

**INLAND WATERWAYS USERS BOARD
28th ANNUAL REPORT**

**To The SECRETARY OF THE ARMY
And the UNITED STATES CONGRESS**

December 2015

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Introduction

“The history of our nation is written on our waterways...No other country even approaches the blessings of reliable access to oceans and inland waterways as the United States. The ability to leverage our extensive interior navigable waterways system is essential to our economic advantage and geopolitical dominance.”

LTG Thomas P. Bostick
Chief of Engineers
Testimony presented to the House
Committee on Transportation and
Infrastructure
June 10, 2015

Perhaps no one has summarized better in three short sentences the critical importance, historically and for the future, of our nation’s Marine Transportation System (MTS) and, particularly, of our inland waterways.

Fortunately, in addition to the marine and other natural resources with which the United States has been blessed, we have also been blessed for more than 230 years with enlightened leaders who have recognized the importance of these resources and worked to maximize their contribution to the nation’s well-being. From George Washington’s prayer in 1783 that “Would to God we may have wisdom enough to improve... (the vast inland navigation of these United States)”, to 190 years of contributions by the U.S. Army Corps of Engineers (the Corps) to dredge channels and construct locks, dams and other navigation features, to decisive actions by the U.S. Congress in each of the past two years, our country’s leaders have understood the need to invest in the growth and economic vitality that result from modernization of our nation’s inland waterway transportation system.

A number of approaches have been taken to quantify the value of the nation’s inland waterways system. For example:

- The Corps of Engineers has estimated the replacement value of the infrastructure that supports our inland waterways to be more than \$260 billion.ⁱ
- According to Corps of Engineers statisticians, during the 2010 to 2013 timeframe, Civil Works Program expenditures for inland navigation generated an annual average of \$8.24 billion in net national economic development (NED) benefits for our domestic economy and \$2.27 billion in U.S. Treasury revenue.ⁱⁱ
- A recent study conducted for the National Waterways Foundation by researchers from the University of Kentucky (UK) and the University of Tennessee (UT) concluded that, if the inland waterways system were to be eliminated tomorrow, nearly 550-thousand domestic jobs, \$29 billion in corresponding income, and \$125 billion in aggregate economic output would be lost in just the first year alone.ⁱⁱⁱ

- The economic value of just the Upper and Lower Mississippi River is \$405 billion -- roughly double what was previously assumed -- with a total of 1.3 million jobs generated from river-related activity, according to data released at the fall 2015 meeting of the Mississippi River Cities and Towns Initiative.^{iv}
- In Fiscal Year (FY) 2015, the Corps of Engineers spent approximately \$1.13 billion on Investigations, Construction, and Operation and Maintenance (O&M) activities for commercial navigation on the inland waterways, expenditures which, according to the UK/UT researchers “leads to reduced (annual) freight costs of roughly \$12.5 billion” throughout our nation’s economy.^v

Numerous other examples also exist. Regardless of the methodology, the evaluations’ general conclusions are consistent: America’s inland waterways system is an enormously valuable national asset that connects our producers and America’s jobs to the global economy, influences where businesses locate and how they operate, and is critical to our nation’s continued economic strength and prosperity.

Status of Priority Projects

The Inland Waterways Users Board (“Users Board” or “Board”) members deeply appreciate the increased funding support that Congress has worked to provide Inland Waterways Trust Fund (IWTF) funded lock and dam modernization projects considered by the Board to be high priority projects. During Fiscal Year (FY) 2015, for example, Congress appropriated \$281 million for these priority projects, a \$12 million increase from the previous fiscal year and an amount sufficient for the Corps to allocate a highest-ever \$212.7 million in FY 2015 to continue construction of the Olmsted Locks and Dam project. For FY 2016, Congress has further increased funding for these important projects, providing “full use” appropriations of more than \$400 million for IWTF-funded inland waterway projects, at least \$171 million more than was requested in the FY 2016 President’s Budget proposal.

Funding at or above the FY 2016 level for FY 2017 will be essential to completing these important projects without further delay or additional increased cost. The Board sees no persuasive reason for Congress to deviate from the appropriations approach that Congress has taken for FY 2016 and that is reflected in the themes of recent Board recommendations: (1) full use each year of IWTF revenues; (2) to finish the suite of projects already under construction; (3) on an efficient and expedited basis.

Table 1 summarizes the overall funding status of the Board’s four highest-priority construction projects through and including allocations reflected in the July 1, 2015 revision to the Corps Work Plan for FY 2015.

Table 1: Top Priority Project Funding Status*

	Total Cost (million \$)	Allocations ≤ FY15 (million \$)	Remaining Cost > FY15 (million \$)
Olmsted	\$3,040	\$2,047	\$993
Lower Mon (with deferrals)	\$1,238	\$739	\$499
Kentucky	\$887	\$438	\$449
Chickamauga	\$847	\$188	\$659
Total	\$6,012	\$3,412	\$2,600

*based on figures reported at the December 2015 Users Board Meeting No. 77 in St. Louis, Missouri.

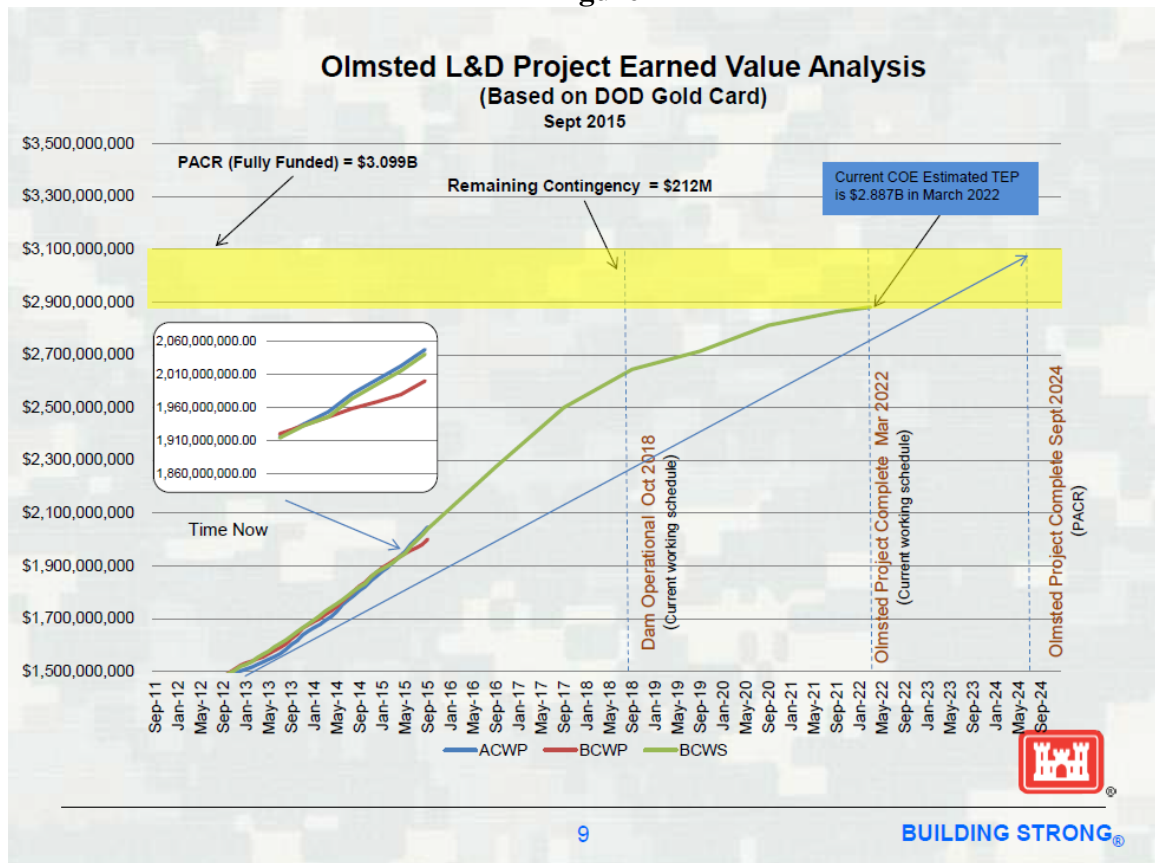
Further details on the construction of each of these top priority projects follows:

- **Olmsted Locks and Dam, Ohio River (“Olmsted”)**. The low water season, and hence this year’s in-the-water construction, started early in 2015. Unfortunately, this “jump start” to the project’s construction season was more than lost between mid-June and the end of July when 37 days of in-the-water construction time were lost due to high-water conditions in the river during that timeframe. Still, the 3rd, 4th and 5th navigation pass shells (of 12) were able to be installed this year, four more paving blocks (of 12) were set leaving four more yet to be set, and the second tainter gate (of 5) was erected and installed, all during the 2015 construction season.

With the FY 2015 record-setting allocation of \$212.7 million to the Olmsted project plus the President’s Budget-requested \$180 million for Olmsted in FY 2016, more than \$2.2 billion will have been allocated to the project through 2016, leaving less than \$900 million required after FY 2016 to complete construction when compared to the Corps current \$3.099 billion official total project cost estimate, which was established in Olmsted’s 2012 Post Authorization Change Report (PACR). However, the Corps reported at the August 2015 Users Board Meeting in Nashville and confirmed at the December 2015 Board Meeting in St. Louis that, because of progress made in recent years, the Corps now considers that Olmsted’s total “cost at completion is \$65 million under the fully funded \$3.1 billion PACR Baseline” and the “project completion schedule is two years ahead of the PACR baseline schedule, 2022 in lieu of 2024”. Depending on how much more than \$180 million ultimately is allocated to the project in FY 2016 from the additional funds provided by Congress, the balance to complete Olmsted after FY 2016 could be as low as \$725 million.

Figure 1, from a Corps presentation at the December 2015 Board Meeting No. 77 in St. Louis, summarizes the current Corps schedule projection for the Olmsted project.

Figure 1



To achieve the results reflected in Figure 1, Corps officials reported at the December 2015 Users Board Meeting No. 77 held in St. Louis that “efficient funding” in the next few years is required as follows: \$268 million in FY 2016, \$225 million in FY 2017, \$175 million in FY 2018, \$125 million in FY 2019, \$100 million in FY 2020, \$75 million in FY 2021, and \$25 million in FY 2022.

While the Board continues to be encouraged by this March 2022 projected completion date, the TEP (Total Estimated Project cost) of Olmsted has been increasing since Users Board Meeting No. 73 in Baltimore as shown below:

Users Board Meeting No.	Date	TEP Cost
Users Board Meeting No. 73	November 18, 2014	\$2,795 million
Users Board Meeting No. 74	February 25, 2015	\$2,819 million
Users Board Meeting No. 75	May 14, 2015	\$2,903 million
Users Board Meeting No. 76	August 12, 2015	\$2,873 million
Users Board Meeting No. 77	December 2, 2015	\$2,887 million

This represents an increase in the TEP of \$92 million in just a little over one year, while funding of the Olmsted project has increased by \$47 million in the same time frame. (\$165.7

million in FY 2014, to \$212.7 million in FY 2015, with the Corps indicating a \$268 million capability funding in FY 2016)

While the Board understands the TEP is calculated within the Corps 80% confidence level and is in fact an estimate, it seems intuitive to the Board that the Olmsted Project completion date should improve and the TEP should decrease as funding is increased.

- **Locks and Dams 2, 3, and 4, Monongahela River (“Lower Mon”)**. For FY 2015, the Lower Mon project was allocated \$55.98 million, well above the President’s Budget request of \$9.03 million, but \$17 million below the \$73 million recommended by the Users Board’s 27th Annual Report. Since our \$73 million figure was premised on a Board-recommended overall lock and dam modernization funding level of \$322 million for FY 2015, \$41 million more than Congress actually appropriated, we indicated our agreement with a lower \$58 million allocation in our March 30, 2015, WRRDA Section 2002(d) Report to Congress. (See Appendix C.)

As explained in our 27th Annual Report, the Board has recommended deferral of work on the land chamber at Charleroi and on work to raise the Port Perry Railroad Bridge, since 90% of the Lower Mon project’s benefits can be achieved without construction of these two project features. After examining the matter in some detail, the Corps indicated its agreement and, by memorandum dated 10 August 2015, officially directed deferment of the Port Perry Railroad Bridge and Charleroi Land Chamber features of the project. Assuming significant funding until completion, deferring this work lowers the Lower Mon’s total project cost by more than \$1.5 billion, from \$2.73 billion to \$1.22 billion, and accelerates the project’s completion date by five years to 2023.

Total allocations to the Lower Mon project through the end of FY 2015 totaled \$687 million which, with the addition of the Administration’s recommended \$52 million for FY 2016, will leave a remaining balance of \$499 million to complete all of the project’s non-deferred work. This is slightly higher than the amount the Board was told a year ago would be required to finish this work.

At the December 2015 Board Meeting No. 77 in St. Louis, Corps officials reported that, to achieve the 2023 completion date for the Lower Mon project (exclusive of Port Perry Railroad Bridge and the Charleroi Land Chamber), “efficient funding” levels will be required as follows: \$60 million in FY 2016, \$66 million in FY 2017, \$100 million in FY 2018, \$114 million in FY 2019, \$89 million in FY 2020, \$33 million in FY 2021, \$17 million in FY 2022, and \$20 million in FY 2023.

- **Kentucky Lock Addition, Tennessee River (“Kentucky”)**. Products originating from or destined for 20 states pass through the systems of Kentucky and Barkley locks, the lower-most locks on the Tennessee and Cumberland Rivers, respectively. Over 80% of the commercial tows hauling these products pass through Kentucky Lock instead of Barkley Lock because of difficult and costly navigation on the Cumberland River below Barkley, effectively making Kentucky Lock the gateway for the 12 locks located upstream in the Tennessee and Cumberland Rivers.

The Kentucky Lock project includes the design and construction of a new lock 110 feet wide and 1200 feet long to be located landward of the existing 110-foot by 600-foot lock. Kentucky Lock currently has some of the longest average delay times of any lock on the entire inland waterways system. Addition of the new 1200-foot lock will eliminate this delay time in the near term and drastically shorten it for forecasted future traffic levels.

The current total estimated cost for the Kentucky project is \$887 million. Through and including FY 2015, \$438 million has been allocated to the project, leaving a remaining balance of \$449 million to complete construction. The Kentucky project's design has been completed, as have three major highway, railroad, and transmission tower relocations associated with the construction of the new lock. The project's upstream lock monolith contract is 90% complete, and fabrication of the upstream miter gate is more than 90% complete and it is scheduled for completion and installation in February 2016.

Like Chickamauga, Kentucky Lock's benefit/cost ratio (BCR) calculation suffers from the failure of Corps economic analysis methodology to adequately recognize project benefits beyond transportation cost savings. Kentucky Lock, for example, is used by the M/V Delta Mariner an average of eight times a year (16 times considering the round trip) to transport United Launch Alliance rockets valued at more than \$1 billion each year to desired destinations. The M/V Delta Mariner is the preferred transportation mode for the Atlas rocket because of the Delta Mariner's much lower cost, and it is the only method of transporting the Delta IV rocket, which has the highest payload capacity of any existing operational rocket system in the world and is the only launch system available for some U.S. national-security-related launches. Currently, Corps benefit/cost calculations do not recognize this enormous benefit of the Kentucky project.

The President's Budget for FY 2015 did not recommend any additional funding for the Kentucky project. Congress, however, appropriated \$112 million more than the President's Budget requested for IWTF-financed lock and dam modernization projects in FY 2015, which, consistent with the recommendation in the Users Board's 27th Annual Report, facilitated Kentucky receiving a new \$12.7 million allocation in the Corps FY 2015 Work Plan.

The Kentucky Lock project, begun in 1998, had its original completion date set for 2007, but current Corps projections do not envision project completion before 2023. To achieve the 2023 Kentucky completion date, Corps officials reported at the December 2015 Users Board Meeting in St. Louis that "efficient funding" in the following amounts will be required: \$48 million in FY 2016, \$52 million in FY 2017, \$51 million in FY 2018, \$69 million in FY 2019, \$95 million in FY 2020, \$85 million in FY 2021, \$31 million in FY 2022, and \$18 million in FY 2023.

- **Chickamauga Lock, Tennessee River ("Chickamauga")**. Chickamauga Lock and Dam is owned by the Tennessee Valley Authority (TVA) and operated by the Corps Nashville District. The project is located on the upper stretch of the Tennessee River, just upstream

from Chattanooga, Tennessee, and consists of a 75-year-old dam and under-sized 60-foot-by-360-foot lock.

The Chickamauga project envisions the construction of a new 110-foot-by-600-foot lock located riverward of the existing lock and immediately downstream of Chickamauga Dam. When complete, the project will significantly enhance navigation capacity and efficiency, allowing the simultaneous movement of nine jumbo barges where only one at a time can transit in the lock today.

Perhaps even more important than the capacity-increase that it will produce, the Chickamauga project is needed for safety reasons. The new lock is required to eliminate structural deficiencies of the existing lock caused by “Alkaline Aggregate Reaction” (aka, “concrete growth”), a chemical reaction which causes the lock’s concrete to physically expand and, in turn, creates enormous stresses that threaten the integrity of the lock and seriously limits its life. If the existing lock should fail or otherwise close, 318 miles of navigable channels would be lost, navigation would be cut off to Tennessee’s third largest city (Knoxville), and river transportation would cease to Oak Ridge Nuclear Laboratories, Olin Corporation, Watts Bar and Sequoyah nuclear power plants, Kingston and Bull Run steam plants, and many other businesses.

In the 1995 to 2000 timeframe, 335 strand anchors were installed to enhance structural stability and help remediate the concrete growth threat at Chickamauga. Additionally, over 2900 monitoring instruments were installed and a program of aggressive maintenance was implemented to keep the project operational. While this has been successful thus far, recent analysis by the Corps indicated that the enormous stresses caused by the continuing concrete growth and high risk associated with this condition will require near-term replacement of the anchor strands at a cost of approximately \$360 million. This recent analysis only increases the urgency of completing the new 600-foot lock project as quickly as possible.

The Board is aware that the Corps is in the process of finalizing a Level 3 economic analysis of the project under which Chickamauga’s benefits and costs are being updated and its benefit/cost ratio (BCR) and remaining benefits/remaining costs ratio (RBRCCR) are being re-calculated. Board members believe that this effort is likely to provide useful new information, but we also recognize some of the limitations in the valuations and data that the Corps uses in performing this economic analysis. Corps analytical methodology to evaluate the economics of inland navigation projects focuses heavily on tonnage and transportation rate savings and does not factor the value of inland waterway cargo or the value of benefits provided to other non-navigation beneficiary groups like recreation, hydropower, flood control, and water supply into funding metrics and economic equations. This can greatly understate the true value of the benefits actually being provided by a lock and dam modernization project like Chickamauga, where TVA-conducted and other studies have shown that Chickamauga-provided navigation benefits are dwarfed by the benefits that the project generates for the non-navigation beneficiary groups.

Through the end of FY 2015, \$187.5 million has been allocated to construct the project, \$3 million of which was included in the Corps FY 2015 Work Plan and \$49.3 million of which

were American Recovery and Reinvestment Act (ARRA) funds. Based on the Corps' current \$847 million estimate of total project cost, a balance of \$659 million remains after FY 2015 to complete construction at Chickamauga. Originally planned for completion in FY 2010, the Corps currently estimates that, following completion of Olmsted and Lower Mon, 2026 is the earliest the project may be completed. However, according to information provided by Corps officials at the December 2015 Users Board Meeting in St. Louis, "efficient funding" provided annually in the following amounts could advance the project's completion date by two years: \$29 million in FY 2016, \$80 million annually in FY 2017 through FY 2023, and \$70 million in FY 2024.

Navigation and Ecosystem Sustainability Program

In 2007 Congress authorized construction of the Navigation Ecosystem and Sustainability Program (NESP), a dual-purpose authority to modernize seven Depression-era lock and dam projects on the Upper Mississippi River and Illinois Waterway while also establishing an integrated multi-year river ecosystem restoration program. According to information provided by the Corps at the February 2015 Users Board Meeting No. 74 in Birmingham, almost \$60 million (\$59.7 million) has been allocated thus far to Pre-construction Engineering and Design (PED) of NESP project features, including \$11 million for Mississippi River Lock 25, \$9.3 million for Mississippi River Lock and Dam 22, and \$1.7 million for LaGrange Lock and Dam. Unfortunately, the bulk of these NESP PED allocations occurred in or before Fiscal Year 2010, leaving further progress on NESP substantially unrealized for the past few years.

The Board has repeatedly recommended that PED be resumed for one or more of the NESP lock modernization projects, starting with the new 1200-foot lock at Lock and Dam 25 on the Mississippi River, as recommended by the joint Corps/industry navigation team in the April 2010 Inland Marine Transportation System (IMTS) Capital Projects Business Model report. Others have also made similar recommendations. In just this past year, separate letters supporting NESP PED funding have been sent to key Congressional or Administration officials signed on a bipartisan basis by 29 members of the U.S. House of Representatives, nine U.S. Senators, five Governors, and 67 business and labor organizations. (See Attachment D.)

Status of the Inland Waterways Trust Fund

For the first six months of FY 2015, the diesel fuel tax that commercial users of the inland waterways system pay into the Inland Waterways Trust Fund (IWTF) stood at 20 cents per gallon. Beginning April 1, 2015, that tax increased by 45 percent to 29 cents per gallon pursuant to section 205 of P.L. 113-295. With the tax set at the lower 20 cents per gallon, average tax revenues into the IWTF over the past five years were approximately \$81 million per year, slightly more than \$4 million per year in revenues for every penny of the tax. At this rate, the 9-cents-per-gallon increase can be expected to generate an additional \$36 million in IWTF revenues on an annual basis for a total of \$116-117 million each future year beginning with FY 2016.

Experience gained during the latter half of FY 2015 suggests that the \$116 million annual IWTF revenue projection is on solid ground and, if anything, may be a bit too conservative. Table 2 shows the amount of diesel fuel taxes deposited into the IWTF since the tax was increased to 29 cents per gallon, as reported on a monthly basis by the U.S. Department of Treasury.

Table 2: Inland Waterways Trust Fund Diesel Fuel Tax Revenue

Month (2015)	Revenues (millions of dollars)
April	\$8.040
May	\$10.369
June	\$9.878
July	\$10.428
August	\$9.619
September	\$15.912
Average	10.708

Considering that April, the first month after the tax increase had gone into effect, probably was too soon to see the full effect of the increase reflected in that month’s government tax filings and that September’s unusually large amount probably includes one-time end-of-fiscal-year adjustments, Table 2 suggests that slightly more than \$10 million on average is being collected each month which, if maintained over the course of a full year, would generate approximately \$120 million in IWTF revenues annually.

Based on this examination of recent historical tax receipt experience and of early results with the new 29-cent tax, the Board continues to be comfortable with the \$116 million annual IWTF revenue projection that was utilized for purposes of making recommendations in the Board’s 27th Annual Report and in the Board’s March 30 submission to Congress (Appendix C). The Board believes the conservative \$116 million figure should be used -- and the Administration’s lower \$110 million projection should not be used -- in making appropriation and project-specific allocation decisions for IWTF project funding in Fiscal Years 2016 and 2017.

Multi-Year Capital Investment Program

Section 2002 of the Water Resources Reform and Development Act of 2014 (WRRDA), tasked the Secretary of the Army, in coordination with the Inland Waterways Users Board, to develop and submit to Congress a 20-year program for making capital investments on the inland waterways system. With the goal of complying with Section 2002 and assisting the Secretary to meet the June 10, 2015, statutory deadline that WRRDA established for submission of the 20-year program, Board members and other industry representatives met with assigned Corps of Engineers navigation officials repeatedly during the latter half of 2014 and the first five months of 2015 in a cooperative effort to develop the program and draft the accompanying report to Congress. Periodic implementation status briefings were provided directly to senior Corps leaders and Office of the Assistant Secretary of the Army for Civil Works officials at public Users Board meetings in Walla Walla, Washington (August 2014), Baltimore, Maryland (November 2014), Birmingham, Alabama (February 2015), and Galveston, Texas (May

2015). Shortly after the May 2015 Users Board Meeting in Galveston, the Users Board understood that the draft Secretary's submission was provided to the Office of Management and Budget (OMB) for their review and coordination.

Because of the high level of coordination that had occurred throughout the process, Board members were cautiously optimistic during May that the Secretary of the Army would be able to meet WRRDA's June 10th submission deadline. Unfortunately, the June 10th deadline was not met and, to date, the Secretary's 20-year investment program still has not been finalized.

Based on the coordination work done with the Corps for the 20-year program and without being able to react to a finalized document of the Secretary, the Board is more convinced than ever that the optimum funding strategy for inland waterways system modernization over the next twenty years is to fully utilize each year the revenues generated in that fiscal year for the Inland Waterways Trust Fund. It is increasingly clear that a minimalist inland waterways modernization investment strategy like the one reflected in the President's Budget for FY 2016, which would fund only two trust fund projects in FY 2016, is seriously deficient. With the inland waterway diesel fuel tax increase that went into effect April 1st of this year, such a minimalist approach would unnecessarily delay completion of the priority projects already under construction, wastefully increase the costs to complete those projects, needlessly squander the billions of dollars in national economic benefits the completed projects are designed to provide, and further postpone the construction start of a number of other priority projects. As all of this would occur, the balance of the IWTF would grow ever-larger, even though the Trust Fund consists of revenue collected from Industry for the express and sole purpose of making capital improvements on the nation's inland waterways.

Table 3, which begins with conditions existing at the end of FY 2015 and examines the 5-year period FY 2016 through 2020, is the notional scenario Board members were told represents continuation of the funding approach recommended in the FY 2016 President's Budget and helps illustrate how ill-advised the minimalist investment strategy reflected in the proposed FY 2016 President's Budget would be.

Table 3: FY 2016 President’s Budget

President’s 2016 “Budget”
(millions of dollars)

	Total Remaining Cost > 2015	2015	2016	2017	2018	2019	2020	Commentary
<i>Olmsted</i>	1057	207.3	180	184	187	191	178	137 Olmsted remaining
<i>Lower Mon</i>	481	58.0	52	47	35	32	45	275 remaining; complete in FY24
<i>Kentucky</i>	443	12.7	-	-	-	-	-	443 remaining; complete in FY28
<i>Chickamauga</i>	671	3.0	-	-	-	-	-	671 remaining; complete in FY30
<i>Other</i>	-	-	-	-	-	-	-	Funds not provided
<i>Major Rehabilitation Projects</i>	-	-	-	-	-	-	-	Funds not provided
<i>Total</i>		281	232	231	222	223	228	5-YR TOTAL: \$1.136 Billion

Beginning IWTF balance	54	111	170	234	299		Increases each year
Annual IWTF revenues	110	110	110	110	110		
Annual IWTF expenditures	53	51	46	45	49		Far below full use
Excess/Deficit	57	59	64	65	61		
End-of-YR IWTF balance	111	170	234	299	360		Ballooning surplus; funds languishing; 1,526 remaining for top 4 priorities

The FY 2016 President’s Budget request assumed that only \$110 million in inland waterway diesel fuel tax revenues would be raised in FY 2016 and that only two IWTF projects, Olmsted and Lower Mon, would be funded. Total proposed funding for these two projects during FY 2016 was only \$232 million, far below the level that could be supported by the Administration’s too-pessimistic Trust Fund revenue projection for the year. Continuing to fund construction of Inland Waterways Trust Fund projects at this low level for just the 5-year period ending in 2020 would not finish a single project, would not fully utilize trust fund revenues in any of the five years, and would cause the end-of-year unobligated surplus in the trust fund to substantially increase each year from its already-too-high \$54 million starting point, ultimately reaching \$360 million at the end of FY 2020 -- an amount that would be \$390 million based on a more realistic assumption of \$116 million in revenue being deposited each year into the IWTF.

Users Board members believe the far superior approach is to base annual spending for Inland Waterways Trust Fund projects on \$116 million in diesel tax revenues being deposited each year in the Trust Fund and fully utilizing each year those revenues to support construction of priority Trust Fund projects.

In addition to the level of inland waterway diesel fuel tax revenues deposited into the IWTF during a year, the “full use” amount of those revenues for all projects for that year depends on how much total federal funding is allocated to the Olmsted project. The higher the amount of funding allocated to Olmsted, the higher the full-use amount for all IWTF-funded projects will be for a given fixed year, and vice versa.

For purposes of comparison with Table 3 and to illustrate the serious shortcomings of the programmatic vision reflected in Table 3, Table 4 reflects a hypothetical full use 5-year scenario based on two assumptions: annual deposits of diesel tax revenues into the IWTF of \$116 million each year and annual allocation of \$200 million each year to the Olmsted project.

Table 4: Full Use with Olmsted at \$200 million per year

Full Use w/ Olmsted at \$200M per year
(\$116M in, \$372M spent ≤ 2020)

	Total Remaining Cost > 2015	2015	2016	2017	2018	2019	2020	Commentary
<i>Olmsted</i>	1057	207.3	200	200	200	200	200	57 Olmsted remaining
<i>Lower Mon</i>	481	58.0	52	47	116	53	112	101 remaining (FY21/22)
<i>Kentucky</i>	443	12.7	50	51	44	68	60	136 remaining (FY22)
<i>Chickamauga</i>	671	3.0	29	19	-	-	-	623 remaining (FY26)
<i>To be determined</i>	-	-	41	55	12	51	-	159 available to be allocated
<i>Major Rehabilitation Projects</i>	-	-	-	-	-	-	-	Up to \$159 potentially available
Total		281	372	372	372	372	372	5-YR TOTAL: \$1.860 Billion

Beginning IWTF balance	54	54	54	54	54	54	
Annual IWTF revenues	116	116	116	116	116	116	
Annual IWTF expenditures	116	116	116	116	116	116	
Excess/Deficit	-	-	-	-	-	-	
End-of-YR IWTF balance	54	54	54	54	54	54	25 to 30 available for obligation; 758-917 remaining for top 4 priorities

■ = Assumes WCI/IWUB \$116 M estimate of annual IWTF tax receipts

As reflected in Table 4, with Olmsted receiving \$200 million each year -- \$20 million above the budget proposed for FY 2016 and close to FY 2015's highest-ever \$212.7 million -- and \$116 million each year of inland waterway diesel tax revenues being deposited into the IWTF, the Trust Fund could support \$372 million in funding each year during the FY 2016-FY 2020 timeframe without reducing the \$54 million beginning balance in the Trust Fund at any time during the 5-year period. A total of \$1.86 billion, \$724 million more than the proposed FY 2016 President's Budget total, would be invested in the nation's priority lock and dam modernization projects, with substantial funding going to Olmsted, Lower Mon, Kentucky, and Chickamauga and \$159 million in unallocated funds able to be dedicated to one or more of these priority projects -- to use \$57 million to finish Olmsted, for example -- or to be used in whole or in part for other important IWTF projects as changed circumstances or new developments during the 5-year period might warrant.

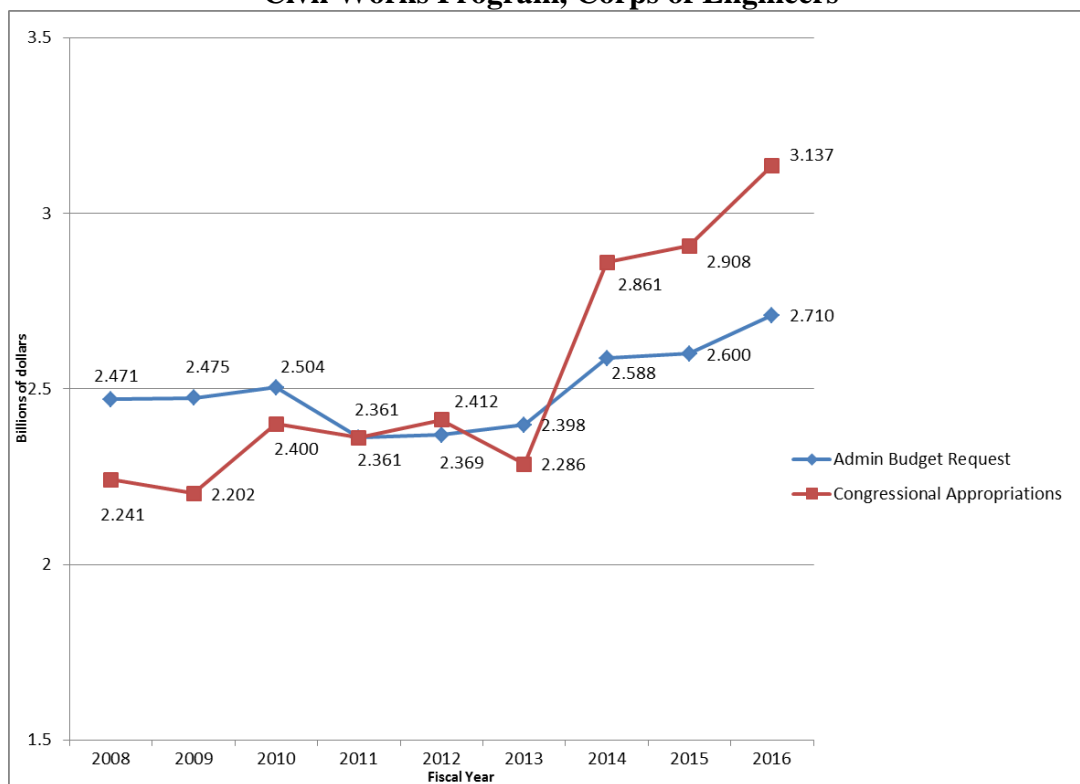
Operation and Maintenance Funding

While the Board recognizes that its principal responsibility is to provide advice to the Secretary of the Army and Congress concerning capital investments in the nation's inland waterways system, the Board also continues to be concerned about the level of investment being made to operate and maintain the existing system. Failing to adequately invest in keeping the system's locks and dams in working

order inevitably increases the likelihood that much more significant expenditures will be required in the future to repair what could have been prevented in the first place, at much lower cost, by proper attention to upkeep of the system’s infrastructure. Americans understand the need to routinely change the oil in their cars, rotate the car’s tires and periodically replace the car’s timing and other belts in order to prevent far more costly repairs to the car’s engine and other key parts. The same lesson must be learned and acted on with respect to the nation’s inland waterways system, including its locks and dams.

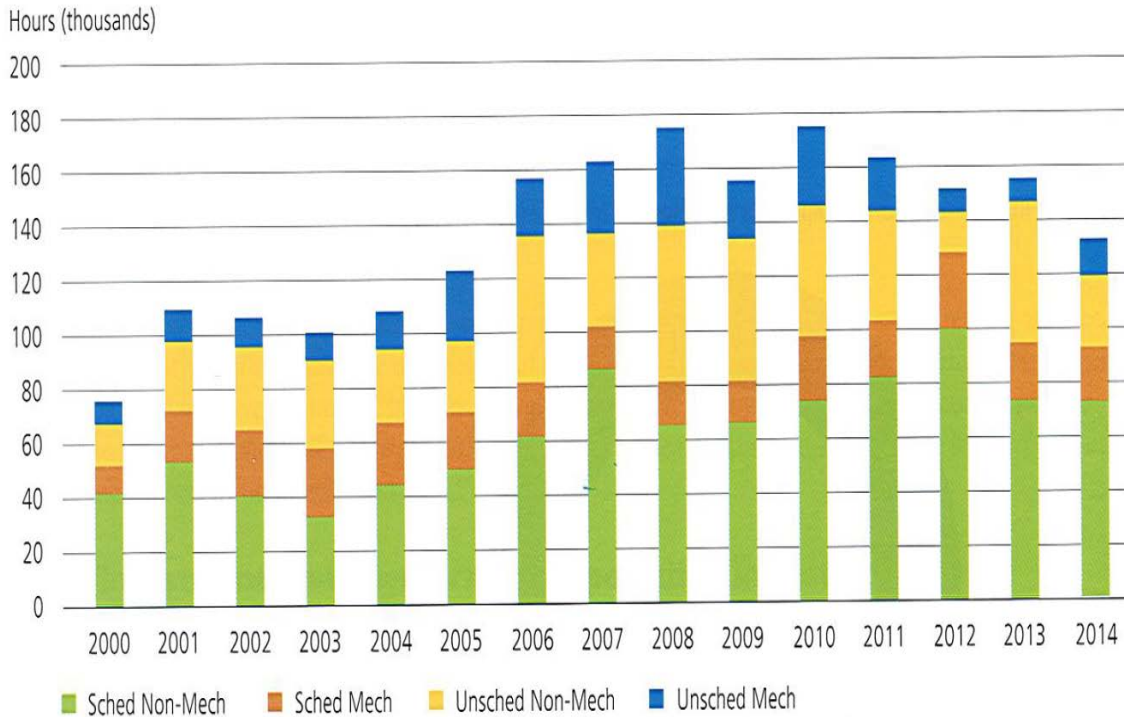
Users Board members are encouraged at the recent progress that has been made in this area. Where for too long there was an unmistakable failure to recognize the importance of adequately funding the Operation and Maintenance (O&M) account of the Corps, there now appears to be a heightened recognition of the need that exists to increase Corps O&M funding. Figure 2 is illustrative.

**Figure 2: Operation & Maintenance Account
Civil Works Program, Corps of Engineers**



Until FY 2014, the levels of O&M funding requested by the Executive Branch and appropriated by Congress for the Corps Civil Works Program were well below what was necessary to address the system’s needs. Beginning in FY 2014 and continuing since then, the Administration has requested and Congress has acted to provide increasing levels of Corps O&M funding, culminating in successive record-level appropriations for those three fiscal years. The Board applauds this development and strongly encourages that it continue in coming years. By following such an approach, the Board believes the odds are improved that recent progress to minimize lock unavailability, reflected below in Figure 3^{vi}, can continue in future years.

Figure 3: Hours of Lock Unavailability on U.S. Inland Waterways, 2000-2014



Users Board Recommendations

- In allocating construction funding for inland waterway modernization projects during Fiscal Years 2016 and 2017, the Administration and Congress should use the project priority list contained in the existing Capital Development Plan, dated April 13, 2010.** The existing Capital Development Plan, with its emphasis on concentrating first on finishing the projects we have already started, should continue to govern project-specific funding allocations until well after the Secretary of the Army has completed work on the revisions on its priority list being developed in response to Section 2002 of the Water Resources Reform and Development Act. Congress and the Board must have a full opportunity to evaluate and react to the revised priority list before it can be considered as a sound guide for future investment. Because of the amount of time it will take to develop and appropriately vet the revised priority list, and given the long lead times that are required to properly plan and implement construction schedules for large infrastructure projects like locks and dams, the Board believes at this time that the revised priority list should not be used for making project-specific funding allocations before FY 2018.
- For Fiscal Year 2016, the Administration should fully allocate in the next few months the more than \$400 million Congress provided in the Consolidated Appropriations Act, 2016 or the FY 2016 Omnibus Act (Public Law 114-113, dated December 18, 2015) for continued construction of Inland Waterways Trust Fund projects, including \$268 million for Olmsted Locks and Dam, \$60 million for Lower Mon Locks and Dams 2, 3 and 4, \$48 million for**

Kentucky Lock, and \$29 million for Chickamauga Lock. Corps officials reported at the December 2015 Users Board Meeting No. 77 in St. Louis that these amounts constituted the current capability estimates for each of the projects, and Omnibus bill Statement of Manager language clearly indicates Congressional support for funding the projects at the capability level in FY 2016.

- **For Fiscal Year 2017, the Administration and Congress should base IWTF project funding recommendations and funding decisions on assumed annual inland waterways fuel tax revenues deposited into the IWTF at a level of at least \$116 million during FY 2017.** The Board's projection for the amount of additional IWTF revenue that would be generated by the 9-cent increase in the inland waterway diesel fuel tax has been validated by the early experience under the increased tax. Similar experience is expected at this time to continue during FY 2017. In the unlikely event that actual revenues fall short of this FY 2017 projection, the balance of funds remaining in the Trust Fund would be more than adequate to support the Board's recommended level of lock and dam construction funding for FY 2017.
- **For Fiscal Year 2017, the Administration should request and Congress should provide for the construction of inland waterway modernization projects the maximum amount of appropriated funding supportable by expected revenues into the Inland Waterways Trust Fund during FY 2017, estimated in an amount no less than \$116 million; including \$225 million for Olmsted Locks and Dam, \$66 million for Lower Mon Locks and Dams 2, 3 & 4, \$52 million for Kentucky Lock, \$19 million for Chickamauga Lock, and \$28 million for Major Rehabilitation at LaGrange Lock.** For the four ongoing construction projects (Olmsted, Lower Mon, Kentucky, and Chickamauga), the Corp' current capability estimate is the level being recommended by the Board for each of those projects. The Board's recommendation for LaGrange Lock is the result of the pre-December meeting inspection tour of the lock by Board members, where it was apparent that this work should be undertaken as a matter of high priority.
- **The Corps should continue to efficiently fund the General Re-evaluation Report (GRR) for the Inner Harbor Navigation Canal (IHNC) Lock Replacement so that construction can be resumed on this priority project at the earliest opportunity.** The Board was pleased with and fully supports the FY 2016 President's Budget request of \$589,000 for continuation of the GRR, and urges the Corps to do all it can to expedite completion of the IHNC Lock GRR.
- **Funding should be allocated during Fiscal Years 2016 and 2017 from the Corps Investigations appropriation account for Pre-construction Engineering and Design (PED) of one or two lock modernization projects on the Upper Mississippi River and Illinois Waterway system authorized in title VIII of the Water Resources Development Act of 2007 (Public Law 110-114).** Lock and dam projects are long term, long lead projects. To ensure that projects are "shovel ready" when funds become available, including if funds become available earlier than planned due to unforeseen events, prudence calls for performing PED work on priority projects not yet under construction. As envisioned in the Capital Development Plan, the first two NESP lock modernization projects to receive additional PED funding should be Lock and Dam 25 on the Mississippi River and LaGrange Lock and Dam on the Illinois Waterway, both of which have received previously appropriated funds for necessary PED work. Moving

forward in this fashion will position these projects to proceed to construction as soon as construction funding becomes available for them.

- **For Fiscal Year 2017, the Administration and Congress should continue and, if possible, increase the robust levels of funding provided during Fiscal Years 2014, 2015, and 2016 for the Operation and Maintenance (O&M) activities of the Corps affecting inland and coastal navigation throughout the nation.** Additional funding will help address the Corps deferred O&M and will be completely consistent with the broadly-supported objective of improving our national standard of living, growing the nation’s economy, and increasing exports.

Acknowledgements

The Inland Waterways Users Board wishes to express its sincere appreciation to Major General John W. Peabody, the U.S. Army Corps of Engineers Deputy Commanding General for Civil and Emergency Operations and Executive Director to the Board for the outstanding leadership and support he has provided throughout his tenure. The Board thanks Mr. Mark R. Pointon, the Designated Federal Officer for the Board, and Mr. Kenneth E. Lichtman from the Corps Institute for Water Resources for the support they provide. The Corps’ division and district staffs and the staffs at Corps Headquarters and at the Institute for Water Resources have provided thorough and timely information throughout the year, which the Board greatly appreciates. The Board also would like to highlight and recognize the professionalism and superb service of Mr. David Dale from the Great Lakes and Ohio River Division for his work generally the past few years and particularly concerning the Olmsted Locks and Dam project

ⁱ Information Paper, Civil Works Program Statistics, February 2, 2015

ⁱⁱ “Staying Relevant in the 21st Century”, September 17, 2015, presentation by Steven L. Stockton to the National Waterways Conference.

ⁱⁱⁱ “Inland Navigation in the United States: An Evolution of Economic Impacts and the Potential Effects of Infrastructure Investment”, November 2014, by Mark Burton PhD, Larry Bray PhD, Ted Grossardt PhD, and Ben Blanford PhD.

^{iv} “Measuring a River’s Worth”, Fall 2015 edition of Our Mississippi, a quarterly newsletter of the U.S. Army Corps of Engineers.

^v Fiscal Year 2015 Work Plan of the U.S. Army Corps of Engineers, as revised, and op. cit. footnote 3.

^{vi} “The Quadrennial Energy Review”, April 21, 2015, U.S. Department of Energy, Chapter V.

Appendix A

History

The Inland Waterways Fuel Tax was established to support inland waterways infrastructure development and rehabilitation. Commercial users are required to pay this tax on fuel consumed in inland waterways transportation. Revenues from the tax are deposited in the Inland Waterways Trust Fund and generally fund 50% of the cost of inland navigation projects each year as authorized. From the beginning of 1995 through March 31, 2015, the amount of tax paid by commercial users was \$.20 per gallon of fuel, which in recent years generated approximately \$80 to \$85 million in contributions annually to the Inland Waterways Trust Fund. With the President's December 2014 signing of Public Law 113-295, the diesel fuel tax rate increased to \$.29 per gallon effective April 1, 2015, generating additional revenues for the Inland Waterways Trust Fund.

Reflecting the concept of "Users Pay, Users Say", the Water Resources Development Act of 1986 (Public Law 99-662) (WRDA 86) established the Inland Waterways Users Board (the Board), a Federal advisory committee, to give commercial users a strong voice in the investment decision-making they are supporting with their cost-sharing tax payments. The principal responsibility of the Board is to recommend to the Congress, the Secretary of the Army and the U.S. Army Corps of Engineers the prioritization of new and replacement inland navigation construction and major rehabilitation projects. Specifically, Section 302 of WRDA 86 tasked the Board as follows:

"The Users Board shall meet at least semi-annually to develop and make recommendations to the Secretary regarding construction and rehabilitation priorities and spending levels on the commercial navigational features and components of the inland waterways and inland harbors of the United States for the following fiscal years. Any advice or recommendation made by the Users Board to the Secretary shall reflect the independent judgment of the Users Board. The Users Board shall, by December 31, 1987, and annually thereafter file such recommendations with the Secretary and with the Congress."

On June 10, 2014, the President signed the Water Resources Reform and Development Act (Public Law 113-121) which, among other things, modified WRDA 86's Section 302 to amend and increase the responsibilities of the Users Board. Section 2002 of WRRDA replaced subsection (b) of the 1986 Act's Section 302 as follows:

"(1) IN GENERAL. – The Users Board shall meet not less frequently than semiannually to develop and make recommendations to the Secretary and Congress regarding the inland waterways and inland harbors of the United States.

(2) ADVICE AND RECOMMENDATIONS. – For commercial navigation features and components of the inland waterways and inland harbors of the United States, the Users Board shall provide –
(A) prior to the development of the budget proposal of the President for a given fiscal year, advice and recommendations to the Secretary regarding construction and rehabilitation priorities and spending levels;

- (B) advice and recommendations to Congress regarding any feasibility report for a project on the inland waterway system that has been submitted to Congress pursuant to section 7001 of the Water Resources Reform and Development Act of 2014;*
- (C) advice and recommendations to Congress regarding an increase in the authorized cost of those features and components;*
- (D) not later than 60 days after the date of the submission of the budget proposal of the President to Congress, advice and recommendations to Congress regarding construction and rehabilitation priorities and spending levels; and*
- (E)” advice and recommendations on the development of a long-term capital investment program in accordance with subsection (d).*
- (3) PROJECT DEVELOPMENT TEAMS. – The chairperson of the Users Board shall appoint a representative of the Users Board to serve as an advisor to the project development team for a qualifying project or the study or design of a commercial navigation feature or component of the inland waterways and inland harbors of the United States.*
- (4) INDEPENDENT JUDGMENT. – Any advice or recommendation made by the Users Board to the Secretary shall reflect the independent judgment of the Users Board...*
- ...(d) CAPITAL INVESTMENT PROGRAM. –*
- (1) IN GENERAL. – Not later than 1 year after the date of enactment of this subsection, the Secretary, in coordination with the Users Board, shall develop and submit to Congress a report describing a 20-year program for making capital investments on the inland and intracoastal waterways based on the application of objective, national project selection prioritization criteria.*
- (2) CONSIDERATION. – In developing the program under paragraph (1), the Secretary shall take into consideration the 20-year capital investment strategy contained in the Inland Marine Transportation System (IMTS) Capital Projects Business Model, Final Report published on April 13, 2010, as approved by the Users Board.*
- (3) CRITERIA. – In developing the plan and prioritization criteria under paragraph (1), the Secretary shall ensure, to the maximum extent practicable, that investments made under the 20-year program described in paragraph (1) —*
- (A) are made in all geographical areas of the inland waterways system; and*
- (B) ensure efficient funding of inland waterways projects.*
- (4) STRATEGIC REVIEW AND UPDATE. – Not later than 5 years after the date of enactment of this subsection, and not less frequent than once every 5 years thereafter, the Secretary, in coordination with the Users Board, shall —*
- (A) submit to Congress and make publicly available a strategic review of the 20-year program in effect under this subsection, which shall identify and explain any changes to the project-specific recommendations contained in the previous 20-year program (including any changes to the prioritization criteria used to develop the updated recommendations); and*
- (B) make revisions to the program, as appropriate.*
- (e) PROJECT MANAGEMENT PLANS. – The chairperson of the Users Board and the project development team member appointed by the chairperson under subsection (b)(3) may sign the project management plan for the qualifying project or the study or design of a commercial navigation feature or component of the inland waterways and inland harbors of the United States.”*

WRRDA's Section 2002 further clarifies the role of the Users Board in a new subsection (f) of Section 302, as follows:

“(f) ADMINISTRATION. –

(1) IN GENERAL. – The Users Board shall be subject to the Federal Advisory Committee Act (5 U.S.C. App.), other than section 14, and, with the consent of the appropriate agency head, the Users Board may use the facilities and services of any Federal agency.

(2) MEMBERS NOT CONSIDERED SPECIAL GOVERNMENT EMPLOYEES. – For the purposes of complying with the Federal Advisory Committee Act (5 U.S.C. App.), the members of the Users Board shall not be considered special Government employees (as defined in section 202 of title 18, United States Code).

(3) TRAVEL EXPENSES. – Non-Federal members of the Users Board while engaged in the performance of their duties away from their homes or regular places of business, may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code.”

On August 12, 2015, at the Users Board Meeting No. 76 in Nashville, Major General (MG) John Peabody, Deputy Commanding General for Civil and Emergency Operations officiated at the swearing-in of current Inland Waterways Users Board members for a term of office lasting two years.

Appendix B

List of the Fuel Taxed Inland and Intracoastal Waterways and System Map

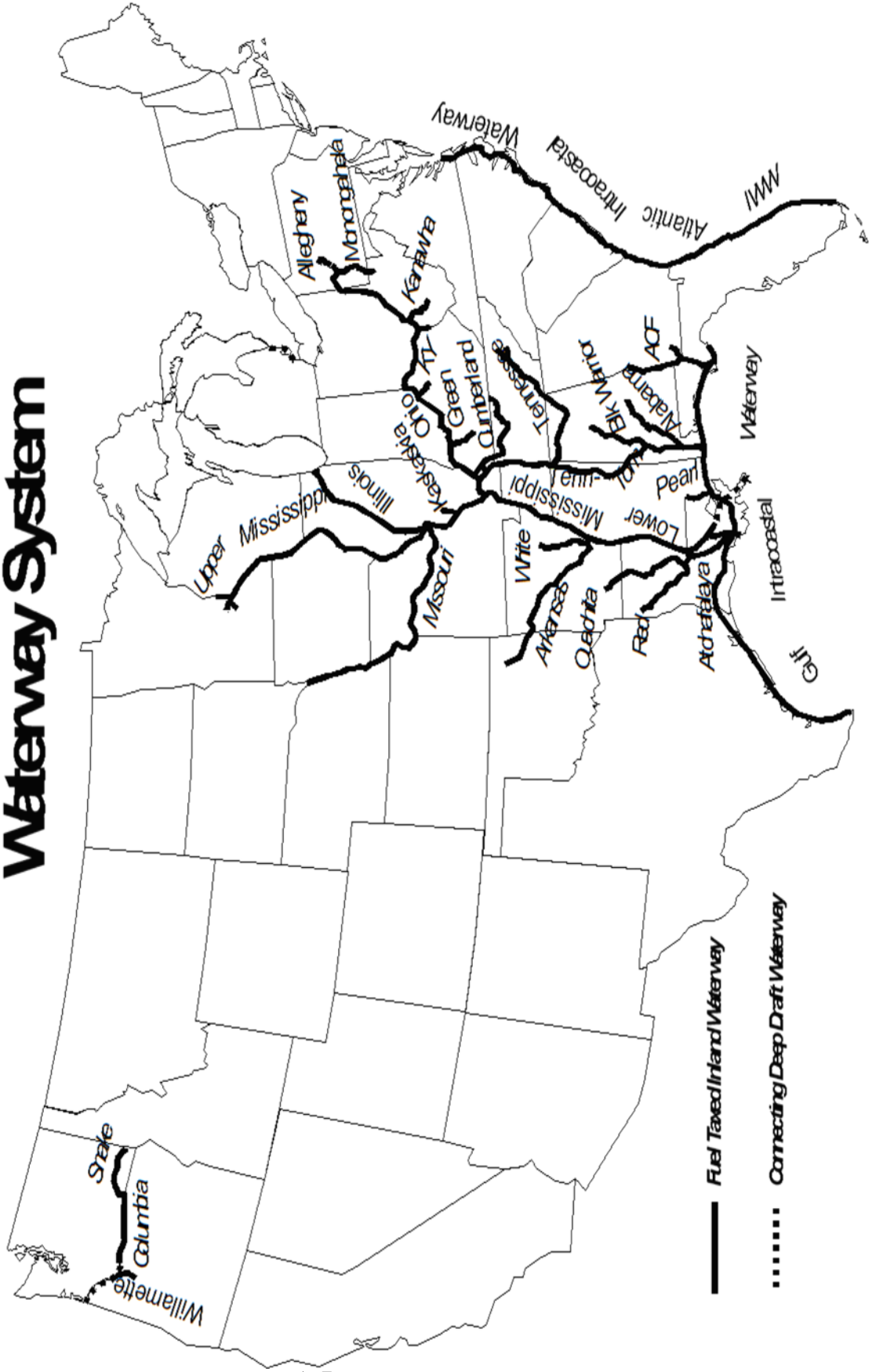
Statutory Definitions of Inland and Intracoastal Fuel Taxed Waterways of the United States

SOURCES: Public Law 95-502, October 21, 1978, and Public Law 99-662, November 17, 1986.

1. Alabama-Coosa Rivers: From junction with the Tombigbee River at river mile (hereinafter referred to as RM) 0 to junction with Coosa River at RM 314.
2. Allegheny River: From confluence with the Monongahela River to form the Ohio River at RM 0 to the head of the existing project at East Brady, Pennsylvania, RM 72.
3. Apalachicola-Chattahoochee and Flint Rivers (ACF): Apalachicola River from mouth at Apalachicola Bay (intersection with the Gulf Intracoastal Waterway) RM 0 to junction with Chattahoochee and Flint Rivers at RM 107.8. Chattahoochee River from junction with Apalachicola and Flint Rivers at RM 0 to Columbus, Georgia at RM 155 and Flint River, from junction with Apalachicola and Chattahoochee Rivers at RM 0 to Bainbridge, Georgia, at RM 28.
4. Arkansas River (McClellan-Kerr Arkansas River Navigation System): From junction with Mississippi River at RM 0 to Port of Catoosa, Oklahoma, at RM 448.2.
5. Atchafalaya River: From RM 0 at its intersection with the Gulf Intracoastal Waterway at Morgan City, Louisiana, upstream to junction with Red River at RM 116.8.
6. Atlantic Intracoastal Waterway: Two inland waterway routes approximately paralleling the Atlantic coast between Norfolk, Virginia, and Miami, Florida, for 1,192 miles via both the Albemarle and Chesapeake Canal and Great Dismal Swamp Canal routes.
7. Black Warrior-Tombigbee-Mobile Rivers: Black Warrior River System from RM 2.9, Mobile River (at Chickasaw Creek) to confluence with Tombigbee River at RM 45. Tombigbee River (to Demopolis at RM 215.4) to port of Birmingham, RM's 374-411 and upstream to head of navigation on Mulberry Fork (RM 429.6), Locust Fork (RM 407.8), and Sipsey Fork (RM 430.4).
8. Columbia River (Columbia-Snake Rivers Inland Waterways): From the Dalles at RM 191.5 to Pasco, Washington (McNary Pool), at RM 330, Snake River from RM 0 at the mouth to RM 231.5 at Johnson Bar Landing, Idaho.
9. Cumberland River: Junction with Ohio River at RM 0 to head of navigation, upstream to Carthage, Tennessee, at RM 313.5.
10. Green and Barren Rivers: Green River from junction with the Ohio River at RM 0 to head of navigation at RM 149.1.
11. Gulf Intracoastal Waterway: From St. Mark's River, Florida, to Brownsville, Texas, 1,134.5 miles.

12. Illinois Waterway (Calumet-Sag Channel): From the junction of the Illinois River with the Mississippi River RM 0 to Chicago Harbor at Lake Michigan, approximately RM 350.
13. Kanawha River: From junction with Ohio River at RM 0 to RM 90.6 at Deepwater, West Virginia.
14. Kaskaskia River: From junction with Mississippi River at RM 0 to RM 36.2 at Fayetteville, Illinois.
15. Kentucky River: From junction with Ohio River at RM 0 to confluence of Middle and North Forks at RM 258.6.
16. Lower Mississippi River: From Baton Rouge, Louisiana, RM 233.9 to Cairo, Illinois, RM 953.8.
17. Upper Mississippi River: From Cairo, Illinois, RM 953.8 to Minneapolis, Minnesota, RM 1,811.4.
18. Missouri River: From junction with Mississippi River at RM 0 to Sioux City, Iowa, at RM 734.8.
19. Monongahela River: From junction with Allegheny River to form the Ohio River at RM 0 to junction of the Tygart and West Fork Rivers, Fairmont, West Virginia, at RM 128.7.
20. Ohio River: From junction with the Mississippi River at RM 0 to junction of the Allegheny and Monongahela Rivers at Pittsburgh, Pennsylvania, at RM 981.
21. Ouachita-Black Rivers: From the mouth of the Black River at its junction with the Red River at RM 0 to RM 351 at Camden, Arkansas.
22. Pearl River: From junction of West Pearl River with the Rigolets at RM 0 to Bogalusa, Louisiana, RM 58.
23. Red River: From RM 0 to the mouth of Cypress Bayou at RM 236.
24. Tennessee River: From junction with Ohio River at RM 0 to confluence with Holstein and French Rivers at RM 652.
25. White River: From RM 9.8 to RM 255 at Newport, Arkansas.
26. Willamette River: From RM 21 upstream of Portland, Oregon, to Harrisburg, Oregon, at RM 194.
27. Tennessee-Tombigbee Waterway: From its confluence with the Tennessee River to the Warrior River at Demopolis, Alabama.

The Fuel-Taxed Inland and Intracoastal Waterway System



Appendix C

**Water Resources Reform and Development Act (WRRDA)
Post-Budget Submission**



INLAND WATERWAYS USERS BOARD

Washington, D.C. 20314-1000 (CECW-P)

March 30, 2015

The Honorable John A. Boehner
Speaker
U.S. House of Representatives
H-232, Capitol Building
Washington, DC 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
H-204, Capitol Building
Washington, DC 20515

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
S-230 Capitol Building
Washington, DC 20510

The Honorable Harry Reid
Minority Leader
U.S. Senate
S-221, Capitol Building
Washington, DC 20510

Dear Speaker Boehner, Leader McConnell, Leader Pelosi, and Leader Reid:

This letter is submitted pursuant to Section 2002(d) of the Water Resources Reform and Development Act of 2014 (Public Law 113-121, June 10, 2014, hereinafter referred to as "WRRDA"). Section 2002(d) requires the Inland Waterways Users Board ("Board" or "Users Board"), among other things, to "provide...not later than 60 days after the date of the submission of the budget proposal of the President to the Congress, advice and recommendations to Congress regarding construction and rehabilitation priorities and spending levels" for commercial navigation features and components of the inland waterways and inland harbors of the United States.

The Inland Waterways Users Board is a federal advisory committee established almost thirty years ago by the Water Resources Development Act of 1986 (Public Law 99-662). Comprised of a balanced, regionally-varied mix of the primary users and shippers utilizing the inland and intracoastal waterways for commercial purposes, the Users Board was created to give commercial users a strong voice in the investment decision-making the users are supporting with their continuing diesel-fuel-based cost-sharing tax payments.

President Obama submitted his proposed federal budget for Fiscal Year 2016 on February 2, 2015. In his official "Budget Message of the President" accompanying the Fiscal Year 2016 (FY 2016) proposal, the President spoke in encouraging language about the importance of infrastructure investment.

"Building a durable and reliable 21st Century infrastructure creates good jobs that cannot be outsourced and will provide American workers and businesses with transportation and communication networks they need to help grow the economy."

A Federal Advisory Committee Established by the Water Resources Development Act of 1986

We completely agree.

“When we build...infrastructure, we are not just putting construction workers and engineers to work---we are also revitalizing communities, protecting public health and safety, connecting people to jobs, empowering entrepreneurs, and making it easier for American businesses to export goods around the world.”

Again, we completely agree.

However, after making these statements and correctly pointing out that “public infrastructure investment promotes economic growth by boosting aggregate demand in the short run and improving economic efficiency in the long run”, the President’s FY 2016 budget proposes to reduce overall U.S. Army Corps of Engineers infrastructure investment to a level 13% below Fiscal Year 2015 appropriated funding and, within that overall level, to significantly reduce capital spending for the Nation’s inland waterways transportation system. While we agree with the premise of positive economic benefit to the nation from infrastructure investment, we completely disagree with the proposed budget’s conclusion that Corps of Engineers investment in inland waterways transportation system should be reduced in FY 2016.

President’s Budget Proposal

Table 1 displays summary information about the President’s FY 2016 Budget relative to the President’s Budget request for FY 2015 and compared to what Congress appropriated for FY 2015 in the Consolidated and Further Continuing Appropriations Act, 2015 (P.L. 113-235, a.k.a. “CRomnibus”).

Table 1 : Corps of Engineers Funding

	FY 2015 President’s Budget (millions of dollars)	FY 2015 CRomnibus Act (millions of dollars)	FY 2016 President’s Budget (millions of dollars)
Construction	\$1,125	\$1,639	\$1,172
• IWTf Projects	\$169	\$281	\$234
Operation and Maintenance	\$2,600	\$2,908	\$2,710
• Inland Navigation	\$612	\$654	\$691
Other Accounts	\$836	\$907	\$850
Total Appropriation	\$4,561	\$5,454	\$4,732

The President's Budget for FY 2016 provides \$4.732 billion in discretionary funding for the Civil Works program of the U.S. Army Corps of Engineers. This represents a \$722 million or 13.2% reduction below the level of \$5.454 billion that Congress appropriated for FY 2015 for the Civil Works program.

Within the overall program total of \$4.732 billion, the President's Budget proposes to (1) reduce the Construction account by 28.5% to \$1.172 billion in FY 2016, a \$467 million reduction from the FY 2015 appropriated level of \$1.639 billion and (2) reduce the Operation and Maintenance account by 6.8% to the proposed level of \$2.710 billion, a \$198 million reduction from the FY 2015 appropriation of \$2.908 billion. The Construction account particularly would see significantly reduced funding to improve the nation's inland and intracoastal waterways.

In the Construction account, the President's Budget suggests that only 2 lock and dam modernization projects receive funding support from the Inland Waterways Trust Fund (IWTF): \$180 million for Olmsted Locks and Dam on the Ohio River and \$52 million for Locks and Dams 2, 3, and 4 on the Monongahela River. A third lock and dam project, Mel Price Lock and Dam on the Mississippi River, is budgeted at \$2 million for FY 2016 but, as a "deficiency correction", is funded from general revenues. As will be discussed in more detail below, the level of proposed FY 2016 funding for Trust Fund-supported projects is 17.4% below the \$281 million that Congress appropriated for FY 2015 and is well below what can be funded during FY 2016 based on inland waterway diesel fuel tax revenues expected to be received by the U.S. Treasury from commercial users of the inland waterways system for FY 2016. Only \$53 million would be appropriated from the Inland Waterways Trust Fund under the President's Budget, which would more than double the surplus in the IWTF by the end of FY 2016. This burgeoning-surplus result occurs under the proposed budget even with the budget's very low assumption that only \$110 million will be generated for the IWTF during FY 2016 from inland waterway diesel fuel tax revenues.

The President's Budget's \$2.71 billion for the Corps Operation and Maintenance (O&M) account would, according to Corps explanatory materials, provide \$691 million in FY 2016 for inland navigation O&M activities. Of the \$691 million, \$647 million would be dedicated to project funding. Highlights include:

- Upper Mississippi River: \$180 million
- Ohio River: \$131 million
- Gulf Intracoastal Waterway: \$49 million
- Illinois Waterway: \$46 million
- Tennessee River: \$25 million, and
- Black Warrior Tombigbee River: \$40 million.

In addition to amounts provided in the Operation and Maintenance account, the President's Budget also provides \$31 million in the Mississippi River and Tributaries (MR&T) account for FY 2016 inland navigation O&M activities. The President's Budget does not propose to fund implementation of Section 2013 of the WRRDA of 2014 (P.L. 113-121), which makes the Secretary of the Army responsible for the operation and maintenance of already-constructed

flood gates and pumping stations that cross a diesel-fuel-taxed portion of the inland waterways system.

The President's Budget contains a number of positive features that deserve highlighting. The proposed FY 2016 budget request for the full Civil Works program is \$171 million higher than the President's Budget proposal for FY 2015, a not-insignificant step in the right direction. Within that higher total, the President's FY 2016 Budget request proposes a \$65 million higher level of appropriations for lock and dam modernization projects than the President's Budget proposed for FY 2015. And the FY 2016 President's Budget proposal for the Corps Operation and Maintenance account is \$110 million higher than the FY 2015 President's Budget, including a FY 2016 proposal for inland navigation O&M that is both \$79 million higher than the President's proposal for FY 2015 and also \$49 million higher than was appropriated for FY 2015.

Notwithstanding these positive features, the Users Board is convinced that in FY 2016 we can and must do better than what the President's Budget proposes to improve the nation's inland waterways system.

2014 Congressionally-Directed Progress

Congress took a number of significant legislative steps during 2014 to address the need to reform the broken business model that for too long has resulted in Corps lock and dam modernization projects that are seriously behind schedule and over budget. Examples include:

- Enactment of the Water Resources Reform and Development Act of 2014 (Public Law 113-121, also referred to as "WRRDA") with overwhelming bipartisan support. WRRDA contained many recommendations to improve the Corps inland waterway project construction delivery model developed by a team of Corps and industry inland navigation experts. That team's report was endorsed unanimously by this Board;
- Overwhelming bipartisan approval of an industry-sought 9-cent increase in the then-current inland waterway diesel fuel user fee, as part of H.R. 647 (the ABLE Act of 2014), (ultimately signed into law as part of H.R. 5771 extending expired tax provisions, Public Law 113-295). This will provide significant additional funds to the Inland Waterways Trust Fund for inland waterway modernization construction funding;
- Necessary cost sharing amendment language and significantly increased FY 2014 appropriations to fund much-needed additional construction of priority Corps of Engineers lock and dam modernization projects in the Continuing Appropriations Act, 2014 (Public Law 113-46);
- Continued strong lock and dam construction appropriations for FY 2015 in the Consolidated and Further Continuing Appropriations Act , 2015 (Public Law 113-235); and
- Strong appropriations both in FYs 2014 and 2015 for the operation and maintenance of the Nation's waterways.

Prior to the legislative changes made during 2014 in the Continuing Appropriations Act, the Water Resources Reform and Development Act, and the ABLE Act, the 20-cents-per-gallon

barge diesel fuel tax only generated enough revenue each year to support annual appropriations of approximately \$150 million for Olmsted and \$10-20 million for other priority inland navigation modernization projects. The signing into law during 2014 of these new laws creates both additional flexibility and additional Inland Waterways Trust Fund revenues to support FY 2016 funding level for priority inland projects at a total of approximately \$370 million, roughly \$140 million higher than the level being recommended in the President's Budget.

While the President's Budget assumes that inland waterway diesel fuel tax revenues will amount to only \$110 million during FY 2016, the Board believes, based on recent experience, that a more likely FY 2016 IWTF revenue assumption should be in the range of \$115 million to \$120 million. Table 2 summarizes the IWTF revenue experience of the past four years, all of which occurred with an applicable diesel tax rate of 20 cents per gallon.

Table 2 : Annual Inland Waterway Diesel Fuel Tax Revenues

Fiscal Year	IWTF Revenues (millions of dollars)	Per-Penny Revenues (millions of dollars)
2011	\$84.0	\$4.20
2012	\$89.3	\$4.47
2013	\$75.2	\$3.76
2014	\$81.2	\$4.06
4-Year Average	\$82.4	\$4.12

If the 2011-2014 average is repeated during 2016, with an applicable inland waterway diesel fuel tax rate of 29 cents per gallon in effect for the entire fiscal year, just under \$120 million in revenues should be generated during FY 2016 for the Inland Waterways Trust Fund, \$10 million more than the President's Budget assumes.

Users Board Recommendations

In our December 2014 27th Annual Report to the Secretary of the Army and United States Congress, the Users Board made a number of recommendations, all of which we continue to support, with a few minor modifications discussed below that in general are made to account for new information obtained after the prior report was crafted. Most directly related to WRRDA Section 2002(d)'s mandate for the submission of the post-budget recommendations contained herein, the Board recommended in the December report that:

- "In allocating construction funding for inland waterway modernization projects during Fiscal Years 2015 and 2016, the Administration and Congress should use the project priority list contained in the existing Capital Development Plan.
- For Fiscal Year 2015, the Administration should obligate the maximum amount of funding supportable by expected FY 2015 revenues into the Inland Waterways Trust Fund and by Congressional appropriations from the Trust Fund for FY 2015, including \$180 million for Olmsted Locks and Dam, \$73 million for Lower Mon, and the

remainder toward other priority modernization projects identified in the Capital Development Plan.

- For Fiscal Year 2016, the Administration should request and Congress should provide for inland waterway modernization projects the maximum amount of appropriated funding supportable by expected revenues into the Inland Waterways Trust Fund during FY 2016, including \$180 million for Olmsted, \$52 million for Lower Mon and the remainder toward other priority modernization projects identified in the Capital Development Plan.”

In allocating the construction funding appropriated by Congress for FY 2015 in the CROmnibus legislation, the Administration generally followed the Board’s recommendations, except that the Corps FY 2015 Work Plan allocated \$25 million more for Olmsted and \$15 million less for Lower Mon than had been recommended in the 27th Annual Report. The Board is comfortable with these two changed allocations. The Board notes, however, that \$6 million in appropriated FY 2015 Construction account funding was not allocated in the originally promulgated FY 2015 Work Plan, and the Board recommends that this additional \$6 million be allocated without further delay to other priority modernization projects currently under construction.

The Board also notes that, because Congress approved the CROmnibus based on the then-existing 20 cents per gallon diesel tax and before the ABLE Act increased the inland waterway diesel tax to 29 cents per gallon, a funding level higher than the CROmnibus’ \$281 million for FY 2015 lock and dam modernization projects is supportable by expected FY 2015 tax revenues into the Trust Fund. This additional FY 2015 revenue will remain in the Trust Fund and add to the amount of inland waterway modernization investment that can be supported during FY 2016.

For FY 2016, the Board recommends that \$372 million be appropriated by Congress for construction of priority lock and dam modernization projects throughout the nation. Consistent with the priorities established in the Capital Development Plan, the Board recommends allocation of that FY 2016 funding as indicated in Table 3.

Table 3 : Inland Waterway Modernization Priorities

	FY 2015 Work Plan (millions of dollars)	FY 2016 President’s Budget (millions of dollars)	FY 2016 IWUB Recommendation (millions of dollars)
Olmsted	\$205	\$180	\$200
Lower Mon	\$58	\$52	\$52
Kentucky	\$12	-	\$50
Chickamauga	-	-	\$29
GIWW (High Island)	-	-	\$18
To Be Determined	\$6	-	\$23
LaGrange (PED)			\$5*
Total	\$281	\$232	\$372

*Not included in total; funded entirely from investigation account until Construction is initiated.

Our December 2014 27th Annual Report also contained the following two recommendations related to important inland waterway system modernization priorities that currently require funding from the Corps Investigations account because those modernization priorities have not reached yet the construction stage:

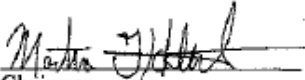
- “Funding should be allocated during Fiscal Years 2015 and 2016 from the Corps Investigations appropriation account for Preconstruction Engineering and Design (PED) of one or two lock modernization projects on the Upper Mississippi River and Illinois Waterway system authorized in title VIII of the Water Resources Development Act of 2007 (Public Law 110-114).
- The Corps should continue to efficiently fund the General Re-evaluation Report for the Inner Harbor Navigation Canal Lock Replacement so that construction can be resumed on this priority project at the earliest opportunity.”

For the reasons described in the Annual Report, the Board, along with the governors of five states and scores of bipartisan Congressional leaders who have thus far communicated their views, continues to strongly support continuation on a priority basis of PED for the regionally and nationally significant NESP lock extensions. The Board also strongly supports funding for expeditious completion of the on-going IHNC general re-evaluation report.

Our 27th Annual Report also recommended that “For Fiscal Year 2016, the Administration and Congress should continue and, if possible, increase the robust levels of funding provided during Fiscal Years 2014 and 2015 for the Operation and Maintenance activities of the Corps affecting inland and coastal navigation throughout the nation”. As discussed earlier, the President’s Budget moves in the direction of following this recommendation, but its \$2.710 billion proposal for the Corps O&M account, while a \$110 million increase above the President’s requested FY 2015 level, nonetheless falls about \$200 million short of the FY 2015 appropriated level. The Board strongly supports an FY 2016 O&M account funding level of at least \$2.908 billion and would prefer to see that level increased to \$3.0 billion if at all possible. Within the O&M funds provided above the level requested by the President, the Board recommends that the Corps use a portion of the additional funds to implement Section 2013 of the Water Resources Reform and Development Act of 2014.

In closing, the entire Inland Waterways Users Board would like to express our profound appreciation for the increased focus and support that both the Administration and the Congress have provided, particularly in recent years, to address the modernization needs of the inland waterways system. We truly are investing in our Nation’s economic well-being, both today and in the future, when we invest in our inland waterways.

Sincerely,


Chairman

Mr. Martin T. Hettel
American Electric Power (AEP), River Operations
Chesterfield, Missouri

March 30, 2015
Date

Copies to:

Senator Orrin Hatch, Chairman, Senate Committee on Finance

Senator Ron Wyden, Ranking Member, Senate Committee on Finance

Senator Thad Cochran, Chairman, Senate Appropriations Committee

Senator Barbara Mikulski, Ranking Member, Senate Appropriations Committee

Senator James Inhofe, Chairman, Senate Committee on Environment and Public Works

Senator Barbara Boxer, Ranking Member, Senate Committee on Environment and Public Works

Congressman Hal Rogers, Chairman, House Appropriations Committee

Congresswoman Nita Lowey, Ranking Member, House Appropriations Committee

Congressman Paul Ryan, Chairman, House Committee on Ways and Means

Congressman Sandy Levin, Ranking Member, House Committee on Ways and Means

Congressman Bill Shuster, Chairman, House Committee on Transportation and Infrastructure

Congressman Peter DeFazio, Ranking Member, House Committee on Transportation and Infrastructure

Appendix D

**Letters in support of Funding for
Navigation and Ecosystem Sustainability Program (NESP)**

NOTE: identical letter also sent to
corresponding Chairs and Ranking Members
of U.S. House Appropriations Committee

Waterways Council, Inc. · 499 S. Capitol Street, SW · Suite 401 · Washington, DC 20003
www.waterwayscouncil.org

June 18, 2015

The Honorable Thad Cochran
Chairman
Senate Appropriations Committee
Room S128, The Capitol
Washington, DC 20510

The Honorable Barbara Mikulski
Ranking Member
Senate Appropriations Committee
Room S128, The Capitol
Washington, DC 20510

The Honorable Lamar Alexander
Chairman
Senate Energy & Water Appropriations
Subcommittee
Room S128, The Capitol
Washington, DC 20510

The Honorable Dianne Feinstein
Ranking Member
Senate Energy & Water Appropriations
Subcommittee
Room S128, The Capitol
Washington, DC 20510

Cc: Senate Appropriations Committee Members

Dear Chairmen Cochran and Alexander, and Ranking Members Mikulski and Feinstein:

The undersigned 67 organizations support and urge the FY '16 appropriation of Pre-Engineering Design (PED) funding (\$10 million) for the Navigation and Ecosystem Sustainability Program (NESP) program. Authorized in WRDA 2007 but not yet under construction, NESP is an unprecedented, multi-purpose authority allowing the U.S. Army Corps of Engineers to integrate management of the Upper Mississippi River System's infrastructure with ecosystem improvements.

NESP includes construction of seven modern 1,200-foot navigation locks at the most congested lock locations (Locks and Dams 20, 21, 22, 24 and 25 on the Upper Mississippi River, and La Grange and Peoria Locks on the Illinois Waterway). Congress further authorized smaller-scale navigation efficiency improvements. NESP's authorization includes \$1.948 billion for the new locks and \$256 million for the small-scale efficiency measures; \$1.717 billion was authorized for a 15-year ecosystem restoration program and \$10.42 million annually for its monitoring.

The unique NESP program facilitates both a healthier economy and river ecosystem. It will create and support tens of millions of job-hours for skilled construction trades, as well as expand and sustain jobs at grain elevators, manufacturing facilities, ports and terminals, and within the tourism sector. By modernizing navigation capacity, NESP will increase the economic potential of the American farmer and bolster the positive trade balance in the agriculture sector. By also investing in our marine ecosystems, job opportunities can be created for habitat managers, water quality scientists, and aquatic restoration specialists. In fact, approximately 300 jobs can be derived from PED funding, with potentially 6,000 jobs from a \$200 million construction appropriation.

Most of America's locks and dams were built in the 1920s-1930s, yet transport 21st century cargoes that fuel our modern economy. The U.S. Department of Transportation projects 1.1 billion tons of increased freight will move on the inland waterways by 2040. This critical transportation supply chain component needs reinvestment and modernization.

Similarly, over the last 150 years, the ecological health of the Upper Mississippi River has degraded from multiple uses and alterations but could be substantially improved with NESP's implementation. Ecological system improvements include modified dam operations, 65 backwater and island enhancements, 29 side channel reconnections, 92 modifications to channel structures, and system ecological monitoring to document river health and support riverine and riparian habitat.

Our nation's inland waterways provide capacity, competition, and the most cost-competitive and environmentally friendly transportation option for our American bulk commodities used here in the U.S. and exported to marketplaces worldwide.

In fact:

- *60% of the nation's export-bound grain is transported on the inland waterways*
- *An effective and efficient water transport system is essential to supply American farmers with fertilizer and inputs for planting seasons*
- *Farmers depend on our waterways' infrastructure to compete and win against producers outside the USA*
- *Ecosystem restoration improvements will allow the ecological system to rebound and provide improved water quality, fish and wildlife habitat, and supports a \$1.2 billion recreational economy (1990 number)*
- *The Panama Canal expansion to be completed next year will create opportunities for increased American trade, but not if our channels are not dredged and our locks and dams are not functioning*
- *More than a half-million American jobs depend on operational ports and inland waterways*
- *The waterways are vital to our manufacturing sectors and to the construction industry*
- *American consumers benefit from transportation cost-savings made possible by the inland waterways; for every \$1 invested in our inland waterways, \$14 is returned in national benefits*
- *NESP will restore valuable river habitat such as islands, flowing channels, and marshes which also provide flood water storage, water infiltration for water supply, and process excess nutrients in the water to reduce the cost of water delivered to communities that use the river as a drinking water source.*

While the Senate FY '16 appropriations bill recommends more economic study on the NESP program, both the House and Senate appropriations bills have Investigations Account funding available that could be used for continued PED work for NESP. Our organizations respectfully request that \$10 million be appropriated specifically toward engineering and design to get NESP closer to construction-ready in fiscal year 2016. Thank you for your consideration.

Sincerely,

ABC Corporation
America's Central Port
American Farm Bureau Federation
American Soybean Association
Arkansas Soybean Association
Associated General Contractors of America
American Waterways Operators
Big River Coalition
Bunge
Cargill, Inc.
Carpenters' District Council of Greater St. Louis & Vicinity

CHS, Inc.
Colorado Corn
Custom Compounders Inc.
Deere & Company
Ducks Unlimited
Grain and Feed Association of Illinois
GROWMARK
Illinois Fertilizer & Chemical Association
Illinois Corn Growers Association
Illinois Farm Bureau
Illinois Soybean Association
Indiana Soybean Alliance
Indiana Corn Growers Association
International Association of Bridge, Structural, Ornamental & Reinforcing Iron Workers
Iowa Corn Growers Association
Iowa Soybean Association
Kansas Soybean Association
Kentucky Corn Growers Association
Kentucky Soybean Association
Laborers' District Council Chicago and Vicinity LDCLMCC
Laborers' International Union of North America
Louisiana Maritime Association
Michigan Soybean Association
Mid-Atlantic Soybean Association
Mid-Central Illinois Regional Council of Carpenters
Minnesota AgriGrowth Council
Minnesota Crop Production Retailers
Minnesota Grain & Feed Association
Minnesota Soybean Growers Association
Missouri Corn Growers Association
Missouri Soybean Association
National Barley Growers Association
National Association of Wheat Growers
National Corn Growers Association
National Council of Farmer Cooperatives
National Grain & Feed Association
National Oilseed Processors Association
Nebraska Corn Board
Nebraska Soybean Association
North America's Building Trades Unions
North Central States Regional Council of Carpenters
Ohio Corn & Wheat Growers Association
Ohio Soybean Association
Pike and Scott County Farm Bureaus
South Dakota Soybean Association
Tennessee Soybean Association
Texas Corn Producers
Texas Soybean Association
The Nature Conservancy – North America Water
United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of
the United States, Canada & Australia





Upper
Mississippi River
Basin Association

ILLINOIS, IOWA, MINNESOTA, MISSOURI, WISCONSIN

September 15, 2015

The Honorable Shaun Donovan
Director
The Office of Management and Budget
725 17th Street, NW
Washington, D.C. 20503

Dear Mr. Donovan:

On behalf of the Upper Mississippi River Basin Association, I am writing to reiterate our member states' request that the Administration include construction funding for the Navigation and Ecosystem Sustainability Program (NESP) in its FY 2017 budget. This unique dual purpose program will have tremendous value to Upper Mississippi River System and the nation, both in sustaining the river's ecological health and resilience as well as enhancing its ability to support freight transportation of bulk and other commodities. The enclosed August 20, 2014 Upper Mississippi River System Governors' joint letter to the President remains relevant today. The Midwest region's prosperity and quality of life depend on the river's ability to serve as a commercial transportation system, and the Governors support the continuation of planning on at least one of NESP's seven-authorized 1,200-foot locks as well as small scale efficiency measures as soon as possible to address critical capacity constraints of the Upper Mississippi River System. The Governors also appreciate the value of improving the river's ecological health through NESP's construction-ready habitat restoration projects, which will provide tremendous benefits to fish and wildlife as well as the region's economy.

We understand that ongoing reluctance to fund NESP is largely a consequence of uncertainty surrounding 50-year traffic forecasts. However, numerous economic indicators clearly suggest that the river is of national importance and is a backbone transportation mode for large and small economic sectors, including agriculture, mineral extraction, and manufacturing. Land-based transportation modes are operating at or over capacity creating costly shipping delays and making the river increasingly attractive to suppliers and manufacturers. Shippers, ports, and terminals are working collaboratively with suppliers to reestablish container shipping on the Mississippi River, including in metropolitan areas of St. Louis, Quincy, and the Twin Cities. In addition, suppliers have raised proposals to invest their own money in the Upper Mississippi River System's lock and channel infrastructure through public-private partnerships. The U.S. Department of Transportation, projects substantial growth in commercial transportation demand on inland waterways and the Upper Mississippi River System in particular. Businesses throughout the Midwest suggest that the long term reliability of the aged, single-point-of-failure infrastructure is dampening the utilization of the Upper Mississippi River System, but addressing these impediments (through NESP and operation and maintenance) will stimulate use of the river and alleviate congestion on land-based modes.

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408 St. Peter Street
St. Paul, Minnesota 55102
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Fax: 651-223-5815
www.umrba.org

Page 2
September 15, 2015

The Governors also understand the critical role of the Upper Mississippi River System as a critical migratory route for many fish and wildlife species. NESP will continue efforts to improve water quality, fish and wildlife habitat, and other river processes and functions that are so vital to our nation's prosperity. NESP will leverage resources with the U.S. Fish and Wildlife Service and non-federal partners in implementing projects that will reconnect floodplain habitat; restore islands, side channels, and backwaters; provide for environmental water level management; and protect shorelines.

Formed by the Governors of Illinois, Iowa, Minnesota, Missouri, and Wisconsin in 1981, the Upper Mississippi River Basin Association (UMRBA) represents its member states' common water resource interests and works collaboratively with Upper Mississippi River System federal and state agencies as well as other nonfederal partners. The Upper Mississippi River System states have a vested interest in protecting and enhancing the River's tremendous local, regional, and national benefits related to commercial navigation, natural resources, water supply, recreation, and more. Thus, the states are committed to collaborative, integrated management of the Upper Mississippi River System basin for its multiple purposes.

The Upper Mississippi River System states would greatly appreciate the support of the Office of Management and Budget for investments in our navigation infrastructure and ecological resources.

Please do not hesitate to contact me with any questions or would like to discuss NESP in any further detail. We appreciate your consideration of our request.

Sincerely,



Dru Buntin
Executive Director

Enclosure

cc: Gary Waxman, Water and Power Branch, Office of Management and Budget
Jo-Ellen Darcy, Assistant Secretary of the Army (Civil Works)
LG Thomas P. Bostick, Commanding General and Chief of Engineers
MG Michael C. Wehr, Commander, MVD
Col. Dan Koprowski, District Commander, MVP
Col. Craig S. Baumgartner, District Commander, MVR
Col. Anthony Mitchell, District Engineer and Commander, MVS
UMRBA Board



Upper
Mississippi River
Basin Association

ILLINOIS, IOWA, MINNESOTA, MISSOURI, WISCONSIN

August 20, 2014

The Honorable Barack Obama
President
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear President Obama:

The passage of the 2014 Water Resources Reform and Development Act (WRRDA) signifies a new era for the nation's investment in water resources, improving project delivery, offering additional financing options, and expanding the Inland Waterways Trust Fund's ability to support critical navigation projects. Further, in the Conference Committee report on WRRDA, Congressional members specifically acknowledged the Upper Mississippi River System (Upper Mississippi) as the only system designated as a "nationally significant ecosystem and nationally significant commercial navigation system" and declared their ongoing commitment to the Navigation and Ecosystem Sustainability Program (NESP).

As the Administration formulates its fiscal year 2016 budget, we urge you to prioritize construction funding for NESP to immediately construct small-scale navigation efficiency improvements and ecological restoration projects, as well as to continue designing at least one 1,200-foot lock, per the sequencing recommendations of the Inland Waterways Users Board. Funding for NESP was last appropriated in 2011. Under current law, it could be deauthorized if it does not receive funding in 2016, undoing years of multi-state collaboration and study. The time is now to both address the navigation system's longstanding needs and ensure its capacity to relieve congestion on other parts of our nation's multi-modal infrastructure.

Several small-scale projects developed through NESP are ready for construction as soon as funding permits. These include switchboats at Locks 20-25 to facilitate double-cut lockages and downbound lock approaches; mooring cells at Locks 14, 22, and La Grange to provide waiting stations in closer proximity to the locks; and a guidewall extension at Lock 22 to better assist operators in transiting through the lock chamber. These projects will provide substantial benefits to the region at relatively little cost. Several habitat restoration projects are also ready for construction once funding is available that would have tremendous ecological and economic benefits, including water level management and riverbank forest restoration. With a long term monitoring component, NESP will build off of the region's

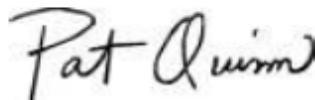
415 Hamm Building
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Phone: 651-224-2880
Fax: 651-223-5815
www.umrba.org

ongoing successes in improving the river's health and resilience and increasing our understanding of its complex ecosystem.

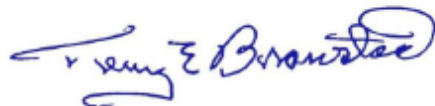
To address critical capacity constraints on the Upper Mississippi from outdated and deteriorating infrastructure, it is prudent that the U.S. Army Corps of Engineers continue planning for at least one of NESP's seven-authorized 1,200-foot locks to be ready for construction at the earliest possible opportunity. The planned infrastructure improvements through NESP have been designed to substantially lower transportation costs by increasing the system's reliability and efficiency, eliminate or minimize safety risks, and stimulate market opportunities. These infrastructure improvements will also allow the region to capitalize on the Panama Canal's expansion, which will make international commerce even faster and less expensive.

Our region's prosperity and quality of life depend upon the Mississippi River's continuing viability as a commercial transportation system, particularly for its ability to move a substantial portion of the nation's agricultural exports to the Gulf of Mexico, as well as a rich and diverse ecosystem, a source of water supply, and a recreational resource. Thus, we, the Governors of States bordering the Upper Mississippi, have a vested interest in ensuring that the Upper Mississippi continues to function as a vital commercial transportation corridor — connecting our states to the world economy — and as a globally significant ecological resource to support the river's multiple uses.

Thank you for your consideration.



Pat Quinn
Governor of Illinois



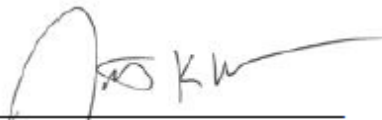
Terry E. Branstad
Governor of Iowa



Mark Dayton
Governor of Minnesota



Jeremiah W. (Jay) Nixon
Governor of Missouri



Scott Walker
Governor of Wisconsin

RON KIND
THIRD DISTRICT, WISCONSIN
SENIOR WHIP
WAYS AND MEANS COMMITTEE
SUBCOMMITTEE ON HEALTH
SUBCOMMITTEE ON TRADE

Congress of the United States
House of Representatives

Washington, DC 20515
July 30, 2015

1502 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
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WEBSITE: www.kind.house.gov

The Honorable Barack Obama
President of the United States
The White House
Washington, D.C. 20500

Dear Mr. President:

We are writing to you today to stress the importance of the Upper Mississippi and Illinois Rivers that were formally recognized by Congress in the 1986 Water Resources Development Act (WRDA) as a nationally significant ecosystem and a nationally significant commercial navigation system. That thread has continued in subsequent water resources authorization legislation, as well as priority ecosystem restoration and navigation projects proposed by basin and national stakeholder groups to improve both the ecosystem and the commercial navigation system.

In the 2007 WRDA, Congress authorized the Navigation and Ecosystem Sustainability Program (NESP), which integrates the needs of the navigation system and the ecosystem into one program. It is imperative that NESP is included in the Administration's FY 2017 Budget to begin the implementation of this well-planned and designed program aimed at creating a sustainable Upper Mississippi River System (UMRS), with corresponding benefits to the entire Mississippi River basin.

On June 10, 2014, when signing the Water Resources Reform and Development Act (WRRDA) into law, you noted this bill is essential to "modernizing our water infrastructure and restoring some of our most vital ecosystems." NESP accomplishes both of these tasks by ensuring comparable progress towards addressing the efficient movement of commercial and recreational traffic, as well as restoring and maintaining the river's ecosystem. Further, the enactment of the ABLE Act, within P.L. 113-295, increased the inland river industry's user fee, thus allowing the Inland Waterways Trust Fund to achieve needed capital improvements.

The United States' inland waterways system provides a key strategic advantage to our agriculture and manufacturing industries, but we can no longer presume these locks and dams - constructed in the 1930s - will continue to operate reliably. Shippers have reason to be concerned that there will continue to be increases in planned and emergency lock outages due to the age of the system. A catastrophic failure of our lock and dam system, which we have been lucky enough to avoid, would likely halt a significant portion of waterborne commerce for a prolonged period of time and would require a modal shift to rail or roads - modes that do not currently have excess capacity to absorb such a shift. Planned and unplanned shutdowns increase transportation costs and result in substantial economic, environmental, and societal consequences. The implementation of NESP will strengthen the UMRS and the entire Mississippi River by enhancing this critically important international trade route from mid-America through the Gulf of Mexico to global markets.

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NESP will create and sustain much-needed jobs for the construction trades, as well as for those industries reliant on manufacturing, trade, tourism and recreation, among others. NESP's navigation efficiencies will benefit the nation in more than just transportation savings, which in itself are significant.

Similarly, Congress authorized NESP to ensure the UMRS ecosystem thrives for generations to come. NESP will provide comparable investment in restoration measures that are critical for the migratory corridor for the fish and wildlife of the entire Mississippi River, while also improving water quality and enhancing other human and wildlife uses of a healthy river. The restoration measures will include proven and new techniques to reconnect floodplain habitat, restore more natural water levels, reconnect side channels and backwaters, and rebuild lost island and shoreline habitat that compliment commercial navigation. This work will ensure that the Mississippi River remains home to 25 percent of the fish species in North America, serves as a flyway for 60 percent of North American bird species, and provides 18 million people safe, clean drinking water.

The NESP multi-purpose plan is endorsed by the basin states, along with a wide and diverse coalition of stakeholders who support this vital and overdue program. The governors of Illinois, Iowa, Minnesota, Missouri, and Wisconsin sent you a letter on August 20, 2014, urging the inclusion of NESP funding in the FY 2016 Budget, and they continue to support that same request for FY 2017. The Inland Waterways Users Board, agricultural producers, manufacturers, commercial navigation industry, shipping entities, organized labor, economic development groups, environmental, conservation, and sportsmen's groups have declared their firm support for NESP.

NESP includes a strategic path for full implementation of the integrated plans for economic and environmental sustainability, along with many important, economic-generating projects ready for construction within a year. The Mississippi River's aging inland waterways infrastructure and its ecology both require attention if America's largest river is to continue to support the natural communities and humans that rely on its benefits. Funding for NESP will result in both immediate and long term benefits to our communities, region, and the nation. We hope you will build on the passage of WRRDA and subsequent legislation by including funding for NESP in your FY 2017 Budget.

Thank you for your consideration.

Sincerely,


Rep. Ron Kind



Rep. Adam Kinzinger


Rod Blum (IA-01)


Mike Bost (IL-12)


Charles Boustany (LA-03)


Cheri Bustos (IL-17)


William Lacy Clay Jr. (MO-01)


Steve Cohen (TN-09)


Danny K. Davis (IL-07)


Rodney Davis (IL-13)


Tammy Duckworth (IL-08)


Bill Foster (IL-11)


Sam Graves (MO-06)


Randy Hultgren (IL-07)


Robin Kelly (IL-02)


Trent Kelly (MS-01)


Steve King (IA-04)


Dan Lipinski (IL-03)


David Loebsock (IA-02)

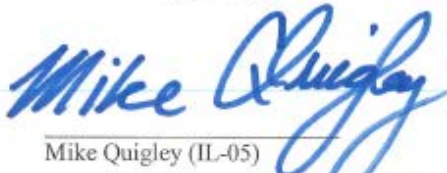

Blaine Luetkemeyer (MO-03)


Betty McCollum (MN-04)


Steve Palazzo (MS-04)



Erik Paulsen (MN-03)


Mark Pocan (WI-02)


Mike Quigley (IL-05)


Jason Smith (MO-08)


Ann Wagner (MO-02)


Tim Walz (MN-01)


Ed Whitfield (KY-02)