydropower, and other activities. Three flood risk management projects, one navigation project, one hydropower project, and 21 studies and designs are funded to completion in the Budget.

NEW INVESTMENTS IN FY 2014

The Civil Works budget includes funding for four high-performing construction new starts, three of which were proposed in the FY 2012 and FY 2013 Budgets, but did not receive funding in the final appropriations action.

The three re-proposed new start construction projects are: $15 million for the Hamilton City project in California, which will provide environmental restoration and flood damage reduction benefits in the Bay-Delta area; $1 million for the Louisiana Coastal Area Ecosystem Restoration program, a nationally significant effort to restore habitat while reducing the risk of damage to coastal Louisiana from storm driven waves and tides, which complements the ongoing Federal effort under the Coastal Wetlands Planning, Protection, and Restoration Act; and $3 million for the Lower Colorado River

Basin, Onion Creek, Texas, project, which relies on non-structural solutions to significantly reduce the risk of flood damage.

The Budget also includes $1 million in new construction start funding to rehabilitate jetties at the Columbia River at the Mouth, Oregon and Washington, project to reduce safety hazards.

The Budget also includes funding for ten new study starts in the Investigations account. Four of these studies were proposed in the FY 2012 and 2013 Budgets, but did not receive funding in the final appropriations action. These four are the Chesapeake Bay Comprehensive Plan for $250,000; the Louisiana Coastal Area Comprehensive Plan for $100,000; the Yuba River Fish Passage in California for $100,000; and the national Water Resources Priorities Study for $1 million. One additional study was previously proposed in only the FY 2013 Budget, but did not receive funding in the final appropriations action. That study is the Houston Ship Channel, Texas study is re-proposed for $100,000.

The Water Resources Priorities Study will address the critical need to develop a baseline assessment of the Nation's vulnerability to flood damages on both a national and regional scale. First, a baseline assessment will identify and analyze the key drivers of flood risks, including the ways in which some of those risks are changing or expected to change over time. The study would then examine the effectiveness of existing Federal, State, and local programs; and develop recommendations to improve these programs so as to reduce the economic costs and risks to life associated with large-scale flood and storm events in ways that will also promote the long-term sustainability of communities and ecosystems.

The five studies included for the first time in this Budget are Coyote Dam, California for $100,000; Dry Creek Dam (Warm Springs), California for $100,000; Coastal Texas Protection and Restoration for $100,000; Seattle Harbor, Washington for $100,000; and Salton Sea, California for $200,000.

A new activity to focus on reducing the vulnerability of Civil Works projects to changing conditions—including extreme flood, storm, and drought events—is also included for the second year. The $1 million for Reducing Civil Works Vulnerability in the Operation and Maintenance account will inform decisions to increase the resilience of Civil Works infrastructure.

NAVIGATION

The Budget includes $1.884 billion in support of domestic and global waterborne transportation, with emphasis on the coastal ports and inland waterways that support the greatest national economic activity.

The Budget includes $49 million to continue construction of the New York and New Jersey Harbor deepening project. The Budget also includes $54 million to construct dredged material placement sites at several deep draft ports to provide additional capacity for the maintenance of these projects in the future. It provides $11 million to continue studies and designs at coastal ports, including proposals to deepen existing channels to accommodate Post-Panamax commercial shipping.

The Budget also provides for use of $890 million from the Harbor Maintenance Trust Fund to maintain coastal channels and harbors. This is a 5 percent increase over the FY 2013 Budget and the highest amount ever proposed in a President's Budget for work financed from the Harbor Maintenance Trust Fund.

The Budget focuses on supporting those inland waterways with a high level of commercial use, specifically, the Lower Mississippi River, Ohio River, Upper Mississippi River, Gulf Intracoastal Waterway, Illinois Waterway, Tennessee River, and the Black Warrior Tombigbee Waterway. For example, the Budget includes a total of $75 million for additional measures to support navigation on the Mississippi River if the current drought, which has been affecting the water levels on the river, continues into FY 2014.

The FY 2014 Budget includes a total of $248 million for inland waterways capital investments are funded at $248 million, of which $94 million will be derived from the Inland Waterways Trust Fund. This amount is consistent with the expected level of revenue to this trust fund under existing law.

The Budget assumes enactment of a legislative proposal submitted to the Joint Select Committee on Deficit Reduction in 2011. The proposal would generate an additional $1.1 billion in revenue over 10 years from commercial users of the inland waterways. Over a recent three-year period, for example, the receipts from the inland waterways fuel tax covered less than 10 percent of the total cost that the Corps incurred on behalf of the companies that move goods on these waterways, including costs for both capital investment and operation and maintenance. The proposal includes a new annual vessel user fee, which would supplement the existing fuel tax. The proposal is needed to ensure that the revenue paid by commercial navigation users is sufficient to meet their share of the costs of capital investments on the inland waterways. It would enable a more robust level of matching funds from the general fund for such investments in the future.

In addition, the Budget includes $13.4 million to address dam safety issues at navigation dams at two projects (Locks and Dams 2,3,4, Monongahela River, Pennsylvania, and Lockport Lock and Dam, Illinois).

FLOOD RISK MANAGEMENT

Through both structural and non-structural measures, the flood risk management program serves as a vehicle to reduce the risk to safety and property from riverine and

coastal flooding. The FY 2014 Budget provides $1.37 billion for the flood risk management program, which includes $392 million for dam and levee safety.

This flood risk management program includes $41 million to continue the levee safety initiative, which involves an assessment of the conditions of Federal levees. These funds will enable the Corps to better evaluate and communicate risk, for example, by providing information that will assist non-Federal entities in identifying safety issues with their levees. The Corps will be conducting levee inspections and levee risk screenings, adding to the data in the national levee inventory, and providing the available levee data to communities for their use in gaining accreditation under the Federal Emergency Management Agency's National Flood Insurance Program.

AQUATIC ECOSYSTEM RESTORATION

The FY 2014 Budget reflects a continuing effort by the Administration to have a coordinated approach for restoring five of the Nation's significant aquatic ecosystems. The Corps has been working collaboratively with other Federal resource agencies on this effort. Attachment 2 provides a list of these ecosystems and the Corps funding amounts budgeted on this basis.

The Budget for the Army Civil Works program provides $97 million for the ongoing South Florida Ecosystem Restoration Program, which includes the Everglades, consisting of $88 million in the Construction account and $9 million in the Operation and Maintenance account. It also supports several other major ecosystem-wide initiatives, by providing a total of $77 million in the aquatic ecosystem restoration program in support of Federal efforts in the California Bay-Delta, Chesapeake Bay, the Great Lakes, and the Gulf Coast.

The Budget includes $102 million for the Columbia River Fish Mitigation program, an ongoing effort to reduce the adverse impacts of a series of Corps dams on migrating endangered and threatened salmon. Funds will be used to construct juvenile fish bypass facilities, improve adult fish ladders and conduct other activities that support salmon habitat. The Budget also provides $70 million for ongoing work under the Missouri River Fish and Wildlife Recovery program to construct shallow water habitat and undertake other activities to recover and protect Federally-listed species, including the pallid sturgeon.

PLANNING IMPROVEMENTS

The Army continues to work to modernize the Civil Works Planning Program to better address the current and future water resources needs of the Nation. The Army has undertaken an aggressive review of all ongoing feasibility studies to focus on studies with the greatest probability of providing high economic, environmental, and safety returns to the Nation and ensure studies are appropriately scoped. Proposed changes

are aimed at dramatically shortening the timeframe for completion of pre-authorization studies while retaining the quality of the analyses, reducing the cost of conducting planning studies, and increasing Corps corporate and individual accountability for decisions.

The FY 2014 Budget includes $4 million for the Planning Support Program. These funds will be used to improve training of Corps planning personnel, including through the Planning Associates Program; support development and implementation of revisions to the Water Resources Principles and Guidelines in accordance with requirements in the Water Resources Development Act of 2007 (Sec 2031, PL 110-114); and improve the performance of our national planning centers of expertise.

REGULATORY PROGRAM

The Budget includes $200 million for the Regulatory Program to enable the Corps to protect high-value aquatic resources, enable more timely business planning decisions via a transparent and timely permit review process, and support sustainable economic development.

VETERANS CURATION PROJECT

In continued support of the President's Veterans Job Corps, the FY 2014 Budget includes $3 million to continue the Veterans Curation Project, which provides vocational rehabilitation and innovative training for wounded and disabled veterans, while achieving historical preservation responsibilities for archaeological collections administered by the Corps. The project supports work by veterans at curation laboratories located in August, Georgia; St. Louis, Missouri; and the Washington, D.C. area.

CONCLUSION

In summary, the President's FY 2014 Budget for the Army Civil Works program is a performance-based budget that supports continued progress on important water resources investments that will yield long-term economic, environmental, and safety returns for the Nation and its citizens.

These investments will contribute to a stronger economy, support waterborne transportation, reduce flood risks to businesses and homes, restore important ecosystems, provide low-cost renewable hydropower, and deliver other benefits to the American people.

Mr. Chairman and Members of the Subcommittee, I look forward to working with this Subcommittee in support of the President's Budget. Thank you.

Questions for the Record
Congressman Thomas Massie
Submitted to the Honorable Jo-Ellen Darcy,
Assistant Secretary of the Army (Civil Works)
House Committee on Transportation and Infrastructure
Subcommittee on Water Resources and Environment
"The President's Fiscal Year 2014 Budget:
Administration Priorities for the U.S. Army Corps of Engineers"

1.) In *NMA* v. *Jackson,* the Court ruled that the Enhanced Coordination Procedures developed by the EPA to dictate or influence the terms of Sec. 404 permits under the guise of "coordinating" with the Corps unlawfully changed the permitting process for Section 404 coal mine permits under the Clean Water Act. These unlawful policies, adopted more than three years ago, created a permit moratorium resulting in almost as many section 404 permit applications being withdrawn by applicants as issued by the Corps. How is the Corps ensuring that these permits are issued in a timely manner?

Answer: Response was not received at the time of publication.

2.) Since the ruling in *NMA* v. *Jackson*, how many permits have been issued by the Corps?

Answer: Response was not received at the time of publication.

DEPARTMENT OF THE ARMY CORPS OF ENGINEERS

COMPLETE STATEMENT OF

LIEUTENANT GENERAL THOMAS P. BOSTICK
CHIEF OF ENGINEERS
U.S. ARMY CORPS OF ENGINEERS

BEFORE

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

ON

THE PRESIDENT'S FISCAL YEAR 2014 BUDGET:
ADMINISTRATION PRIORITIES FOR
THE U.S. ARMY CORPS OF ENGINEERS

APRIL 24, 2013

Mr. Chairman and Members of the Subcommittee:

I am honored to be testifying before your committee today, along with the Assistant Secretary of the Army for Civil Works, the Honorable Jo-Ellen Darcy, on the President's Fiscal Year 2014 (FY 2014) Budget for the Civil Works Program of the United States Army Corps of Engineers.

This is my first time before this Subcommittee and I look forward to working with you. I have been in Command of the U.S. Army Corps of Engineers for nearly a year, and I want to touch briefly on the four Campaign Goals for the U.S. Army Corps of Engineers (Corps) that are now in place. First, we must support the Warfighter with our work in the areas of operations of Combatant Commands and on U.S. installations around the world. Second, we must transform Civil Works by modernizing the project planning process, by enhancing the budget development process, by using a smart infrastructure strategy to evaluate our portfolio of water resources projects, and by improving our methods of delivery. Third, we must reduce disaster risks and continue to respond to natural disasters under the National Response Framework as well as our ongoing efforts with flood risk management. Fourth, we must prepare for tomorrow, positioning our workforce and processes for future challenges, and focusing on research and development efforts that will help solve the greatest challenges facing the Army and the Nation.

In 2012, the Corps responded to several weather-related events, including Hurricane Sandy, under the National Response Framework in support of FEMA. Drought was a significant problem as we experienced extraordinarily low water on the middle Mississippi River. The great men and women of the Corps worked tirelessly, together with our state, local and industry partners, to ensure that we could deliver on our many commitments. It is through their efforts that we will continue to be able to carry out the projects and programs included in the FY 2014 Budget.

My statement covers the following 10 topics:

- Summary of FY 2014 Budget
- Investigations Program
- Construction Program
- Operation and Maintenance Program
- Reimbursable Program
- Planning Program Modernization
- Efficiency and Effectiveness of Corps Operations
- Value of the Civil Works Program to the Nation's Economy
- Research and Development
- National Defense

SUMMARY OF FY 2014 BUDGET

The Corps is fully committed to supporting the Nation's priorities by contributing to the economy, improving the resiliency and safety of our water resources infrastructure, restoring and protecting the environment, and supporting American jobs. The FY 2014 Civil Works Budget is a performance-based budget, which reflects a focus on the projects and activities that provide the highest net economic and environmental returns on the Nation's investment or address significant risks to safety. This includes continuing the levee safety initiative and supporting increased interagency and stakeholder collaboration. These investments in projects and activities that support waterborne transportation, reduce the risk of flooding to businesses and homes, restore significant aquatic ecosystems, provide low-cost renewable hydropower, and support American jobs.

The Budget focuses on high performing projects and programs within the three main water resources missions of the Corps: commercial navigation, flood and storm damage reduction and aquatic ecosystem restoration. The FY 2014 Budget includes $4.826 billion in gross discretionary funding—offset in part by a proposal to cancel $100 million in unobligated carryover of funding appropriated prior to FY 2013—to fund Civil Works activities, including work on more than 600 flood and coastal storm damage reduction projects, 178 coastal ports, and 193 lock projects.

The Budget will also enable the Corps to process approximately 90,000 permit requests while protecting our Nation's waters and wetlands; operate 75 hydropower plants with 353 generating units that annually produce about 24,000 megawatts; meet about 14 percent of the Nation's municipal water needs; and sustain our preparedness to respond to natural disasters.

INVESTIGATIONS PROGRAM

The FY 2014 Budget provides $90 million in the Investigations account and an additional $10 million in the Mississippi River and Tributaries account to fund projects and activities that will enable the Corps to evaluate and design projects that are the most likely to be high-performing within the Corps three main mission areas: commercial navigation, flood and storm damage reduction, and aquatic ecosystem restoration.

CONSTRUCTION PROGRAM

The goal of the construction program is to deliver as much value as possible for the Nation from the available funds. The Budget provides $1.35 billion for the Construction account and $113 million in the Mississippi River and Tributaries account to further this objective and gives priority to the projects with the greatest net economic and

environmental returns per dollar invested, as well as to projects that address a significant risk to safety.

The Corps uses objective performance measures to establish priorities among projects. These include benefit-to-cost ratios for projects that are being funded primarily due to their economic outputs and cost-effectiveness for the restoration of significant aquatic ecosystems. The selection process also gives priority to dam safety assurance, seepage control, and static instability correction projects and to projects that address a significant risk to safety.

OPERATION AND MAINTENANCE PROGRAM

All structures age over time with a potential decline in reliability. With proper maintenance and periodic rehabilitation, we can extend the effective lifetime of most of the facilities owned or operated by, or on behalf of, the Corps. As stewards of this infrastructure, we are working to ensure that its key features continue to provide an appropriate level of service to the American people. In some cases, this is proving to be a challenge.

The Budget provides $2.588 billion for the Operation and Maintenance (O&M) account and an additional $156 million under the Mississippi River and Tributaries account with a focus on the maintenance of key commercial navigation, flood risk management, hydropower, and other facilities. The Budget gives priority to those coastal ports and inland waterways with the most commercial traffic, and increases the total amount to be spent from the Harbor Maintenance Trust Fund to a level that is higher than in any previous Budgets. The Budget also funds small harbors that support significant commercial fishing, subsistence, or public transportation benefits. The Budget provides operation and maintenance funding for safety improvements at federal dams and levees based on the risk and consequence of a failure.

Generally, the O&M program supports completed works owned or operated by the Corps, including administrative buildings and laboratories. Work to be accomplished includes: operation of the locks and dams along the inland waterways; dredging of inland and coastal federal channels; operating multiple purpose dams and reservoirs for flood control, hydropower, recreation, and related purposes; maintenance and repair of the facilities; monitoring of completed coastal projects; and general management of Corps facilities and the land associated with these purposes.

The FY 2014 Budget provides $204 million in Operation and Maintenance funds for hydropower, to maintain critical power components such as generators, turbines, transformers and circuit breakers at Corps hydropower facilities to keep them operating efficiently and effectively.

REIMBURSABLE PROGRAM

Through the Interagency and Intergovernmental Services Reimbursable Program, the Civil Works program helps other federal agencies, state, local, and tribal governments, and other countries with timely, cost-effective implementation of their programs. These agencies can turn to the Corps, which already has these capabilities, rather than develop their own internal workforce to oversee design and construction projects. Such intergovernmental cooperation is effective for agencies and the taxpayer by using the skills and talents that we bring to our Civil Works and Military Programs missions. The work is principally technical oversight and management of engineering, environmental, and construction contracts performed by private sector firms, and is financed by the agencies we service.

We only accept agency requests that we can execute without impacting our Civil Works or Military Programs missions that are consistent with our core technical expertise and that are in the national interest.

PLANNING PROGRAM MODERNIZATION

Planning modernization includes a transformation of how the Corps Planning Program manages its portfolio of studies and delivers planning studies. In the past two fiscal years, to better manage its study portfolio, the Corps has significantly reduced the active study portfolio, from 650 to around 200 studies, roughly a 60 percent decrease, which enables us to focus available funding on the studies that are most likely to produce projects with high economic or environmental returns to the Nation or that address significant safety risk. To better deliver studies, the Corps has embraced a new planning process referred to as "SMART Planning" (Specific, Measurable, Attainable, Risk-informed, and Timely). SMART Planning is risk-informed, decision focused planning that utilizes a 6-step planning process, which emphasizes the scoping of our analyses based on what is necessary for decisions. This new approach reduces resource requirements—both time and money—by appropriately focusing on the key drivers in resolving problems while complying with all applicable laws.

The goal under SMART planning is to complete most feasibility studies within three years for $3 million or less. The end product is a decision document that has been fully coordinated by three levels of the organization (Corps Headquarters, the Corps Division, and the Corps District) from study inception to completion. As a shorthand, we are calling this new approach "3x3x3." The Corps expects full implementation of this new approach in FY 2014 and has been working with its federal and non-federal partners to use this new approach to evaluating water resources problems.

EFFICIENCY AND EFFECTIVENESS OF CORPS OPERATIONS

The Corps strives to continually improve the efficiency and effectiveness of its investigations, construction, and operation and maintenance programs. In FY 2014, the Corps will further expand the implementation of a modern asset management program, dedicating an increased amount of its Operation and Maintenance funding for the highest priority maintenance work, while implementing an energy sustainability program that pursues major efficiencies in the acquisition and operations of its information technology assets, as well as finalizes the reorganization of the Corps acquisition workforce.

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

The FY 2014 Budget provides $28 million in the Flood Control and Coastal Emergencies account to prepare for emergency operations in response to natural disasters as well as $2 million in the Investigations account for the Corps' participation in the development and expansion of interagency teams, known as Silver Jackets, to collaboratively reduce the risks associated with flooding and other natural hazards. On a related note, the Corps Emergency Management Program not only includes Flood Control and Coastal Emergencies account, but also $7 million in the National Emergency Preparedness Program. With this funding, the Corps prepares to help respond to man-made disasters or acts of terrorism, while assuring continuity of organizational operations.

Corps personnel from across the Nation continue to respond to the call for volunteers during national emergencies. The critical work they perform reduces the risk of damage to people and communities. In 2012, the Corps responded to several weather-related events, to include Hurricane Isaac, Hurricane Sandy and the prolonged drought in the middle Mississippi River Basin. Last year's historic drought presented the Corps, our other federal partners, and industry with quite a challenge in our efforts to maintain critical waterborne commerce and other authorized project purposes on the Mississippi and other waterways.

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 public infrastructure, Civil Works program research and development contributes to the national economy.

NATIONAL DEFENSE

The Corps has vital work going on here at home and around the world, working in 132 countries, using both our Civil Works and Military Missions programs to support the Warfighter and to help Iraq and Afghanistan build foundations for democracy, freedom and prosperity. We are proud to serve this great nation and our fellow citizens, and we are proud of the work the Corps does to support America's foreign policy, particularly with our ongoing missions in Afghanistan and Iraq. Men and Women from across the Corps – all volunteers and many of whom have served on multiple deployments – continue to provide critical support to our military missions there and humanitarian support to the citizens of those nations.

CONCLUSION

The FY2014 Budget represents a continuing, fiscally prudent investment in the Nation's water resources infrastructure and restoration of its aquatic ecosystems. The Corps is committed to a performance-based Civil Works Program, based on innovative, resilient, and risk-informed solutions.

Thank you, Mr. Chairman and Members of Subcommittee. This concludes my statement. I look forward to answering questions you or other Members of the Subcommittee may have.

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