



**Committee on Transportation and Infrastructure
U.S. House of Representatives**

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April 17, 2015

SUMMARY OF SUBJECT MATTER

TO: Members, Subcommittee on Water Resources and Environment
FROM: Staff, Subcommittee on Water Resources and Environment
RE: Hearing on “A Review of the President’s Fiscal Year 2016 Budget Request for the United States Army Corps of Engineers and Tennessee Valley Authority”

PURPOSE

On Wednesday, April 22, 2015, at 10:00 a.m. in 2167 Rayburn House Office Building, the Subcommittee on Water Resources and Environment will meet to receive testimony from the Army Corps of Engineers (Corps), the Assistant Secretary of the Army for Civil Works, and the President of the Tennessee Valley Authority (TVA) on the Corps’ and TVA’s proposed budgets and program priorities for fiscal year (FY) 2016.

This hearing is intended to provide Members with an opportunity to review the FY 2016 budget requests for the Corps and TVA, as well as the Administration’s priorities for consideration in the Subcommittee’s legislative and oversight agenda for the First Session of the 114th Congress.

Army Corps of Engineers

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 2016 budget submittal for the Corps of Engineers is \$4.7 billion. This represents an approximate reduction of \$750 million from the enacted FY 2015 amount of \$5.5 billion.

The President's Budget proposes a reduction for most of the major accounts that fund Corps projects and activities. Major accounts and initiatives are described below.

Investigations

The President's budget requests \$97 million for the Investigations Account. This is \$21 million less than the FY 2015 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 the proposed budget, while two new studies are funded, the focus is on completing existing studies — 11 ongoing studies are funded to completion.

Construction

The President's budget requests \$1.2 billion for the Construction Account. This is \$445 million less than the FY 2015 appropriations of \$1.6 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 President's budget proposes four new construction starts and funds nine construction completions. Generally, the reduced construction budget gives priority to completing ongoing projects with a remaining benefit-cost ratio greater than 1.0. Continuing ongoing projects with a benefit-cost ratio between 2.5 and 1.0 receive some level of funding.

Operation and Maintenance

The President requests \$2.7 billion for expenses necessary for the preservation, operation, maintenance, and care of existing river and harbor, flood control, and related projects. This is \$197 million less than the FY 2015 appropriations of \$ 2.9 billion.

The constrained budget for the Operation and Maintenance Account is impacting the navigability of certain waterways, availability of recreation, and other critical services. Already long-deferred maintenance continues to be delayed. The President's budget request for operation and maintenance in FY 2016, particularly by not fully utilizing the Harbor Maintenance Trust Fund, will continue to exacerbate the long delays in dredging. Underfunding the Operation and Maintenance Account complicates effective planning and creates inefficiencies.

Regulatory Program

The President's budget requests \$205 million for the regulatory program. This is a \$5 million increase from the FY 2015 appropriations. The funding provides for costs incurred to administer laws pertaining to regulation of activities affecting United States 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 2016. This is a \$3 million increase from the enacted level of \$101 million for FY 2015. 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 \$225 million for FY 2016 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 \$77 million less than the FY 2015 appropriations of \$302 million.

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 United States 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 \$915 million from the fund, resulting in an increase in the estimated balance to \$9.9 billion at the end of FY 2016. It is estimated that the Harbor Maintenance Trust Fund collected more than \$1.8 billion in FY 2015. Only approximately one-third of the Nation's federal navigation projects are currently at their constructed depths and widths, putting the Nation's ports at a competitive disadvantage. As a result, the cost of traded products in 2010 increased by \$7 billion. This may 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 United States 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 \$1.00 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 approximately \$53 million from the fund in FY 2016, allowing for a total of more than \$232 million being available for capital improvements on the Nation's inland waterways.

Aging infrastructure along the inland waterway transportation system presents a growing challenge. The Corps of Engineers is responsible for the operation and maintenance of 236 lock chambers in 191 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.

At the end of the 113th Congress, legislation was enacted that would increase the inland waterway fuel tax to \$0.29 gallon, an increase of 9 cents per gallon, which will likely raise an additional \$1.1 billion over ten years for capital improvements to the inland waterway transportation system. In addition, the Administration submitted a proposal with the President's FY 2016 Budget to assess a fee on all commercial vessels that utilize inland and intracoastal waterways.

Flood Control and Coastal Emergencies

The Administration's budget request proposes \$34 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, 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.

Tennessee Valley Authority

TVA is the Nation's largest wholesale power producer and the fifth largest electric utility. TVA supplies power to nearly nine 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.

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 2016 are \$10.9 billion and expenses are expected to be approximately \$8.9 billion. This compares to FY 2015 estimated revenues of \$10.7 billion and expenses of \$8.9 billion.

Largely due to investments in nuclear power plants, TVA carries a large debt load, which reached a high of \$27.7 billion in 1997. The outstanding balance of TVA's bonds, notes, and other indebtedness is limited by statute and cannot exceed \$30 billion. TVA's outstanding debt and debt-like obligations were \$26.1 billion at the beginning of 2015 and are estimated to increase to \$26.9 billion by the end of 2016. TVA's financial condition has forced the organization to make difficult decisions to live within its debt limit. Managing increased

operating costs, underfunded pensions, and a growing need for capital investments all while attempting to expand energy efficiency programs has been a challenge for TVA.

In 2000, the Inspector General (TVA IG) for TVA became a Presidential appointed post. The TVA 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 (\$24 million for FY 2016). 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.

WITNESSES

The 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

Mr. William Johnson
President and Chief Executive Officer
Tennessee Valley Authority