



INLAND WATERWAYS USERS BOARD

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

Summary Minutes

Inland Waterways Users Board Meeting No. 44

February 13, 2003 in Washington, DC

Opening Remarks

The Executive Secretary, Mr. Norman Edwards, called the meeting to order at 9:00 AM, noting that it was a Sunshine Meeting and as such it was open to the public and recorded as a matter of public record.

The Board Chairman, Mr. Daniel Mecklenborg, welcomed everyone to Washington and then turned the meeting over to Mr. Fred Caver, the Deputy Director of Civil Works for the U.S. Army Corps of Engineers. Mr. Caver was substituting for Major General Robert Griffin, who was on a special assignment. Mr. Caver congratulated the Board on finishing its report early this year.

Mr. Caver then presented awards to the departing Board members. The Outstanding Civilian Service Medal was presented to Mr. Daniel Mecklenborg, Board Chairman. The Commander's Award for Public Service was presented to Mr. Lester Sutton, Vice Chairman, and to Board members Mr. Timothy Parker, Mr. George Shaver, and Mr. Michael Rayphole.

Mr. George Dunlop, Principal Deputy Assistant Secretary of the Army (Civil Works) then commended the Board on its work and talked about the nomination of John Paul Woodley for the position of Assistant Secretary of the Army (Civil Works). He also expressed interest in the inland waterways and hoped to be greatly informed by the meeting.

Mr. Mecklenborg discussed the value and importance of the inland waterways transportation system. He expressed concern that a surplus has accumulated in the Inland Waterways Trust Fund largely due to the fact that insufficient funds have been appropriated for the existing projects which have already been authorized. He also expressed opposition to the administration's proposal to use trust fund monies for operation and maintenance.

Mr. Mecklenborg also expressed concern about proposals to diminish or dismantle the civil works responsibilities of the Corps of Engineers. Speaking on behalf of the Board, he said that it would be a tremendous mistake, which would have long term negative consequences for the ability to maintain our multi-use water infrastructure.

Minutes of Meeting 43 were approved by the Board.

Status of the Inland Waterways Trust Fund and Report on Benefits Foregone

Mr. David Grier reported on the status of the Inland Waterways Trust Fund. He highlighted the fact that Treasury issued a downward revision to the Trust Fund balance of approximately \$20 million, retroactive to numbers that occurred in 2001. This left the Trust fund with a balance of \$394.1 million at the end of FY 2002.

During the first three months of FY 2003 (October through December), transfers to the Corps were \$50 million, which is higher than usual. Income was \$20.2 million, so the current balance in the Trust Fund is \$364.3 million.

Mr. Grier will ask Treasury for a detailed, written explanation of the \$20 million dollar adjustment, and will report to the Board at the next meeting on this.

Mr. Grier then presented an updated Inland Waterway Trust Fund Analysis, with new capability numbers for the 2004 budget. All projects under construction can be supported from the Trust Fund at the schedules provided in the 2004 budget request.

Mr. Grier also presented tables showing the impact of the proposal to partially fund inland waterway operation and maintenance from the Trust Fund. Under the assumptions used, the Trust Fund would be drawn down to zero by the end of FY 2006.

Another scenario was presented which looked at the impact to the fund of supporting projects at their capability levels. The results of this analysis showed that capability level funding for all ongoing projects would be difficult to achieve from the Trust Fund, even if it was possible to achieve from a budget standpoint.

The next analysis presented was that of 'benefits foregone'. These are the anticipated project benefits not realized due to delays in the original project construction schedules. The results of this analysis showed that \$2.97 billion dollars in benefits will be lost under current baseline schedules, and of that about \$790 million could still be regained by moving projects along at capability levels.

FY 2003 Funding for Inland Navigation Projects and Studies

Mr. Len Henry reported that there was some uncertainty in the budget numbers; a result of the pending appropriations for FY 2003. The Corps is currently operating under a Continuing Resolution, which allows expenditures at the FY 2002 level, which was \$1.8 billion dollars.

He noted that when one looks at the studies and the PED projects in the FY '04 column, many of these will not be in the budget. This is because the FY '04 budget was formulated with a view toward completing more things sooner rather than working on several items a little bit at a time.

2004 Board Investment Recommendations & Annual Report

The Prioritization Work Group met in January and discussed the investment recommendations for 2004, and draft recommendations were produced. Mr. Mecklenborg ran through the report, briefly summarizing each section.

The Executive Summary highlights the most important issues from the Board's perspective. One is the desire of the Board to see projects funded at their full capability levels. Another is opposition to the Administration's proposal to use Trust Fund money for operation and maintenance, and the consequences of this proposal, which would be depletion of the Trust Fund and a dramatic increase in taxes for the users of the inland waterways. Priority projects and PED studies are then listed.

The priority recommendations are similar to last year, but there are some changes. In new construction projects, the priorities are: 1) Olmsted Locks and Dam; 2) Inner Harbor Navigation Canal Lock; 3) McAlpine Locks and Dam; 4) Monongahela River Locks and Dams 2,3, and 4; 5) Marmet Locks and Dam; and 6) Kentucky Lock and Dam.

In the major rehabilitation section, the priorities are: 1) Lock and Dam 24, Mississippi River; 2) Lock and Dam 11, Mississippi River; and 3) Lock and Dam 3, Mississippi River.

Preconstruction Engineering and Design Projects are: 1) Upper Mississippi River and Illinois Waterway Navigation; 2) Bayou Sorrel Lock; 3) John T. Myers Locks and Dam; 4) Greenup Locks and Dam; and 5) Chickamauga Lock and Dam.

Studies and Future Projects are: 1) Upper Mississippi River and Illinois Waterway Navigation Study; 2) Ohio River Mainstem Systems Study; 3) Calcasieu Lock; and 4) Gulf Intracoastal Waterway Modifications.

The Board agreed to add a paragraph which would discuss the Corps' traditional civil works mission, current proposals to remove this responsibility from the Corps and disperse it to a variety of agencies, and the Board's opposition to that initiative.

The Board also agreed to make a reference to Lock and Dam 19 in the report as a candidate major rehabilitation project that the Board will be reviewing in the coming year.

The Annual Report was then approved by the Board as final, subject to editorial changes consistent with the discussion at the meeting.

Public Comment Period

Mr. John Doyle of Waterways Work questioned the future budget numbers upon which the benefits foregone analysis was based. He felt that the current method undercounts the

amount of delay which is likely to occur on projects, and therefore undercounts the benefits foregone.

Mr. Ryck Lydecker spoke representing the Atlantic Intracoastal Waterway Association. He brought to the attention of the Board a project, a comprehensive regional economic impact study of the Atlantic Intracoastal Waterway from Virginia to Florida. He stated that he would forward a copy of the scope of work to the Chairman, Mr. Mecklenborg, who indicated that the Board will review it.

Mr. Barry Palmer of DINAMO expressed concern about seeing construction schedules slip every year due to government appropriations which are much lower than the capability levels. Specifically, the Lower Monongahela project has slipped six years already, and at current funding levels, it will not be completed until 2018. He also voiced opposition to the proposal to use Trust Fund monies for operation and maintenance.

Mr. Harry Cook of the National Waterways Conference reiterated opposition to the proposal to divert funds from the Trust Fund to pay a large share of inland operation and maintenance costs. He urged everyone to ensure that members of Congress, policy makers, and opinion leaders know the real consequences of this diversion, how it will affect the navigation infrastructure, trade and commerce, international competitiveness, and the American economy.

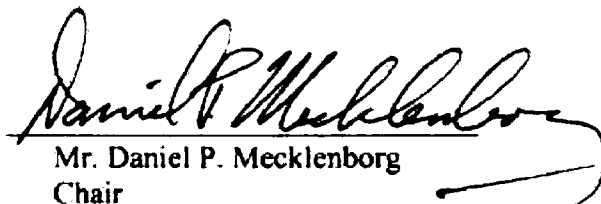
Mr. Christopher Brescia of MARC 2000 applauded the Board for producing its annual report on an accelerated schedule, consistent with the Congressional calendar. He also spoke in support of retaining the Corps intact as a multi-disciplinary agency capable of taking a holistic view of water resource problems, such as it is doing in the Upper Mississippi River and Illinois Waterway Study.

Mr. Brescia also objected to the idea of using Trust Fund monies for operation and maintenance. And he raised the issue of certain regions of the country where trust fund dollars are collected, but to which trust fund dollars never go, and likely will never go. He urged the Board to consider this issue.

Closing Comments

Chairman Mecklenborg thanked the Board members and Corps staff for their assistance and support during his tenure on the Board.

Mr. Caver invited Board members to comment on the Corps' draft strategic plan, as a vehicle to influence the future of the Corps of Engineers.



Mr. Daniel P. Mecklenborg
Chair

April 24, 2003