



**U.S. House of Representatives**  
**Committee on Transportation and Infrastructure**  
**Washington, DC 20515**

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Chairman

**Nick J. Rahall, III**  
Ranking Member

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March 4, 2011

**MEMORANDUM**

TO: Members of the Subcommittee on Water Resources and Environment

FR: Bob Gibbs  
Subcommittee Chairman

RE: Review of the FY 2012 Budget and Priorities of the United States Army Corps of Engineers, Tennessee Valley Authority, and the Natural Resources Conservation Service: Finding Ways To Do More With Less.

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**PURPOSE OF HEARING**

The Water Resources and Environment Subcommittee is scheduled to meet on Tuesday, March 8, 2011 at 2 p.m. in 2167 RHOB, to receive testimony from the U.S. Army Corps of Engineers (Corps), the Tennessee Valley Authority and the Natural Resources Conservation Service (NRCS), on their proposed budgets and program priorities for FY 2012.

Similar to other budget hearings held by the Subcommittee, this hearing is intended to provide Members with an opportunity to review the agencies' FY 2012 budget requests, as well as Administration priorities for consideration in the Subcommittee's legislative and oversight agenda for the 112<sup>th</sup> Congress.

## BACKGROUND

### CORPS OF ENGINEERS

**General** – The Corps of Engineers provides water resources development projects for the nation, usually through cost-sharing partnerships with nonfederal 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 2012 budget submittal for the Corps of Engineers is **\$4.631** billion, which is approximately **6.1%** below the annualized Continuing Resolution for FY 2011 of **\$4.929** billion.

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

**Investigations** – The President’s budget requests **\$104** million for the Investigations account. This is the same as the FY 2011 annualized Continuing Resolution of **\$104** 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 restudy of authorized projects, miscellaneous investigations, and plans and specifications of projects prior to construction. Under this proposed budget, no new studies are funded, and the focus is on completing existing studies.

**Construction** – The President’s budget requests **\$1.48** billion for the Construction account. This is **\$210** million less than the FY 2011 annualized Continuing Resolution of **\$1.69** 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. 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 **\$2.314** billion for expenses necessary for the preservation, operation, maintenance, and care of existing river and harbor, flood control, and related projects. This is **\$47** million less than the FY 2011 annualized Continuing Resolution of **\$2.361** billion.

The constrained budget for operation and maintenance in the past few fiscal years is already beginning to affect the navigability of certain waterways. Needed maintenance dredging continues to be delayed. For example, parts of the Atlantic Intracoastal Waterway have been closed to commercial navigation due to lack of maintenance dredging. The President’s budget request for operation and maintenance in FY 2012 will exacerbate this situation. Underfunding the Operations and Maintenance account and seeking subsequent supplemental appropriations complicates effective planning and creates inefficiencies.

**Regulatory Program** – The President’s budget requests \$196 million for the regulatory program. This is \$6 million more than the FY 2011 annualized Continuing Resolution level of \$190 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 \$109 million for FUSRAP for FY 2012. This is \$25 million less than the enacted level of \$134 million for FY 2011. 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 \$210 million for FY 2012 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 \$50 million less than the FY 2011 annualized Continuing Resolution of \$260 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 \$691 million from the fund resulting in an increase in the estimated balance from \$6.12 billion to \$6.93 billion at the end of FY 2012. In addition, while proposing paltry amounts be appropriated from the Harbor Maintenance Trust Fund, the President’s budget proposes to expand the authorized purposes of the fund for activities not typically associated with the Corps of Engineers maintenance of navigation channels. Only one-third of the nation’s federal navigation projects are currently at their authorized depths and widths, and 8 out of the nation’s 10 largest ports are not at their authorized depths and widths.

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 \$77.1 million from the fund, resulting in an estimated balance of \$63 million at the end of FY 2012.

**Flood Control and Coastal Emergencies** – The Administration’s budget request proposes \$27.0 million for the Corps of Engineers’ Flood Control and Coastal Emergencies (FCCE) account. The Corps has authority under 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 \$4

million in support of the Silver Jackets, an interagency 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.

Detailed information by project and states can be found at:

<http://www.usace.army.mil/CECW/PID/Documents/budget/budget2012.pdf>

### **TENNESSEE VALLEY AUTHORITY**

TVA is the nation's largest wholesale power producer and the fifth largest electric utility. TVA supplies power to nearly eight million people over an 80,000 square mile service area covering Tennessee, and parts of Mississippi, Alabama, Georgia, North Carolina, Virginia, and Kentucky. In addition, TVA's non-power program responsibilities include the multi-purpose management of land and water resources throughout the Tennessee Valley, and fostering economic development.

Largely due to investments in nuclear power plants, TVA carries a large debt load, which reached a high of \$27.7 billion in 1997. By the end of FY 2011, TVA estimates it will carry \$26.9 billion in debt and debt-like obligations, and TVA estimates that its debt will likely exceed \$28.1 billion by the end of FY 2013.

Since FY 2001, 100 percent of TVA's power and non-power programs have been funded through its power revenues. TVA receives no appropriated funds. TVA's expected revenues for FY 2012 are \$12.1 billion and operating expenses are expected to be approximately \$10.35 billion. This compares to FY 2011 expected revenues of \$11.85 billion and expenses of \$10.1 billion.

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

## **NATURAL RESOURCES CONSERVATION SERVICE**

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

**Watershed Surveys and Planning** – The watershed surveys and planning account funds the studies needed to carry out the small watershed program. The President's budget requests no money for the Watershed Surveys and Planning Program (studies), and no funds were included in the annualized Continuing Resolution for FY 2011.

**Watershed and Flood Prevention Operations** – The Watershed and Flood Prevention Operations Account funds both the Small Watershed Program, discussed above, and the Emergency Watershed Protection Program, which provides assistance to State and local governments after a flood or other emergency has taken place. The President's FY 2012 budget requests no money for this account. For FY 2011, the annualized Continuing Resolution contained \$30 million for the Small Watershed Program.

**Watershed Rehabilitation Program** – In 2000, Congress amended the Watershed Protection and Flood Prevention Act to allow NRCS to provide assistance to rehabilitate flood protection dams that had been built with assistance provided under that Act and have now reached the end of their useful lives, creating threats to property and lives. The budget request includes no funding for the Watershed Rehabilitation Program to provide technical and financial assistance for upgrading or removing aging dams. The annualized Continuing Resolution for FY 2011 for this account was \$ 40.2 million.

### **Witnesses**

United States Army, Assistant Secretary of the Army-Civil Works Jo Ellen Darcy

United States Army Corps of Engineers,  
Chief of Engineers, Lieutenant General Robert Van Antwerp

Tennessee Valley Authority, Chief Financial Officer, John M. Thomas III

United States Department of Agriculture, Natural Resources Conservation Service,  
Regional Conservationist, Central Region, Thomas Christensen