

DEPARTMENT OF THE ARMY

COMPLETE STATEMENT

OF

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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

**THE ECONOMIC IMPORTANCE AND FINANCIAL CHALLENGES OF
RECAPITALIZING THE NATION'S INLAND WATERWAYS
TRANSPORTATION SYSTEM**

SEPTEMBER 21, 2011

Mr. Chairman and distinguished members of the Subcommittee, thank you for the opportunity to testify on the economic importance and financial challenges of recapitalizing the Nation's inland waterways.

OVERVIEW

The Army Corps of Engineers is committed to facilitating commercial navigation by providing support for safe, reliable, highly cost-effective, and environmentally sustainable inland waterborne transportation systems. To this end, the Corps constructs and rehabilitates the locks, dams, channels, and other project features that enable vessels to transport commercial cargo along about 12,000 miles of inland waterways, including 237 operable lock chambers at 191 active sites. The Corps also operates and maintains these 12,000 miles of developed waterways, using methods such as maintenance dredging of navigation channels and some harbors and regulating water levels in some cases.

ECONOMIC IMPORTANCE

Inland navigation contributes to our nation's economy, and is a factor in some state and local government economic development and job creation efforts. Inland waterways directly serve 38 states in the nation's heartland, the Atlantic seaboard, the Gulf Coast and the Pacific Northwest. Shippers in these states use the inland waterways to move a total of over 600 million tons of cargo annually. Some of the inland waterways, such as the Mississippi and Ohio Rivers and the Illinois Waterway, support a high level of commercial traffic.

INLAND WATERWAYS TRUST FUND

In accordance with the Water Resources Development Act of 1986, as amended, capital investment on 27 fuel-taxed waterways is financed 50 percent from the General Fund of the Treasury and 50 percent from revenues paid by the inland waterways users into the Inland Waterways Trust Fund (IWTF).

A balance of funding built up in the IWTF in the years after its authorization in 1978. However, due to significant capital investment in the inland waterways in recent years, reaching a high of \$175 million in outlays from the IWTF in fiscal year 2006 and \$171 million in fiscal year 2008, coupled with declining fuel tax receipts, the balance in the IWTF was at risk of being depleted by fiscal year 2009. Generally, since fiscal year 2010 construction and rehabilitation work has been constrained by the level of anticipated incoming fuel tax revenues of approximately \$75 to \$85 million annually. As these revenues fund the user-financed 50 percent share of capital costs, this has limited the total annual construction program for cost-shared projects to \$150 to \$170 million per year. A notable exception to the 50/50 cost sharing was provided by Congress under the American Recovery and Reinvestment Act of 2009 (ARRA), whereby there was no IWTF matching requirement. The Army's commitment to inland waterways navigation is evidenced by the fact that, under ARRA, despite the lack of cost-sharing, the Army allocated \$420.5 million to ongoing inland waterways capital projects. In addition to construction, the Army spends almost \$600 million annually on maintaining the inland waterways infrastructure. Under ARRA, the Army allocated an additional \$394 million to operation and maintenance of inland waterways projects.

INCREASING REVENUE TO THE INLAND WATERWAYS TRUST FUND

The President's plan for economic growth and deficit reduction, which he sent to the Congress earlier this week, shows how we can reduce the deficit, pay down our debt, and pay for the American Jobs Act in the process. The plan includes a proposal for a new user financing structure for the inland waterways to supplement the existing diesel fuel tax. A new user fee would generate about \$1.1 billion of additional revenue into the Inland Waterways Trust Fund over the next 10 years to supplement about \$1.0 billion anticipated from the existing fuel tax. The additional revenue would enable a more robust level of funding for safe, reliable, highly cost-effective, and environmentally sustainable waterways, and contribute to deficit reduction and economic growth.

I expect the Administration to submit the specifics of this legislative proposal to the Congress shortly. The Administration initiated discussions with the inland navigation stakeholders and will continue the dialog with them on this matter. I hope that the submission to the Congress of a specific proposal will facilitate those discussions by identifying areas of common ground and workable solutions to those points on which there is disagreement, on a path forward to address the revenue shortfall.

INFRASTRUCTURE RECAPITALIZATION

The Army is committed to improving its project planning, design, construction, and operation and maintenance processes in order to more efficiently use available funds to achieve inland waterways navigation benefits. As part of this effort, the Army has initiated discussions with the U.S. Department of Transportation to coordinate infrastructure investment planning between the two agencies. The Administration plans to work with Congress and stakeholders to explore ways to provide a framework across all of the Civil Works mission areas for decisions on the recapitalization of aging Corps infrastructure, which could include modification of Corps operations, or de-authorization of projects, consistent with modern day water resources principles and today's and tomorrow's water resources priorities and challenges. For example, under these principles, which were spelled out in the FY 2012 Budget, direct beneficiaries would be asked to pay a significant share of the costs to extend, expand, rehabilitate, or replace projects, as they would for a new project, commensurate with the benefits they receive. Options such as direct financing will be considered as part of this effort, where appropriate, and in accordance with the Federal government's budgetary standards for such arrangements.

CONCLUSION

In summary, the Administration will work with Congress and stakeholders to revise the laws that govern the Inland Waterways Trust Fund to ensure that the revenue paid by commercial navigation users of the inland waterways to meet their share of the costs of fund-financed activities is sufficient to allow needed inland waterways capital investments to go forward.

Mr. Chairman and Members of the Subcommittee, I look forward to working with this Subcommittee to achieve that objective. Thank you.