<u>VIEWS AND ESTIMATES</u>
<u>OF THE</u>
<u>COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE</u>
<u>FOR FISCAL YEAR 2012</u>

Overview

The Federal government is on an unsustainable fiscal path that poses a critical threat to our economy. To address this threat, the Federal budget deficit must be reduced. As part of this effort, the Committee on Transportation and Infrastructure is recommending funding reductions for many programs within its jurisdiction. In addition, the Committee will closely examine programs within its jurisdiction to determine ways to cut costs, streamline programs, consolidate facilities, eliminate waste, and create efficiencies. As we seek to do more with less, the Committee will also work to ensure that infrastructure investments funded by these programs are those that make sense and will yield the greatest benefit for the least cost. The Committee will also emphasize strategic planning and intermodalism to ensure that our scarce resources are targeted to the most effective investments.

The Committee recognizes that economic growth is affected not just by the aggregate levels of taxes and spending, but also by their composition and structure. Simply put, *how* we cut spending is as important as *how much* we cut spending. Therefore, as we address our long-term fiscal challenges, we must seek reforms that serve not only to reduce the deficit but also to enhance long-term economic growth.

The Committee believes that properly targeted investment in transportation and infrastructure programs is necessary to ensure the safe and efficient movement of people and goods, increase economic growth, and maintain our global economic competitiveness.

The Committee's legislative priorities this year include reauthorization of surface transportation programs, the Federal Aviation Administration (FAA), pipeline safety and hazardous materials transportation safety programs, the Coast Guard, the Economic Development Administration (EDA), and the Federal Emergency Management Agency (FEMA).

This report was circulated to all Members of the Committee on Transportation and Infrastructure for their review and comment, and was approved in a Full Committee meeting on March 16, 2011. The Committee wishes to emphasize that not all Members of the Committee necessarily agree with every aspect of this report. Accordingly, the Committee reserves its flexibility to determine program needs and recognizes the potential for funding changes as the Committee and Congress work their will through the legislative process.

The detailed views and estimates presented below make specific recommendations for programs within the Committee's jurisdiction. These recommendations are made in recognition of the need to reduce the Federal budget deficit while at the same time make the properly-targeted investments in transportation and other infrastructure that will allow our economy to grow in the future.

Transportation and the Economy

Throughout our nation's history, economic growth, prosperity, and opportunity have followed investments in the nation's infrastructure. From the "internal improvements" of the early 1800s – canals, locks, and roads – to the Interstate Highway System of today, infrastructure investment has been our foundation for economic growth. For example, between 1980 and 1991, almost one-fifth of the increase in productivity in the U.S. economy was attributable to investment in highways.[1]

Our nation's highways, transit and rail systems, pipelines, airlines, airports, harbors, and waterways not only provide the backbone of our economy by moving people and goods, they also employ millions of workers and generate a significant share of total economic output. In 2009, transportation-related goods and services contributed $1.2 trillion, or 8.6 percent, to the total U.S. Gross Domestic Product of $14.1 trillion. Economic growth and vitality are also dependent upon high quality water and wastewater infrastructure systems.

In addition to facilitating economic growth and global competitiveness, our transportation system has a direct and significant impact on the daily lives of nearly all Americans. To the average American, properly targeted investment in transportation infrastructure will mean shorter commutes that save time, fuel, and reduce pollution; lives saved; safer systems to accommodate the transportation of hazardous materials; and fewer delays for the more than 700 million passengers who travel by air each year.

Transportation Trust Funds

To help construct and maintain our nation's infrastructure, Congress established a series of trust funds to collect user fees. These funds include the Highway Trust Fund, the Airport and Airway Trust Fund, the Inland Waterways Trust Fund, and the Harbor Maintenance Trust Fund. Each of these trust funds dedicates user fee revenues in infrastructure programs to finance long-range construction and maintenance activities.

One of this Committee's highest priorities is to ensure that the user fees deposited into these trust funds are in fact used for their intended purposes – to rebuild our nation's infrastructure. These trust funds represent a contract between the government and the user. This contract specified that certain user fees would be levied on the users of highways, airports, inland waterways, and ports. In return, the government pledged to use the receipts to build transportation infrastructure for the taxpayer's use.

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[1] "Transportation and the Economy: National and State Perspectives," American Association of State Highway and Transportation Officials, May 1998.

While recent surface and aviation reauthorization acts have upheld the contract for the Highway and Airport and Airway Trust Funds, the two remaining funds face unique challenges for addressing both the Inland Waterways and Harbor Maintenance needs of the nation. The Inland Waterways Trust Fund balance by the end of fiscal year (FY) 2012 is estimated to be $63 million. The Harbor Maintenance Trust Fund balance at the end of FY 2012 is estimated to be $6.93 billion. These user fees should be made available for their intended purposes and not used to mask the federal budget deficit.

Budget Process Reforms

Given the Transportation and Infrastructure Committee's commitment to achieving budget reforms for the transportation trust funds, other budget process legislation is of significant interest to this Committee.

The Transportation and Infrastructure Committee would strongly oppose changes to transportation spending under the guise of "budget reform" that fail to recognize the unique nature of Trust-Funded programs, or negatively impact the ability of states or other relevant planning entities to have some traditional spending level guarantees that have been established for highway, transit, and aviation programs.

The Committee does not support the proposal in the FY 2012 President's Budget to shift all funding for surface transportation programs to the mandatory side of the budget because this proposal fails to recognize the need to link Trust Fund revenues to spending to adequately establish the use fee-based premise of the Trust Fund. The Committee is concerned that, under the Statutory Pay-As-You-Go Act of 2010 (P.L. 111-139) and the recently adopted House "Cutgo" rule, the administration's proposed budgetary treatment would not link Trust Fund revenues to Trust Fund spending, thereby resulting in a growing Trust Fund balance over time.

Eliminating Waste in the Management of Federal Real Property

Given the vast real estate holdings of the federal government, poor asset management and missed market opportunities cost taxpayers significant sums of money. For this reason, in 2003, the Government Accountability Office (GAO) placed real property management on its list of "high risk" government activities, where it remains today. GAO conducts biennial reviews on high-risk areas within the Federal government to bring focus to specific areas needing added attention and oversight. Areas are identified as "high" risk due to their greater vulnerabilities to fraud, waste, abuse, and mismanagement, or a need for broad-based transformation to address major economy, efficiency, or effectiveness challenges.

The key reasons the GAO identified federal real property as high risk are:

- excess and underutilized real property,
- deteriorating and aging facilities,
- unreliable property data; and
- over-reliance on costly leasing.[2]

Unfortunately, despite executive orders and memoranda issued during two administrations and acts of Congress intended to improve the management of federal real property, these problems persist.[3] The GAO noted recently in the 2011 High Risk report issued in February 2011 that some progress has been made in some of these areas but that "federal agencies continue to face long-standing problems, such as overreliance on leasing, excess property, and protecting federal facilities."[4]

The high risk activities of Federal real property are significant. Considerable amounts of vacant or underperforming assets can translate into significant costs associated with their operation, maintenance, and security. For example, in FY 2009, the federal government spent $1.7 billion in annual operating costs for under-utilized buildings and $134 million, annually, for excess buildings.[5]

The dispersal of independent leasing authorities to various agencies has compounded the waste. Often agencies, which obtain such authority to circumvent General Services Administration (GSA) and the standard processes to ensure cost controls, lack the experience and expertise to make prudent decisions. For example in 2010, the Securities and Exchange Commission (SEC) entered into a sole-source lease of 900,000 square feet of prime office space in Washington, D.C. which is now under investigation by the SEC Inspector General. That lease was "negotiated" over the course of a few days and bound the federal government to pay approximately $500 million over ten years without any of the standard cancellation clauses that are typical in government leases. Not long after signing this lease, the SEC determined it did not need the space, having based its projected need on new staffing that had not been fully authorized or funded.

The proper management of Federal assets will be a major focus of the Committee's oversight activities during the 112th Congress.

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[2] *See* High Risk Series: Federal Real Property, U.S. General Accountability Office, GAO-03-122, January 2003.
[3] *See,* for example, Executive Order 13327, Federal Real Property Asset Management, signed by President George W. Bush, February 4, 2004; Presidential Memorandum, Disposing of Unneeded Federal Real Estate, signed by President Barack Obama, June 10, 2010; Public Buildings Cooperative Use Act of 1976; Public Law 108-447, Division H, Title IV, Section 412, December 8, 2004 (providing enhanced flexibility to GSA in real property management).
[4] High Risk Series: Managing Federal Real Property, U.S. General Accountability Office, GAO-11-278, February 2011, p. 58.
[5] FY2009 Federal Real Property Report, Federal Real Property Council, September 2010, p. 5.

Emergency Management

The Committee recognizes the inherent tension between providing disaster relief in an expeditious manner while at the same time minimizing waste, fraud, and abuse. Nevertheless, the Committee expects the Federal Emergency Management Agency (FEMA) to fulfill its obligation to be a good steward of the public's funds and trust. The Committee recognized the importance of this issue when it passed the Post-Katrina Emergency Management Reform Act of 2006, which includes Subtitle F, "Prevention of Waste Fraud and Abuse" (6 U.S.C. 791 -797). In 2007, the Committee continued to provide oversight to prevent waste, fraud, and abuse by holding the following oversight hearings to examine whether FEMA was carrying out these duties: "Post-Katrina Temporary Housing: Dilemmas and Solutions" (March 2007); and "FEMA's Emergency Food Supply System" (April 2007).

Often delays in the recovery process relate to burdensome regulations and policies. While the Stafford Act, which governs the response and recovery process, is broad and flexible, regulations and FEMA policies have created an enormous amount of "red tape" and simply do not work effectively in large-scale disasters. Slow recovery following a major disaster results in increased costs due to delays and stifles job creation and economic recovery in the affected areas.

The Committee will continue its vigorous oversight of FEMA's disaster relief program and emergency management operations to ensure the effective use of funds.

Aviation

The aviation industry is a key engine for the economy, generating $1.2 trillion in annual economic activity and supporting 11 million jobs. As such, maintaining and improving our nation's aviation system is critical to the resurgence and continued growth of the U.S. economy and job creation. But it must be done in a cost-effective, streamlined, and efficient manner in partnership with the private sector.

Since airline deregulation in 1978, air travel has become an essential form of transportation for much of the nation. The number of commercial air travelers has grown dramatically since then, from 312 million travelers in 1980 to a record-high of 765 million in 2007.

This unprecedented number of air travelers pushed our nation's air traffic control system and over-crowded airports to the brink of gridlock. In 2007, travelers experienced the highest percentage of late arrivals – 24.2 percent – in the 13 years since DOT has collected such data.

Increased fuel costs and a slowing economy caused enplanements to decline in 2008 and 2009, and overall on-time performance improved. However, as the economy began to recover, the number of passengers began to increase again in 2010, and is projected to exceed one billion by 2021. Absent air traffic control modernization efforts and improvements in aviation system capacity and efficiency, delays will likely increase significantly as the number of air travelers rebounds and continues to grow in the future.

The decrease in passenger enplanements and fuel consumption over the last few years has likewise impacted the Airport and Airway Trust Fund (Trust Fund). The Trust Fund provides the primary source of funding for the FAA's capital programs and receives revenues from a variety of excise taxes paid by users of the national airspace system. The Trust Fund also provides funding for the FAA's Operations account and the Essential Air Service Program. According to the Government Accountability Office (GAO), during the recent recession, Trust Fund revenues declined from $12.4 billion in FY 2008 to $10.9 billion in FY 2009, in part because of the 7 percent decline in domestic passenger traffic during that period.

According to the GAO, from FY 2000 through FY 2010, total FAA expenditures grew about 60 percent. However, during this same timeframe the Trust Fund's revenue contribution only increased 12 percent, while the contribution of general revenues from the U.S. Treasury increased to cover a larger share of FAA's operations expenditures. In fiscal year 2010, FAA's expenditures totaled about $15.5 billion, with Trust Fund revenues covering about $10.2 billion, or 66 percent, of those expenditures.

Since 1970, Trust Fund revenues have generally exceeded spending commitments from FAA's appropriations, resulting in a surplus. This surplus is referred to as the Trust Fund's uncommitted balance. According to the GAO, over the last decade, uncommitted balance in the Trust Fund has decreased significantly; from over $7 billion in FY 2001 to about $770 million in FY 2010.

The health of the Trust Fund and the ability of the FAA to meet their obligations given the state of the Federal budget and the size of the Federal deficit must be taken into consideration.

As part of the Committee's efforts to reduce spending, the Committee recommends reducing funding for the FAA's operating, capital, and airport grant accounts, in total, to the FY 2008 level. Specific recommendations are discussed below.

FAA Facilities & Equipment

Capital funding for our air traffic control system is necessary to increase system capacity, efficiency, and allow for growth in the economy. The efforts to maintain and modernize the Federally-operated air traffic control system are funded by the FAA's Facilities & Equipment (F&E) account.

The FAA has embarked upon on a major Next Generation Air Transportation System (NextGen) program to increase system capacity, safety, and efficiency. In 2007, the interagency Joint Planning and Development Office (JPDO) issued both an Enterprise Architecture and a Concept of Operations for NextGen. These documents provide a high-level blueprint for how to technologically transform the National Airspace System and triple capacity by the year 2025. In January 2009, the FAA issued a mid-term architecture, focusing on objectives through the year 2018. Despite the completion of these documents, the cost of transitioning to the NextGen remains uncertain.

As it continues to develop and implement NextGen, the FAA also needs to properly fund the maintenance and upkeep of existing infrastructure. H.R. 658, the "FAA Reauthorization and Reform Act of 2011", as reported by the Committee on Transportation and Infrastructure, streamlines NextGen development and implementation processes, sets performance metrics, and requires accountability for the programs.

Consolidation of assets made possible by NextGen efficiencies will lead to savings in maintenance and upkeep costs. H.R. 658 as reported by the Committee allows for efficiency and consolidation of old, obsolete, and unnecessary FAA facilities. Many of FAA's air traffic control facilities are over 30 years old and are located and based on old technology. As the FAA and aviation users transition to newer, satellite-based technology, the number and location of FAA facilities must be adjusted as well. The last major FAA facility consolidation, the Potomac Terminal Radar Approach Control facility (TRACON) saved the FAA $1 million annually, even after taking into consideration the cost of the new, consolidated facility. The potential cost savings from FAA facility consolidations and realignments are enormous.

The FAA will also need to reform or eliminate unnecessary programs, duplicative functions, and wasteful practices to best manage the taxpayers' money.

To ensure that our nation's air traffic control system remains safe, reliable, and efficient, and is ready to accommodate the significantly increased number of passengers anticipated in the near future, the Committee recommends that the F&E program be funded at $2.6 billion in FY 2012, consistent with the funding level in H.R. 658, the "FAA Reauthorization and Reform Act of 2011", as ordered reported by the Committee on Transportation and Infrastructure on February 16, 2011. This amount is sufficient to fund the FAA's priority NextGen projects while maintaining the existing air traffic control system through 2014. The Committee believes that the FAA can achieve greater cost efficiencies through better project management and avoiding past problems with programs that were over-budget and delayed.

<u>Airport Improvement Program (AIP)</u>

AIP funding is derived from the Airport and Airway Trust Fund, which is supported by excise taxes paid by aviation users. The Committee emphasizes that the primary purpose of the Trust Fund is to meet the capital needs of the aviation system. AIP funding has increased significantly over the last decade. Additionally, the American Recovery and Reinvestment Act of 2009 (P.L. 111-5) provided an additional $1.1 billion in airport improvement grants. Given the current budget realities, this pace of funding cannot be maintained. Therefore, the Committee recommends a funding level of $3.0

billion for AIP in FY 2012; a $515 million reduction from the FY 2010 appropriated level.

The AIP program is one source of funding for airport development projects that are necessary to maintain a safe and efficient aviation system. Based on the latest National Plan of Integrated Airport Systems (NPIAS) report dated September 27, 2010, the FAA estimates that between 2011 and 2015 there will be $52.2 billion of AIP-eligible infrastructure development in all segments of civil aviation.

An airport trade association's Capital Needs Survey, conducted in September - December 2010, estimates that airport capital development costs for AIP-eligible and other necessary projects will total approximately $80.1 billion during the same time frame (2011-2015), an average annual cost of $16.0 billion. This survey covers a larger scope of projects than is eligible for assistance under the AIP program, providing a much broader and larger estimate of the amount of airport capital funding that the trade group believes is needed.

Airport development projects are financed by a variety of funding sources, including airport cash flow, revenue and general obligation bonds, Federal/State/local grants, and non-Federal Passenger Facility Charges (PFCs) that are locally imposed. According to the FAA, AIP grants and PFC collections together account for about 40 percent of annual U.S. airport capital spending needs. In 2009, airports received over 69 percent of their infrastructure funding from new bonds and PFCs; PFCs provided airports with $2.5 billion for local infrastructure investments and airports raised $5.4 billion in new bonds.

<u>FAA Operations and Maintenance</u>

As part of the Committee's efforts to reduce spending, the Committee recommends $9.168 billion for FAA Operations in FY 2012. This is $655 million less than the Administration's request. It is also a decrease of $182 million, or 1.9 percent, below the FY 2010 enacted and FY 2011 Continuing Resolution levels, and is consistent with the authorized funding level in H.R. 658, the "FAA Reauthorization and Reform Act of 2011", as reported by the Committee.

Pursuant to Section 103 of H.R. 658, the FAA is directed to accommodate this budget cut through reductions in non-safety-related activities and expenditures. This requirement was included to ensure that FAA continues to focus on its greatest priority, the safe operation of the Nation's aviation system. The FAA will also need to reform or eliminate unnecessary programs, duplicative functions, and wasteful practices to best manage the taxpayers' money.

Cost growth within the FAA Operations account is, in part, the result of the 2009 arbitration decision which provided a final settlement for the National Air Traffic Controllers Association (NATCA) Collective Bargaining Agreement. This Agreement increases the pay scales for air traffic controllers over a three-year period. The total cost of the contract is approximately $669.1 million between 2010 and 2012. This cost is back-loaded with the minimum pay band levels for controllers increasing 30 percent by 2012. Certified Professional Controllers will receive a $9,300 increase in average base pay and new hires will receive a $45,665 increase in average base pay over three years. Unlike most Federal employees, the Federal pay freeze does not apply to controllers. The Committee notes that this Agreement fails to take into consideration current budget realities and the salaries of other FAA employees.

H.R. 658 also allows for expansion of the FAA's Contract Tower Program. Low-activity towers currently staffed by FAA employees cost, on average, roughly $2 million. H.R. 658 would allow airports with low-activity towers to choose to opt out of FAA-staffed towers and instead opt into the Contract Tower program, where contract air traffic controllers provide the same services, with the same safety requirements, and at a reduced cost of roughly $500,000 per tower. Since both types of towers are funded by the FAA's Operations Account, conversions to contract towers will achieve big savings – roughly $1.5 million per tower on average. Conversions would be accomplished at the request of airports and only after requirements are met, including a benefit-cost analysis. This cost-effective program has the potential to save the government approximately $400 million over the four-year period covered by H.R. 658 (FYs 2011-2014).

<u>Essential Air Service</u>

Funding for the Essential Air Service (EAS) program has increased over the past 10 years, from $50 million in 2001 to $200 million in FY 2010. Before September 11, 2001, a total of 106 communities required EAS subsidy (32 in Alaska and 74 elsewhere in the United States). As of March 1, 2011, there are 154 communities requiring EAS subsidy (including 44 in Alaska), a 45 percent increase compared to 2000. The cost of funding the current array of contracts in FY 2011 is approximately $184 million. This does not assume any new communities require subsidy, or any subsidy increases are required as contracts expire and are re-let.

The EAS program is a good example of a taxpayer-subsidized program that has gone unchecked. In FY 2010, 34 EAS communities averaged fewer than 10 passengers per day and 22 EAS communities had so few passengers using the service that, on average, there were more pilots on-board the flights than passengers. Also in FY 2010, 16 EAS communities had subsidies in excess of $500 per passenger, which means taxpayers subsidized service in these 16 communities by more than $1,000 per passenger on a round-trip basis. One community, Ely, Nevada, had a subsidy per passenger of $4,112, which equates to $8,224 on a round-trip basis.

While important to many communities across the United States, it has become clear that major revisions, including elimination or sunsetting of some service, and changes to qualifying criteria are needed in this program.

Coast Guard and Maritime Transportation

United States Coast Guard

The Coast Guard – one of 22 agencies, and the only military service, in the Department of Homeland Security -- protects the safety, security and personal freedom of American seafarers, recreational boaters, cruise ship passengers, dock workers and others who go to sea, or live or work on or near America's coasts. The Coast Guard is the only military service with domestic law enforcement authority. The Service has 14 statutory missions including rescuing those in distress, keeping our ports and waterways safe for navigation, and protecting the U.S. maritime borders from drug and migrant smugglers.

The President requests $8.677 billion in discretionary appropriations for the Coast Guard in FY 2012, $82 million (or -0.9 percent) less than the annualized level provided by the FY 2011 Continuing Resolution which expires March 18, 2011. For FY 2012, the Committee recommends $8.759 billion to carry out Coast Guard missions, the amount consistent with the level provided in the FY 2011 Continuing Resolution.

Operating Expenses (OE)

The President requests $6.820 billion for Coast Guard operating expenses, an increase of $18 million over the FY 2011 annualized Continuing Resolution level. The Committee recommends funding Coast Guard operating expenses at President's request. These funds are necessary to protect property and human life, defend our borders against drug and migrant smugglers, and secure our ports, and waterways against terrorists.

The budget request for OE does not include $258.3 million for Overseas Contingency Operations, which the administration proposes to appropriate to the Department of Defense (DoD) in FY 2012 and then make available to the Coast Guard. The Committee recommends this funding continue to be appropriated directly to the Coast Guard to provide more accurate accounting of the resources available to the Service to carry out its missions. Doing so would place the Committee recommendation for OE at $7.078 billion.

The Committee supports the 1.6 percent pay raise for Coast Guard military servicemembers included in the FY 2012 budget request. This amount maintains parity in pay with DOD military servicemembers.

The Committee supports the proposal to decommission three PC-179 vessels, and one High Endurance Cutter.

The Committee also opposes the President's request for $8 million to purchase and install equipment at the Department of Homeland Security (DHS) Enterprise Data Centers necessary to migrate the Coast Guard data center. DHS has implemented an initiative to consolidate the data centers serving each of its component agencies into a single data center. The effort may provide long term cost savings for DHS, but not the

Coast Guard. This project should not be funded at the expense of important Coast Guard missions.

Reserve Training

The President requests $136.8 million for training of Coast Guard Reserve personnel in FY 2012, a $3.1 million (or 2.4 percent) increase over the FY 2011 annualized Continuing Resolution level. The Committee recommends funding for this account at the level requested. Reserves have been called up frequently in the last several years. Most notably, call ups have occurred to respond to 9/11, Katrina, the Haiti earthquake and the DEEPWATER HORIZON oil spill. It is imperative to keep reservists adequately trained to respond to such emergencies.

Environmental Compliance and Restoration (EC&R)

The President requests $16.7 million for environmental compliance and restoration in FY 2012, a $3.5 million (or 26.5 percent) increase over the FY 2011 annualized Continuing Resolution level. This increase is necessary to move forward with decommissioning of assets which will reduce Coast Guard operating costs and increasing the efficiency of those operations in the future. The Coast Guard currently has a backlog of 459 environmental cleanup projects with an estimated combined cost of $338 million.

Acquisitions, Construction, and Improvements (AC&I)

The President's budget requests $1.422 billion for Coast Guard capital acquisitions in FY 2012, a reduction of $98.1 million from the FY 2011 annualized Continuing Resolution level. Coast Guard capital acquisition programs fund the acquisition, construction, and physical improvements of Coast Guard owned and operated vessels, aircraft, facilities, aids to navigation, information management systems and related equipment. This account supports domestic shipbuilding capacity critical for expanding jobs, growing our economy, and protecting our national security.

The Committee strongly opposes President Obama's proposed reduction. The Committee supports funding AC&I at $1.504 billion, $16 million less than the FY 2011 annualized Continuing Resolution level, but $82 million more than the President's request. These cuts threaten the ability of the Coast Guard to protect lives and property, defend our borders, and secure our ports, waterways, and coasts.

The Committee is very concerned with the Office of Management and Budget's (OMB) recent decision to force the Service keep certain capital acquisition funds sitting idle for several years rather than spending those funds for much needed capital improvements. OMB is now requiring the Coast Guard to have funds available not only to cover the cost of long lead time materials and production, but also the cost of post production activities before entering into a construction contract for the fifth National Security Cutter (NSC). Because it will delay the delivery of NSC #5 through NSC #8, the imposition of this policy is estimated to add $180 to $240 million to the cost of NSC acquisition. OMB is not applying this policy to the procurement of vessels for the Navy, or weapons systems for any of the other Armed Services. The Committee objects to the requirement that funds be available for post production activities prior to awarding a construction contract for the Coast Guard's fifth NSC.

Research, Development, Testing and Evaluation (RDT&E)

The President requests $19.8 million for RDT&E in FY 2012, a $5 million decrease (-20 percent) from the FY 2011 annualized Continuing Resolution level. The Committee supports the President's request.

Alteration of Bridges

The Alteration of Bridges Program authorizes the Coast Guard to share with a bridge's owner the cost of altering or removing railroad and publicly owned highway bridges which are determined by the Service to obstruct marine navigation. Consistent with the FY 2012 budget request and the FY 2011 Continuing Resolution, the Committee does not support providing any funding for this program in 2012.

Federal Maritime Commission

The President requests $26.2 million for the Federal Maritime Commission, an increase of $0.7 million (or 3 percent) over the annualized level provided by the FY 2011 Continuing Resolution. The Committee recommends $22.1 million for the FMC in FY 2012, an amount equal to the FY 2008 enacted level.

Economic Development, Public Buildings, and Emergency Management

Economic Development

The Committee has jurisdiction over five existing economic development programs: the Economic Development Administration (EDA), the Appalachian Regional Commission, the Denali Commission, the Delta Regional Authority, and the Northern Great Plains Regional Authority. In addition, the "Food, Conservation, and Energy Act of 2008" (P.L. 110-246) authorized the creation of three new regional commissions: the Southeast Crescent Regional Commission, the Southwest Border Regional Commission, and the Northern Border Regional Commission.

The Committee is committed to reviewing the economic development programs and believes there are opportunities to consolidate and streamline them.

Public Buildings

In the area of public buildings, the Committee intends to address a number of issues concerning the Public Buildings Service of GSA. These issues include the continued viability of the Federal Buildings Fund (FBF), GSA's courthouse construction program, the over-reliance on leased space, redeveloping or disposing of vacant or under-utilized space, realigning federal properties to maximize usage, and reigning in the dispersal of independent authorities.

The FBF, the primary source of funding for GSA's capital investment program, while receiving consistent funding over the past several years, is barely maintaining its present position to take advantage of the market and create a balanced portfolio of properties through construction or purchase of new Federal buildings and the repair of existing buildings. The FBF is supported by lease payments charged to Federal agencies occupying space in GSA facilities. GSA is increasingly relying on the use of leased space. The Committee recommends that the administration carefully review the need for any new space and base determinations of whether to lease or own on what would provide the greatest return on investment to the taxpayer. The administration should address issues related to the high number of old buildings in the federal inventory that drain resources from the FBF and are no longer efficient for modern office space.

In addition, GSA's repair and alteration program in previous years has failed to meet projected demand for the modernization of GSA's aging inventory of Federal buildings that are retained. While GSA outlines criteria it uses to develop its priorities for repairs and alteration, very often the Committee receives proposals for modernization of buildings that are barely used. GSA must work to ensure that its repair and alteration funds are consistent and in line with other property initiatives – such as improving space utilization and the disposal of under-used assets.

The FY 2012 repair and alteration request is $868.9 million; an 81 percent increase above the FY 2011 annualized Continuing Resolution level of $479.8 million. The requested amount will fund repairs and alterations at Federal buildings and judicial facilities. The marked requested increase in FY 2011 and FY 2012 is a result of the significant decrease in the FY 2010 repair and alteration program due to the investments of the American Recovery and Reinvestment Act. Given that the FY 2012 budget request recommends funding to be paid wholly from the revenue collected by the FBF, the Committee recommends fully funding the FY 2012 repair and alteration program, which will allow for an increase in the level of renovations being made to Federally-owned buildings. This funding will allow GSA to locate more Federal employees in government-owned space, which will reduce the amount of office space being leased from the private sector and thereby reduce overall costs.

GSA has requested $839.6 million for the construction and acquisition of new facilities, a 179.9 percent increase from the FY 2011 annualized Continuing Resolution level of $300 million. This request includes funding for continued agency consolidations, new border stations, funds for general infrastructure and development activities, and funds for non-prospectus level construction.

The Committee will continue to monitor GSA's leasing program. The Committee continues to be concerned about the rising amount of leased space being used to meet the requirements of the civilian branch of the Federal Government where Federal facilities are not available. The leasing program is increasing from year to year, largely as a result of the scoring rules implemented pursuant to the Budget Enforcement Act of 1990, which force GSA into short-term, expensive leases, to avoid the budget impact of a capital lease.

Emergency Management

Department of Homeland Security

The failed response to Hurricane Katrina made evident many shortcomings at the Federal level, in general, and with the Department of Homeland Security (DHS) and the Federal Emergency Management Agency (FEMA), in particular. Most of these shortcomings can be directly tied to FEMA's placement in the DHS bureaucracy. Since 2003, the Committee has held hearings showing a clear correlation between the absorption of FEMA into DHS and the deterioration of FEMA's effectiveness. Another reason for this trend is that since becoming a part of DHS, FEMA's emergency management mission has shifted toward a disproportionate focus on terrorism at the expense of other hazards. The country requires FEMA to once again function with the nimbleness and flexibility that was its hallmark before being placed within the DHS bureaucracy.

Federal Emergency Management Agency

Homeland Security Grants – The FY 2012 President's Budget requests $1 billion for the State Homeland Security Grant Program. The administration proposes consolidating a number of the all-hazards grant programs into the Homeland Security grant programs. The Committee does not support the administration's proposal for transferring all-hazards programs into homeland security programs. While typically consolidation may result in cost savings and the streamlining of overhead, consolidating all-hazards grant programs into terrorism-related grant programs would seriously undermine our Nation's readiness in preparing for all disasters – natural and man-made. The result could be that communities that are known to be prone to natural disasters such as wildfires, floods, hurricanes, and earthquakes will not be adequately prepared, potentially costing more dollars for response and recovery. As a result, the Committee recommends consolidating the multiple terrorism preparedness grants and reducing their funding levels. While savings also can be achieved in the all-hazards grant programs, they should not be combined with the terrorism grants.

Mitigation – For FY 2012, Pre-Disaster Mitigation (PDM) is authorized for $200 million. The FY 2012 President's Budget requests $84.9 million for the PDM program, $15.1

million or 15.1 percent less than the FY 2011 annualized Continuing Resolution level. Effective disaster mitigation spending reduces the costs incurred in managing the consequences of natural disasters. Studies have shown that for every dollar invested in mitigation, three dollars are saved in damages from a disaster. The Committee supports lower funding for these mitigation programs and will work to ensure funding is targeted to those projects that maximize the return on investment.

Disaster Relief – For disaster relief programs administered by FEMA, the Committee recommends funding sufficient to meet the needs of communities hit by disasters. The FY 2012 President's Budget requests $1.8 billion, $321.6 million or 21.8 percent more than the FY 2011 annualized Continuing Resolution level.

Emergency Management Performance Grants (EMPG) – The EMPG program is the Federal Government's principal grant program to build basic State and local emergency management capability. The EMPG program is authorized at $950 million for FY 2012. For FY 2012, the President's Budget requests $350 million, which is $10 million or 2.9 percent above the FY 2011 annualized Continuing Resolution amount. The President proposes consolidating the funding for Emergency Operations Centers into this grant program. As a result, the total funding between the two programs would be $50 million less than the FY 2011 annualized Continuing Resolution (see below). The Committee supports this consolidation and reduction in overall costs.

Emergency Operations Centers – The President's Budget proposes no funding for EOCs in FY 2012, a $60 million or 100 percent decrease from the FY 2011 annualized Continuing Resolution level. As noted above, under the President's Budget, this program would be consolidated into the EMPG program. The Committee supports this consolidation.

Fire Grants – The Firefighter Assistance grants include funding for the Staffing for Adequate Fire and Emergency Response Grants (SAFER) and Assistance to Firefighter Grants. The FY 2012 President's Budget requests $670 million, $140 million or 17.3 percent less than the FY 2011 annualized Continuing Resolution level. The Committee supports the lower funding for these grants.

Smithsonian Institution

The FY 2012 President's Budget request for the construction and revitalization of Smithsonian facilities is $225 million, an increase of $100 million or 80 percent above the FY 2011 annualized Continuing Resolution level. The Committee recommends funding the Smithsonian Institution's construction and revitalization program at a level that will allow it to meet its basic needs while continuing its research and outreach activities.

Architect of the Capitol

The Architect of the Capitol's (AOC) FY 2012 budget request includes $119.6 million for House Office Buildings, $67.9 million for libraries and grounds, $12.3 million for the Botanic Gardens, and $142.1 million for the Capitol power plant. The total for these accounts is $65.2 million or 23.6 percent above the FY 2011 annualized Continuing Resolution level. The request also includes $50 million for the House Historic Building Revitalization Fund, which will be used for needed renovations to the Cannon House Office Building. The Committee intends to continue to exercise aggressive oversight over the Capitol buildings and grounds.

John F. Kennedy Center for the Performing Arts

The FY 2012 President's Budget requests $36.9 million for the John F. Kennedy Center for the Performing Arts (Kennedy Center). These funds are exclusively for the Operations and Maintenance (O&M, $23.2 million) and Capital Repair and Restoration (CR&R, $13.7 million) activities of the Kennedy Center. This level is $3.1 million or 7.8 percent less than the amount enacted in the FY 2011 annualized Continuing Resolution, and is less than the FY 2008 funding level. P.L. 110-338 authorizes appropriations for the John F. Kennedy Center for the Performing Arts through FY 2012. In FY 2012, a total of $40.5 million is authorized for the Kennedy Center, including $23.5 million for maintenance, repair, and security, and an additional $17 million for capital projects. The performing arts programming and administrative support for the Kennedy Center is financed by ticket sales, auxiliary and investment income, and through private donations. The Committee supports the President's request of lower funding levels.

Federal Protective Service (FPS)

The FY 2012 President's Budget requests $1.26 billion for the FPS, $146.5 million or 13.1 percent above the FY 2011 annualized Continuing Resolution level. The FPS is charged with protecting federal buildings and facilities. It is funded through a revolving account that receives fees collected from Federal tenants. The Committee intends to continue its oversight of building security and the FPS's Contract Guard program.

Highways and Transit

The most recent long-term authorization of the Federal surface transportation program, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) (P.L. 109-59), expired at the end of FY 2009. Since that time, Federal highway, highway safety, and public transportation programs have been operating under a series of short-term extensions, the most recent of which extends the programs through September 30, 2011.

In its FY 2012 budget request, the administration has provided the funding outline for a six-year $556 billion reauthorization of the surface transportation programs. The $556 billion funding request includes a $50 billion investment in FY 2012 to front-load the reauthorization proposal. The request proposes to rename the Highway Trust Fund the "Transportation Trust Fund." This new trust fund would include the current Highway Account and Mass Transit Account as well as two new accounts for Passenger Rail and the proposed National Infrastructure Bank.

The administration's proposal is silent on how the Transportation Trust Fund will have sufficient revenue to fund these new programs. The proposal assumes a "placeholder revenue increase" of $435 billion over a 10-year period but does not identify how to pay for this revenue increase. The Budget proposal does include a statement that the administration will work with Congress to ensure that the proposed funding increase does not increase the deficit.

The Committee continues to support the user-financed approach that, until recently, has provided the sustainable revenue necessary to finance our surface transportation needs. However, the Committee cannot support the administration's proposed reauthorization funding level because it fails to specifically identify how to pay for the $435 billion revenue gap. The Committee is prepared to evaluate the administration's proposal for paying for these funding increases when the administration transmits their full reauthorization proposal to Congress.

The budget request also proposes to significantly restructure the surface transportation programs. Under this proposal several programs are eliminated and dozens of programs are consolidated. The Committee is supportive of eliminating surface transportation programs that are no longer in the Federal interest and consolidating programs that overlap or are duplicative. However, the budget request does not include legislative language on how the administration plans to restructure the surface transportation programs. The Committee will evaluate the administration's proposal when it transmits is full reauthorization proposal to Congress.

The Highway Trust Fund (HTF) is facing ongoing problems of solvency due to the declining revenues going into the trust fund. According to the Congressional Budget Office (CBO)[6], under current levels of spending, absent additional revenues or a General Fund (GF) transfer, the cash balance of the Highway Account of the HTF would be $4.2 billion at the end of FY 2012. Similarly, CBO estimates that the cash balance of the Mass Transit Account of the HTF would be $4.4 billion at the end of FY 2012 under current spending levels.

The Committee is committed to writing a long-term surface transportation authorization bill that keeps the HTF solvent without additional transfers from the General Fund. Given that the existing revenues from the existing user fees are not adequate to support the investment needs, the Committee will consider ways to meet the challenges and needs by doing more with less. This includes but is not limited to

[6] Estimates based on CBO's winter baseline, issued in January 2011.

programs and policies that promote innovative financing and public private partnerships. While these tools are not substitutes for traditional grant funding, they will allow states and local governments to leverage limited Federal resources.

The Committee is also committed to accelerating the project delivery process for surface transportation projects. According to the "Highway Planning and Project Development Process" timeline put together by the Federal Highway Administration, the Federal project delivery process can take up to 15 years from planning through construction.[7] An analysis conducted by the National Surface Transportation Policy and Revenue Committee found that a $500 million project that took 14 years to complete would see its cost double due to the impact of delays and inflation.[8] The next surface transportation authorization bill will make major improvements to the project delivery process resulting in significant project cost savings allowing states and public transit agencies to do more with less.

The Committee is interested in exploring ways to better leverage the existing HTF revenues. The Committee will consider expanding and improving existing DOT loan programs such as the Transportation Infrastructure Finance and Innovation Act (TIFIA) program and the Railroad Infrastructure Finance (RRIF) program. The Committee will evaluate the administration's proposal to create a National Infrastructure Bank when the administration transmits their full reauthorization proposal to Congress.

Highways

The FY 2012 President's Budget proposes a $556 billion six-year reauthorization of the surface transportation programs, of which $336 billion is for road and bridge improvements and construction. In FY 2012 the administration proposes $70.4 billion for the Federal-Aid Highway program. This is $28.6 billion (69.5 percent) above the FY 2010 enacted and FY 2011 annualized Continuing Resolution levels. Current HTF revenue cannot support this level of investment, and the Budget proposal is silent on how to generate the additional revenues to fully support these programs. The Committee cannot support the proposed funding increases because the administration's budget proposal does not identify a way to pay for these increases without increasing the deficit. The Committee is prepared to evaluate the administration's proposal for paying for these funding increases when the administration transmits their full reauthorization proposal to Congress.

The Committee supports streamlining the number of highway programs to increase efficiency and flexibility. Currently, there are over 55 separate highway programs. The Committee believes that many of these programs should be consolidated and replaced with a relatively small number of core highway programs. The Committee intends to address this issue as part of the upcoming reauthorization of surface transportation programs.

[7] Federal Highway Administration, November 2008.
[8] "Transportation for Tomorrow," Report of the National Surface Transportation Policy and Revenue Commission, p. 12, December 2007.

Transit

The administration's budget request proposes total budget authority of $22.35 billion for the Federal Transit Administration (FTA) programs in FY 2012. The authorized level for federal transit programs under the current extension of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) is $10.53 billion, so the President's Budget request represents a 112 percent increase above current authorized funding levels. Current HTF revenue cannot support this level of investment and the administration does not propose how to pay for this increase in spending. The Committee cannot support the proposed funding increases because the administration's budget proposal does not identify a way to pay for these increases without increasing the deficit. The Committee is prepared to evaluate the administration's proposal for paying for these funding increases when the administration transmits their full reauthorization proposal to Congress.

The President's Budget proposes to restructure the federal transit programs, bringing the total number of programs down to four. The Committee is supportive of restructuring the Federal surface transportation programs and eliminating programs that are no longer in the Federal interest and of consolidating programs that overlap or are duplicative. However, the Committee will wait until the administration transmits its full reauthorization proposal to Congress before it takes a position on the administration's proposed programmatic restructuring.

Railroads, Pipelines, and Hazardous Materials

Federal Railroad Administration

The Committee reauthorized the Federal Railroad Administration's (FRA) rail safety program in the 110th Congress through enactment of the Rail Safety Improvement Act of 2008 (P.L. 110-432). Prior to enactment of the Rail Safety Improvement Act (RSIA), the FRA's rail safety program had not been reauthorized since 1994.

Major provisions of the RSIA include changes in hours-of-service standards for certain railroad workers; mandating the installation of positive train control (PTC) on most major rail lines by December 31, 2015; directing the FRA to study the use of cell phone and other personal electronic devices in the locomotive cab and prohibit the use of such devices if the study supported such a prohibition; strengthening track and grade crossing safety; enhancing rail worker training, and establishing a program at the National Transportation Safety Board to assist victims and their families involved in a passenger rail accident.

The administration's proposal of $223 million for FRA Safety and Operations activities represents a 29 percent increase over the FY 2010 funding level. FRA also proposes to increase its personnel by 166 positions, growing the agency from 917 positions to 1,083 FRA employees, an 18 percent increase in staff. The new positions include 50 regional safety inspectors, 35 headquarters and regional rail safety staff, 42 high-speed and intercity passenger rail grants managers, 6 researchers, 10 policy positions, as well as 14 positions within the Administrator's office.

To offset some of this cost increase, the administration proposes (as it did in FY 2011) to establish a new rail safety user fee on railroad carriers, specifically to cover the cost of FRA safety inspectors. The offsetting collections are budgeted at $80 million. There is no current statutory authority for imposing such a fee, and imposing a safety user fee on railroads would divert scarce resources that are necessary for safety-related investments in rail infrastructure, technology and equipment. The Committee strongly opposes the authorizing language included in the budget that would prescribe these user fees. The Committee also strongly opposes out-of-control growth in government bureaucracies, and rejects the proposed increase in funding and staffing for the Federal Railroad Administration.

Passenger Rail

The President's Budget requests $8.046 billion for passenger rail-related activities. Of this total, almost $4.2 billion is requested in direct appropriations for Amtrak operating and capital subsidies.

Amtrak has averaged an appropriation of $1.34 billion annually over the last five fiscal years. In the 2009 Stimulus Act, Amtrak received an additional $1.3 billion for capital grants, doubling its annual funding.

Amtrak

Amtrak was created in 1970 under the Rail Passenger Service Act, which established a national passenger rail route network and on May 1, 1971, Amtrak began operations. Since its inception, the railroad has required a federal subsidy for every year of its 40-year history. In total, Amtrak has received more than $37.5 billion in federal subsidies since its creation.

Today, the federal government's subsidy of Amtrak's capital and operating costs results in an average per-ticket subsidy of $54.48. The subsidy is much higher on some routes. For example, the Sunset Limited from New Orleans to Los Angeles averages a per ticket subsidy of $390.50.

On February 7, 2011, Amtrak submitted its General and Legislative Annual Report to Congress for FY 2012 which requests a total of $2.212 billion in FY 2012. The President's Budget is difficult to compare directly to the current authorization and appropriations structure, but requests $459 million for Amtrak operations, $280 million for debt service, and a massive $3.452 billion for various Amtrak capital expenses, including $1.184 billion for ADA compliance.

The Committee supports reducing appropriations for Amtrak and pressing for full enactment of private sector participation initiatives included in the Passenger Rail Improvement Act of 2010.

The Northeast Corridor – a Mismanaged and Underutilized Asset

The Northeast Corridor (NEC) is one of the most valuable transportation assets in the United States, providing the only continuous physical link, along with I-95, between the major population centers of Washington, D.C., Baltimore, Philadelphia, New York City, and Boston. The Northeast mega-region is the most densely populated area in the United States, with 18 percent of the nation's population living in just two percent of its land area. Taken as a whole, the NEC region would be the sixth largest economy in the world with a GDP of $2.59 trillion, and a population equal to the United Kingdom.

Amtrak owns and controls 363 miles of the 457-mile NEC. In 1976 Amtrak acquired most of the NEC assets from the freight rail operator Conrail as part of the disposition of the bankrupt Penn Central Transportation Company's assets. Conrail, the consolidated government-supported freight operator, did not want to operate passenger services, and essentially donated this valuable property to Amtrak.

Amtrak has proven itself to be poorly equipped to own and manage this critical asset. Other than in the NEC, Amtrak relies almost entirely on the privately owned freight railroad network. The nation's freight railroads host Amtrak on about 22,000 miles of track, while Amtrak owns only 650 miles of track nationwide.

Over the last three decades, Amtrak and the FRA have mismanaged two major capital improvement projects that have left the NEC far short of international high-speed standards, at a total cost to taxpayers of nearly $6 billion. The Acela, promoted by Amtrak as a high-speed train, averages only 78 miles per hour (mph) between DC and New York, and 66 mph between New York and Boston. Internationally, high-speed trains can average 150 mph and many nations are upgrading systems to achieve 220 mph top speeds. Amtrak failed in even the simple task of purchasing the Acela trainsets, an acquisition that resulted in a major lawsuit, delays, cost overruns, and change orders to the trains that limited the effectiveness of the technology.

In late 2010, Amtrak proposed a "Vision Plan" to bring the NEC up to world-class high-speed rail standards by building dedicated high-speed tracks on new rights-of-way between Washington, D.C. and Boston. Unfortunately, this vision would cost $117 billion and take 30 years to implement. Amtrak's historical failure to successfully execute capital projects strongly suggests that the United States should explore alternative solutions for future high-speed rail service on the NEC.

Bringing true high-speed rail to the Northeast Corridor will be a net economic gain, resulting in reduced air and highway congestion, increased productivity, and development opportunities. The line will be profitable and will not require federal subsidy. To make this kind of successful high-speed rail a reality, the expertise and investment capital of the private sector must be utilized, in conjunction with state and local participation.

Pipelines and Hazardous Materials Safety Administration

The Committee expects to reauthorize the Pipeline and Hazardous Materials Safety Administration's (PHMSA) hazardous material safety program in the 112th Congress; the prior authorization expired in 2008.

The President's Budget requests $50 million and 209 full-time equivalent (FTE) staff for PHMSA's hazardous materials safety program, an increase of 27 FTE over the current staffing level. Of the $50 million requested, $11.7 million is proposed to be funded by a new Special Permits and Approvals Fee. This user fee would be collected from companies and individuals involved in the transport of hazardous materials seeking special permits and approvals from the Hazardous Materials Regulations. The fee would range from $700 to $3,000 and would be assessed on a per application basis. Governments and foreign entities would be exempt from the user fee. The Committee is concerned that the fees the administration has proposed would hit small U.S. businesses disproportionately hard, and the Committee opposes this proposal.

With respect to pipelines, the Committee expects to reauthorize PHMSA's pipeline safety program in the 112th Congress; the program expired September 30, 2010. The program was last reauthorized at the end of the 109th Congress through enactment of the Pipeline Inspection, Protection, Enforcement and Safety Act of 2006.

The President's Budget requests $120.9 million and 225 FTE staff, an increase of 19 new FTE's. Of the $120.9 million requested, $4.5 million is proposed to be funded by two new Pipeline Safety user fees. The design review fee would support PHMSA's oversight of major new construction programs like the Alaska Natural Gas Pipeline project. This fee will recover PHMSA's oversight costs from project applicants for design review, consulting, and field support for any new pipeline construction projects over 10 miles in length in the United States. In FY 2012, an estimated $4.0 million would be collected from this fee. PHMSA is also proposing to charge a special permit fee charged for special permit applications to cover the costs incurred for technical studies or environmental analysis from special permit applicants. In FY 2012, an estimated $500 thousand would be collected from this fee.

Water Resources and Environment

Army Corps of Engineers

The President recommends $4.631 billion as the total budget for the Corps of Engineers for FY 2012. This represents a decrease of $298 million (-6 percent) below the $4.929 billion annualized level provided by the FY 2011 Continuing Resolution. The Committee supports Federal investment in the Civil Works program at the total level recommended by the President as part of an overall strategy to significantly reduce federal spending.

More importantly, the Committee believes that the funds in the budget need to be focused on the missions of the Corps of Engineers that provide an economic return on investment – these are the missions of navigation and flood damage reduction. While aquatic ecosystem restoration is an important mission of the Corps, those projects do not typically generate long term jobs nor as high an economic return on investment as do navigation and flood damage reduction projects. For FY 2012, the Congress must focus on creating jobs and restoring economic health.

Two aquatic ecosystem restoration projects are unique in their size and complexity and are an exception to the limitation on funding this class of project. The Committee recommends continued investment in Everglades and Coastal Louisiana restoration because of the significant economic benefits that are associated with those projects.

In addition, the Committee recommends that the Corps focus on the larger and more complex projects where its expertise and financial resources are best used. The smaller Continuing Authority Program projects should be limited to no more than half of each of its program amounts.

Investigations

The Corps must conduct new studies to determine where there is Federal interest in water resource development. The President's Budget requests $104 million to conduct studies in FY 2012. This is the same as the FY 2011 annualized Continuing Resolution.

The President's Budget continues a recent trend in Presidential budget requests for the Investigations account that have proposed funding levels far below the Corps' capability, and have had a negative impact on the continued development of justified projects.

In addition, an underfunded Investigations account places the nation at risk of losing the skills developed by Corps personnel as they plan and design civil works projects. Because the Corps is both a civilian and a military organization, these skills directly benefit the Corps' military mission, as demonstrated by the current deployments of Corps personnel to Iraq and the substantial involvement of Corps districts and laboratories in managing infrastructure improvements in Iraq. The Corps also responds to domestic and international emergencies, such as Hurricane Katrina in August 2005.

The Committee recommends a minimum appropriation of $150 million for the Investigations account in FY 2012 to support the core capabilities of the agency and maintain a steady flow of good investment options that will provide economic benefits.

Construction

The President's Budget requests $1.48 billion for project construction in FY 2012, a decrease of $210 million below the FY 2011 annualized Continuing Resolution level of $1.69 billion. The Committee supports an appropriation of $1.53 billion. The Committee recognizes that not all worthwhile projects will be funded for construction under this recommendation, however believes that this is the amount of investment that can be made at this time. The Committee is concerned that low funding levels for the Construction account will increase the cost of completing projects and will delay the national economic and ecosystem restoration benefits that these investments provide. For this reason, it is important that funding be focused on those projects that provide the most economic return on investment – typically the navigation and flood damage reduction projects. In addition, the Committee supports funding the projects in the Construction account at the Corps' capability level so that they could be completed in an efficient manner.

Operation and Maintenance

The President's Budget requests $2.314 billion for project operation and maintenance in FY 2012, a decrease of $47 million below the FY 2011 annualized Continuing Resolution of $2.361 billion. As part of the Committee's efforts to reduce Federal spending, the Committee recommends an appropriation of $2.268 billion for operation and maintenance in FY 2012. The Committee would also recommend that the these funds be focused on navigation and flood damage reduction projects so that the economic benefits of those projects can be more fully realized.

Harbor Maintenance Trust Fund

The Harbor Maintenance Trust Fund is supported by taxes paid by users of ports and is meant to pay for harbor maintenance projects. The Committee remains concerned that the Fund is not being fully utilized for its intended purpose. At the end of FY 2011, the estimated balance in this fund is expected to be $6.12 billion. The Committee believes that this practice is a breach of trust between the federal government and those who pay the taxes. In addition, currently, only one-third of the nation's federal navigation projects are at their authorized depths and widths. This results in ships having to lighten their load, increasing the cost of transportation. The Committee recommends that for FY 2012 all the revenue collected in FY 2011 be fully used for the authorized purposes.

Inland Waterways Trust Fund

Revenues in the Inland Waterways Trust Fund are derived from a 20-cent-per-gallon tax on diesel fuel used by commercial vessels engaged in inland waterway transportation, plus investment income. The Trust Fund is used to pay one-half of the costs associated with the construction, replacement, expansion, and major rehabilitation of Federal inland waterways projects. Currently, the Corps is using the money at the same rate that it is collected and that is insufficient to maintain an efficient construction schedule for existing projects or to begin any significant new investments. The budget calls for using $77.1 million from the fund in FY 2012, resulting in an estimated balance of $63 million at the end of FY 2012.

The Committee is aware that the current rate of revenue collection and investments is not sustainable in the long term. Some have proposed new methods of collecting revenue to allow for greater investments in inland navigation infrastructure. Recognizing that water transportation is typically more economical, more fuel efficient, and less polluting per ton-mile than other modes of transportation, the Committee continues to express reservations regarding any proposal to raise the costs of shipping goods along the inland waterway system.

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. The Committee concurs with the $196 million recommended funding level and expects the additional funds to be used to expedite permit processing.

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 FY 2011 annualized Continuing Resolution level of $134 million. 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. The Committee recommends an appropriation of $59 million for this account.

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. The Committee supports an appropriation of $233 million for this account.

Flood Control and Coastal Emergencies (FCCE)

The Administration's budget request proposes $27 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 program 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. The Committee recommends a total of $4 million for the FCCE account, to be used in support of the Silver Jackets program.

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 4,000 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. The Committee recommends no funds for this account.

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. The Committee recommends $30 million for this account in FY 2012.

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 President's FY 2012 budget request includes no funding for the Watershed Rehabilitation Program to provide technical and financial assistance for upgrading or removing aging dams. The FY 2011 annualized Continuing Resolution level for this account is $40.2 million. The Committee recommends $40.2 million for this account in FY 2012.

Environmental Protection Agency

For water infrastructure programs administered by the Environmental Protection Agency (EPA), the Committee recommends that limited funds be focused on programs that will have the greatest impact on local economies and job creation, such as the State Revolving Loan Fund Program, Brownfields, and Superfund programs. These programs generally lead to construction projects and turn contaminated land into usable property with an enhanced economic value. Further, these programs provide an opportunity to leverage state, local, and private funds to achieve greater economic and environmental benefits. The Committee supports programs that directly assist communities and businesses in their efforts to meet regulatory requirements.

The Committee does not support the administration's proposal to reinstate the Superfund tax on businesses. The Superfund program is designed to be principally a cost recovery statute, but the tax the administration is proposing would be aimed mostly at where the money is, not where the responsibility lies, and as a result, the taxes would unfairly penalize a substantial amount of companies who did not cause any pollution and had no contact with any Superfund site. During these challenging economic times, increasing the tax burden on businesses will only stifle investment, slow recovery, and slow the creation of new jobs.

Clean Water State Revolving Loan Funds

The Clean Water State Revolving Loan Fund (SRF) program is a highly successful program administered by states to provide low interest loans to local communities around the country to make wastewater infrastructure improvements and to address other water quality needs. To date, Congress has provided $17 billion in grants to help capitalize 51 Clean Water SRFs. With the 20 percent state match and the fact these SRFs earn interest, receive loan repayments, and are used to secure state bonds, the return on this Federal investment has been greater than two to one. These federal capitalization grants have resulted in SRFs funding over $74 billion in loans to date for wastewater infrastructure projects.

For FY 2012, the President's budget is requesting $1.55 billion to further capitalize these funds, a decrease of $550 million below the FY 2011 annualized Continuing Resolution level of $2.1 billion. The Committee supports the President's request for lower funding.

While there is a need for Federal investment in wastewater infrastructure, it is clear that the Federal government cannot meet this need alone. It is going to take a partnership of Federal, State, and local governments, and where appropriate, the private sector, to meet this challenge.

To this end, it is important that all entities who are looking for ways to maximize their investments in wastewater infrastructure and other water pollution control activities seek out innovative and alternative ways of raising capital and increasing investment to supplement the "traditional" ways of funding these programs. Our nation needs to have at its disposal a wide range of funding mechanisms and funding sources available to meet our nation's clean water needs. There is a tremendous amount of capital from other public and private sources potentially available for investment in our infrastructure, and there is a need to learn more about innovative and alternative ways of accessing it.

The Committee supports a shift in the focus of EPA's water program away from creating new unfunded regulatory mandates and toward finding additional ways to leverage current resources to pay for the multitude of regulatory mandates on the regulated community that EPA already has in place.

Nonpoint Source

The nonpoint source management program authorized by section 319 of the Clean Water Act has been very helpful to States and local governments in addressing nonpoint source water quality issues around the nation. For FY 2012, the President's Budget is requesting $164 million for EPA's nonpoint source management program, a decrease of $36 million below the FY 2011 Continuing Resolution level.

The Committee supports the President's request for lower funding. The Committee notes that the EPA needs to focus on additional ways to leverage current resources under the Clean Water Act for addressing nonpoint sources with the resources available from other Federal and State programs. For example, there are programs and resources under the U.S. Department of Agriculture and other agencies that support complementary efforts aimed at improving water quality. EPA needs to improve its coordination with these other agencies and programs to maximize the collective water quality benefit from these programs.

State Water Management Programs

The foundation of the Clean Water Act has long been the Federal-state partnership in implementing the provisions of the Act. In support of this partnership, the Federal funding is provided to the states for state water quality management programs under Section 106 of the Clean Water Act. Prevention and control measures supported by state water quality management programs include Clean Water Act permitting, pollution control activities, surveillance, monitoring, enforcement, local governmental training, and public information. For FY 2012, the President's Budget requests an appropriation of $250.3 million for state water quality management programs under section 106 of the Clean Water Act, an increase of $21 million above the FY 2011 annualized Continuing Resolution level. These funds go directly to States to help communities meet federal environmental requirements. The Committee supports the requested increase.

Superfund

For FY 2012, the President's Budget requests an appropriation of $1.236 billion for the Superfund program administered by the EPA, a decrease of $70 million below the FY 2011 annualized Continuing Resolution level. The Committee supports the President's request for lower funding. The economic benefits from the Superfund program are derived from the cleanups that occur under the program, which return sites to productive use. Therefore, the Committee recommends that EPA devote a larger proportion of the funding for on-the-ground removal and remedial activities, and less for program overhead, to maximize the economic return from the program. As with other accounts, the EPA should give highest priority to projects that create the most jobs and economic activities.

Brownfields

The Brownfields program was authorized under the Small Business Liability Relief and Brownfields Revitalization Act (P.L. 107-118). This program authorizes brownfields site assessments, cleanup, research, and technical assistance, which enables local communities and private landowners to assess and physically clean-up sites, putting valuable urban land back into productive use. The results are jobs created during the cleanup and more jobs created during the economic development generated by the land coming into productive use. The President's FY 2012 Budget requests $148.5 million for the brownfields program, a $1 million decrease below the FY 2011 annualized Continuing Resolution level. The total request of $148.5 million includes $99 million for direct grants to assess and cleanup brownfields, and $49.5 million to support state response efforts to clean up brownfields sites. The Committee supports funding at the level requested by the President. The Committee recommends that EPA devote a larger proportion of the funding for on-the-ground removal and remedial activities, and less for program overhead, to maximize the economic return from the program.

Saint Lawrence Seaway Development Corporation

The Saint Lawrence Seaway Development Corporation is a wholly-owned government enterprise created in 1954 to construct, operate, and develop jointly with Canada a seaway between Montreal and Lake Erie. Funding for operation and maintenance of Seaway facilities is appropriated from the Harbor Maintenance Trust

Fund, which derives its revenue from a 0.125 percent tax on the value of cargo loaded or unloaded at U.S. ports, as well as from tolls collected on the Saint Lawrence Seaway.

The Saint Lawrence Seaway Development Corporation has developed a 10-year U.S. Asset Renewal Program Capital Investment Plan for navigation infrastructure and facilities, including lock operation upgrades and maintenance, waterway management, tunnel and bridge maintenance, and facility upgrade and maintenance. The total cost of the 10-year asset renewal program is $164,605,000, which is authorized by section 5015 of the Water Resources Development Act of 2007 (Pub. L. 110-114).

The Committee strongly supports sufficient appropriations in FY 2012 and beyond to carry out the long-term asset renewal plan of the Seaway.