DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT, AND INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2004

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

MATERIAL SUBMITTED BY AGENCIES NOT APPEARING FOR FORMAL HEARINGS

[CLERK'S NOTE.—The following agencies of the Subcommittee on VA, HUD and Independent Agencies did not appear before the subcommittee this year. Chairman Bond requested these agencies to submit testimony in support of their fiscal year 2004 budget request. Those statements submitted by the chairman follow:]

NATIONAL CREDIT UNION ADMINISTRATION

PREPARED STATEMENT OF THE HONORABLE DENNIS DOLLAR, CHAIRMAN

Mr. Chairman, Ranking Member Mikulski, and Members of the Subcommittee. As Chairman of the National Credit Union Administration (NCUA), I am pleased to submit testimony that presents NCUA's request for fiscal year 2004 funding of the Community Development Revolving Loan Fund and to request $1.5 billion in fiscal year 2004 borrowing authority for our Central Liquidity Facility (CLF), and slightly increased CLF operational expenses for the year.

I will begin by discussing the Central Liquidity Facility.

NATIONAL CREDIT UNION ADMINISTRATION CENTRAL LIQUIDITY FACILITY

Introduction

The National Credit Union Administration Central Liquidity Facility (CLF) was created by the National Credit Union Administration Central Liquidity Facility Act (Public Law 95–630, Title XVIII, 12 U.S.C. 1795, et seq.). The CLF is a mixed ownership Government corporation managed by the National Credit Union Administration Board. It is owned by its member credit unions who contribute all of the capital by the purchase of stock. The CLF became operational on October 1, 1979.

The purpose of the CLF is to improve general financial stability by meeting the liquidity needs of credit unions and thereby encourage savings, support consumer and mortgage lending, and provide basic financial resources to all segments of the economy. To accomplish this purpose, member credit unions invest in the CLF through the purchase of stock, which is used for investment purposes and the funding of some lending activity. The proceeds of borrowed funds from the Federal Financing Bank are used to match fund significant loan requests from member credit unions.

In addition to serving its direct members, the CLF complements the organizational structure of the U.S. credit union financial system by working with its agent members that are corporate credit unions acting as agents of the CLF on behalf of their natural person credit union membership. This agent framework consists of a private financial network of 33 state and federally chartered corporate credit unions with approximately $67.1 billion in assets. The corporate credit union network provides operational and correspondent services, investment products and advice, and

short-term loans to approximately 9,782 natural person credit unions members. The CLF provides this network with assurance that if temporary liquidity shortages or public confidence issues arise due to external events or internal problems, funds are available to meet abnormal savings outflow. By being a specialized lender housed within the NCUA, the CLF has the ability to draw upon the supervisory and insurance resources of the Agency. However, CLF assistance is generally a secondary source of funds after the corporate system or other sources of credit have been utilized. Often the CLF is used when other credit sources have been unable to provide the appropriate terms and conditions required in a specific situation.

The borrowings of the CLF have the "full faith and credit" of the United States government. The Federal Financing Bank of the U.S. Treasury is available as a source for the CLF to fund its lending programs. The CLF is financially self-supporting and does not use government funds to support any of its administrative and operational expenses.

Lending Activities

Loans are available to credit unions directly from the CLF or through its agent (corporate credit union) members. Credit unions rely on market sources to meet their demands for funds. The CLF normally is not an active participant in the ongoing daily operations of this system. Rather its role is to be available when unexpected, unusual, or extreme events cause temporary shortages of funds. If not handled immediately, these shortages could lead to a larger confidence crisis in individual credit unions or even the system as a whole. Because of its knowledge of credit unions and its immediate access to the supervisory information of NCUA, the CLF exercises a vital role in maintaining member and public confidence in the health of the U.S. credit union financial system.

Factors Influencing Credit Union Borrowing Demand

Under the Federal Credit Union Act, the Central Liquidity Facility is intended to address unusual or unpredictable events that may impact the liquidity needs of credit unions. Since these events are not generally foreseen, it is extremely difficult to forecast potential loan demand. Throughout the history of the Central Liquidity Facility, loan demand has widely fluctuated in both volume and dollar amount.

The CLF is authorized by statute to borrow from any source up to twelve times its subscribed capital stock and surplus. Prior to fiscal year 2001, with the exception of the Y2K-transition period, Congress restricted the CLF's borrowing limit to $600 million through the annual appropriations process. For fiscal year 2001, the traditional $600 million cap was increased to $1.5 billion. The $1.5 billion borrowing limit was again approved for fiscal years 2002 and 2003. The continuation of the $1.5 cap for fiscal year 2004 will further assure that the CLF continues as a reliable, efficient backup liquidity source in times of need.

It is important to note that Central Liquidity Facility loans are not used to increase loan or investment volumes, because by statute, the proceeds from Central Liquidity Facility loans cannot be used to expand credit union portfolios. Rather, the funds are advanced strictly to support the purpose stated in the Federal Credit Union Act—credit union liquidity needs—and in response to circumstances dictated by market events.

Administrative Expenses

Total operating expenses for fiscal year 2002 were $208,000, below the budget limitation of $309,000. Expenses were under budget in 2002 due to two factors; (1) a brief vacancy in the NCUA Board in the first quarter (2) travel expenses were not incurred as anticipated.

Total operating expenses for fiscal year 2003 are projected to be within our budget limitation of $309,000. In fiscal year 2003, pay and related benefits are higher than 2002 due to pay comparability and unknown contingencies.

For fiscal year 2004, the Central Liquidity Facility is requesting an administrative expense limitation of $310,000. This figure is slightly higher than the previous year due to a change in pay and benefits and unknown contingencies. Expenses for fiscal year 2003 are not formulated or approved by the NCUA Board until November 2003. Accordingly, fiscal year 2004 expenses are estimated with inflationary pressures, known pay adjustments, and unknown contingencies.

Additional Background

Credit unions manage liquidity through a dynamic asset and liability management process. When on-hand liquidity is low, credit unions must increasingly utilize borrowed funds from third-party providers to maintain an appropriate balance between liquidity and sound asset/liability positions. The CLF provides a measure of stability in times of limited liquidity by ensuring a back-up source of funds for insti-

tutions that experience a sudden or unexpected shortage that cannot adequately be met by advances from primary funding sources. Two ratios that provide information about relative liquidity are the loan to share ratio and the liquid asset ratio. Liquid assets are defined as all investments less than one year plus all cash on hand. Managing liquidity risk is a major priority for credit unions and has become an increasingly important risk issue in the past decade as the charts below indicate.

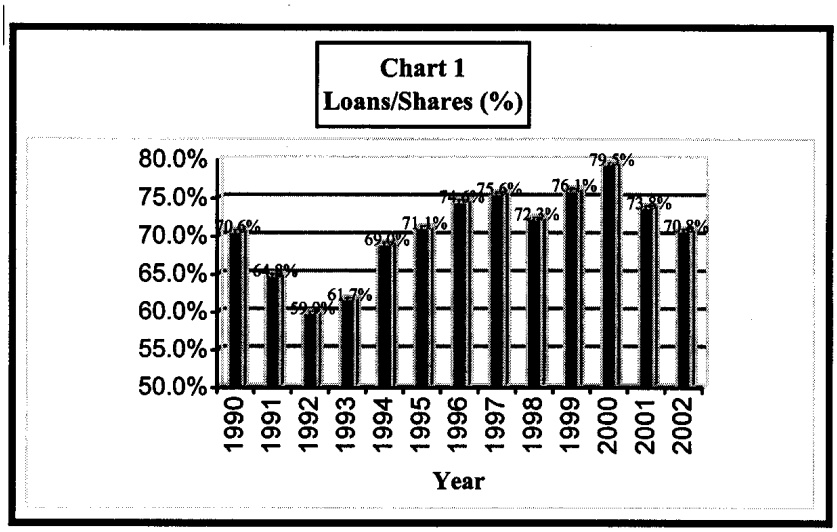


Chart 1 shows the ratio of loans to shares in all federally insured credit unions. As the ratio of loans to shares increases, the amount of funds maintained in short-term liquid investments declines. Liquidity risk has increased on average in the past decade as on-hand liquidity in federally insured credit unions gradually declined due to increased lending. A substantial inflow of shares during 2002 reduced the ratio from the Yearend 2001 high of 73.8 percent down to a Yearend 2002 level of 70.8 percent. Liquidity risk management remains a significant obligation for credit unions.

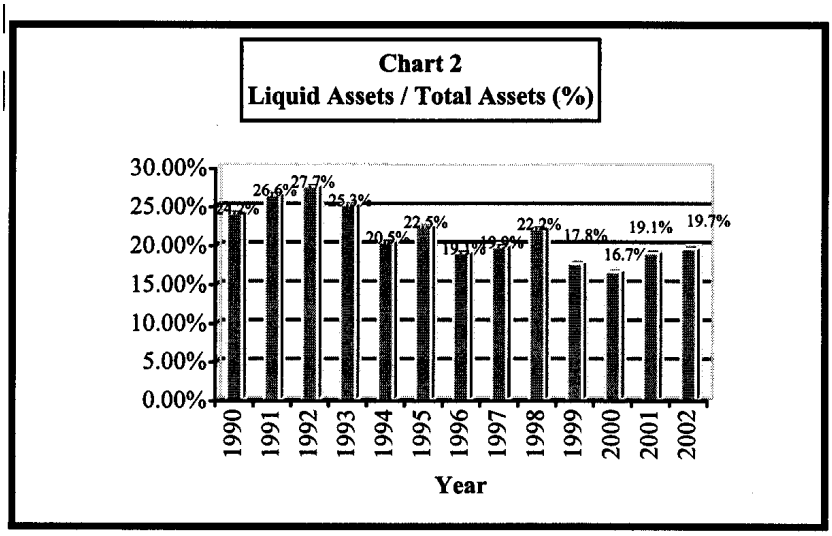


Chart 2 shows the ratio of liquid assets to total assets in all federally insured credit unions. As this ratio decreases, liquidity risk and the potential need for borrowed funds conversely increases. Credit unions utilize various market sources for funding needs including the repurchase market, correspondent relationships with corporate credit unions and other financial institutions, and, to a growing extent, membership in the Federal Home Loan Bank system. CLF serves as a back-up source of liquidity when an unexpected need for funds arises and primary sources are not available.

Explanation of Obligations by Object Class

—Personnel Compensation represents the estimated salary cost of 1.5 permanent full-time employees on duty during fiscal year 2004.
—Employees Benefits includes health benefits, government life insurance, miscellaneous cash awards, and change of station real estate differential.
—Travel and Transportation represents travel expenses for CLF staff.
—Communications, Utilities, and Other Rent represents estimated rent paid to the agency for office space, as well as telephone and postage expenses.
—Printing and Reproduction represents costs primarily associated with the Annual Report. This expense category will also include minor costs associated with basic forms, statements, and notices sent to members.
—Other Services represents payroll processing fees, training, and reimbursement to the agency for Board and staff payroll.
—Supplies and Materials represents computer paper, visual aids, educational supplies, and miscellaneous supplies for the CLF, its Agents, and sponsors of training seminars.
—Investments are purchases of new investments during the fiscal year.
—Dividends are the cost of dividends paid to members of the Facility.

The CLF continues to experience infrequent demand for liquidity loans from its member credit unions. This is due, in no small part, to the strong financial position of credit unions and the ample levels of on-hand liquidity maintained during the 1990s. This is not to say, however, that credit unions are not in need of a special purpose liquidity lender. The CLF is a very important resource for credit unions that experience an unexpected need for liquidity, especially when primary funding sources are inadequate or unavailable.

We cannot foresee the exact circumstances that might necessitate a broad-based need for CLF lending but we are dedicated to the principle that we must be ready and able to fulfill that purpose; a purpose established by Congress when it created the Facility. Liquidity remains an important priority. Like all depository institutions, credit unions are forced to borrow if their on-hand supply of liquidity is depleted beyond the level of current funding obligations. Credit unions do plan for such borrowing but there are times when contingency funding arrangements are potentially inadequate. Such times call for a responsive CLF.

Whether it lends on an isolated basis or whether it is called upon to address a more widespread or even systemic demand for loans, the CLF is an efficient, effective, and low cost facility that is well adapted to meet the unique needs of its member credit unions.

NATIONAL CREDIT UNION ADMINISTRATION COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

Turning to another subject, I would like to thank the Subcommittee for continuing its support of NCUA's Community Development Revolving Loan Fund (CDRLF).

Congress established the CDRLF in 1979, through an initial $6 million appropriation to assist officially designated "low-income" credit unions in their efforts to provide basic financial service and products to underserved communities. The credit unions participating in the CDRLF programs provide underserved communities with access to a variety of financial services and products which include basic savings and share draft accounts, home and car loans, and start-up entrepreneurial capital for small businesses.

Over the years, Congress has increased the number of dollars available for CDRLF loans to $13 million. For more than 13 years, NCUA has successfully administered the revolving loan program, providing more than 217 loans totaling $32.8 million. And, in 1992, the NCUA Board began funding technical assistance grants by using the interest generated from the CDRLF loans. In fiscal year 2001, Congress recognized the success of the grants by reserving certain funds specifically for this part of the CDRLF program. To date, the CDRLF technical assistance grant program has provided more than 1,000 grants totaling $2.4 million.

NCUA remains committed in our efforts to promote and facilitate the extension of affordable financial services to individuals and communities throughout America

as demonstrated by the implementation of the agency's successful Access Across America initiative. The CDRLF plays a vital role in the success of Access Across America, which is designed to reach out to underserved communities and create economic empowerment for people from all walks of life. Low-income designated credit unions use the loans to further community development by providing funding for member loan demand, additional member services, and increased credit union capacity to serve members that has resulted in the overall improvement of the financial condition of low-income credit union members. The grants are used for verifiable and need-based technical assistance purposes by low-income designated credit unions.

In 2002, Access Across America proved to be a very successful initiative with over 23.5 million Americans living in CDFI designated underserved areas becoming eligible for credit union service. In many instances, residents of these underserved areas often find themselves at the mercy of higher-cost outlets such as pawnshops, check-cashing stores, and rent-to-own companies in the absence of an affordable financial alternative.

In 2002, NCUA received requests for loans in the amount of $7,007,000 and were able to approve $2,329,000. In addition, NCUA distributed $664,314 in technical assistance grants after receiving requests for $1,618,843. Unfortunately, due to limited resources, NCUA was forced to decline requests for more than $950,000 in technical assistance grants that could have been used to further the availability of much needed services and products through enhanced technology by these low-income designated credit unions, the overwhelming majority of which are smaller and challenged by the costs of advancing technology in the delivery of financial services.

As stated earlier, the technical assistance grant program had been funded primarily through its history by the earnings generated from the interest charged for the CDRLF loans. Because CDRLF loans are low interest—the current interest rate is 1 percent—the earnings generated are insufficient to meet all the technical assistance requests. NCUA accepts applications for loans and grants continuously through the year, and we expect a steady pace for requests for the remainder of 2003.

The NCUA Board constantly struggles with the need to keep loan interest rates low and the need to generate interest income in order to be able to provide additional technical assistance. The funds allocated specifically for technical assistance grants over the past two years have greatly enhanced our efforts to provide technical assistance to low-income credit unions. A survey completed in May 2001 found that low-income designated credit unions that receive CDRLF assistance demonstrated the following results:

—Used the program to make additional funds available to meet community loan demands and improve financial services to members,
—Experienced significant growth,
—Stimulated economic activities in their communities, and
—Increased funding for these institutions from other sources.

NCUA firmly believes that, based upon the amount of loan and technical assistance grant applications where the needs were unable to be met last year, an increase of an additional $1 million over last year's funding level could provide the CDRLF program even greater ability to further the growth and long-term viability of credit unions in low-income and underserved areas. Access to affordable financial services and products can provide these communities with a much needed and viable alternative to check cashers, pawn shops, and title loan companies which often charge exorbitant rates and fees for credit in many low-income areas. By providing an alternative to higher-cost lenders, credit unions play a significant and meaningful role in helping residents keep more of their money in their communities and households. The CDRLF program furthers this worthwhile public policy goal, and NCUA values the strong support this Subcommittee has provided to this program over the years. We look forward to working with you again this year to continue the CDRLF program and further enhance its effectiveness.

Finally, I would like to briefly summarize the current condition of credit unions and the National Credit Union Share Insurance Fund (NCUSIF). The U.S. credit union system continues to be in excellent health. Credit union share growth in 2002 was a significant 15.1 percent and assets increased 11.1 percent to $557 billion. Net-worth in federally insured credit unions at the end of 2002 stood at 10.7 percent and the number of problem credit unions remains at historical lows. These figures demonstrate the continued overall safety and soundness of the credit union system.

In summary, the credit union industry remains in excellent condition. NCUA greatly appreciates the Subcommittee's continued support of our efforts to keep credit unions safe and sound, enhance credit union liquidity, and provide needed assistance through loans and grants to low-income credit unions with verifiable needs.

U.S. CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD

PREPARED STATEMENT OF CAROLYN W. MERRITT, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Chairman, Senator Mikulski, and members of the Subcommittee, thank you for the opportunity to present the U.S. Chemical Safety Board's budget proposal for 2004.

In the last six months, the Board has completed four major investigations and we plan to finish five more by the end of the fiscal year. We have more staff deployed than ever before and now have ten investigations underway, from Houston to New York City, from North Carolina to St. Louis.

Next year, with your continued support, we plan to complete 12 investigations—that's three to four times what the agency could do only a couple of years ago.

The CSB is a small agency just 37 people, mostly scientists, engineers, and other investigators. But we do what no other organization does: when a major chemical accident occurs, we immediately send a team of experts to conduct an independent, scientific investigation of the root causes of that accident. We don't just determine what happened, we determine why.

Our purpose is to prevent future accidents, not to issue fines or citations. Once we have established the root causes of accidents, we report our findings directly to the communities affected and the nation, and we issue recommendations to industry and government to improve safety. We then press for full implementation of these recommended safety actions.

No other organization has our unique mission to inform the public and industry about chemical accident hazards. Tragically, at no time in recent years has there been a greater need for an agency like ours. This winter has seen a rash of serious chemical accidents. Among our ten active cases, the Board is investigating major plant explosions in Kinston, North Carolina; Corbin, Kentucky; and Rosharon, Texas. These explosions have inflicted many deaths and injuries, imperiled hundreds of American jobs, and disrupted regional economies.

By bringing to light all the causes of chemical accidents—including hazards that are unknown, forgotten, or underestimated—CSB is in the forefront of building a safer industry. Let me add that chemical accidents are not just a problem of the chemical industry—many companies that simply use or handle chemicals experience these accidents as well. For example, we are currently investigating accidents at a medical device company, an acoustic insulation manufacturer, and an architectural sign company—just to name a few.

We are here asking for a modest increase of $1 million over our 2003 base budget. The Committee gave us adequate resources last year to hire seven new accident investigators, and I thank you for it. We now need additional funds to fully utilize our staff and maintain our increased productivity into next year.

UNPRECEDENTED LEVEL OF MISSION ACCOMPLISHMENT

Since last year, the Board has completed five major accident investigations. We have ten more investigations currently underway. A summary of the recently completed investigations follows.

COMPLETED INVESTIGATIONS

BP Amoco (Augusta, GA)

On March 13, 2001, three workers were killed as they opened a process vessel containing hot plastic at the BP Amoco (now Solvay Advanced Polymers LLC) plant in Augusta, Georgia. The workers were killed when the partially unbolted cover blew off the vessel, expelling molten plastic. The Board report, issued in May 2002, found that the accident could have been avoided if the firm had instituted a program to better understand the chemical reaction that caused pressure accumulation within the process vessel. The Board issued eight specific recommendations to the company to prevent a similar incident in the future.

Motiva Enterprises (Delaware City, DE)

On July 17, 2001, one worker was killed and eight others were injured when a sulfuric acid storage tank exploded and collapsed at the Motiva Enterprises LLC Delaware City Refinery. The explosion caused a massive release of sulfuric acid to the environment. The Board found that a spark from welding equipment had ignited flammable vapors from the storage tank, which was inadequately maintained and had holes rusted through its roof.

The Board identified significant deficiencies in Motiva's mechanical integrity program—the program responsible for monitoring and preventing corrosion of the storage tank. Among the recommendations from this accident, the Board urged OSHA to regulate the safety of atmospheric storage tanks when they are connected to hazardous manufacturing processes.

The Board got strong support for its investigation and its recommendations from the entire Delaware Congressional delegation. Rep. Michael Castle and Sen. Joseph Biden both spoke forcefully at our public meeting in Wilmington on August 28, 2002, and they joined with Sen. Tom Carper in requesting action "as swiftly as possible" from OSHA Assistant Secretary John Henshaw. "Expanding coverage to include aboveground storage tanks will go a long way in reaching our common goal of reducing catastrophic events," they wrote in a letter to Secretary Henshaw dated February 25, 2003.

Reactive Hazards (NJ, TX, and nationwide)

Following the final CSB report in August 2000 on an incident at the Morton International plant in Paterson, New Jersey, the Board began an intensive study of 167 serious reactive chemical incidents from 1980 to 2001. On May 30, 2002, the Board held a hearing in Paterson to review the findings of the nationwide study. The Board found serious gaps in both industry practice and government regulations to control reactive hazards. Senator Corzine and Senator Lautenberg both spoke at the meeting and supported our investigative findings on this subject.

On September 17, 2002, in Houston, Texas, the Board issued its final report from the reactive hazards investigation. The Board recommended that OSHA amend its Process Safety Management standard to achieve more comprehensive control of reactive hazards. The Board also called on EPA to revise its chemical accident prevention program for the same purpose. A further recommendation requested the National Institute of Standards and Technology to develop a publicly available database of reactive hazard test information. There were also recommendations directed to several trade associations, unions, and other organizations.

Meanwhile, serious reactive incidents continue to occur around the country. CSB is conducting full investigations of two such incidents, in Pascagoula, MS, and Cranston, RI, and preparing a case study of a third recent incident in Ohio. All three processes where these accidents occurred were exempt from coverage under the OSHA and EPA process safety rules.

Georgia Pacific (Pennington, AL)

On January 11, 2002, a hydrogen sulfide gas leak at the Georgia Pacific Naheola paper mill killed two workers and injured a dozen others. On November 20, 2002, the Board held a public meeting and issued its final report. The Board completed this investigation and issued its recommendations in less than a year.

The Board concluded that plant management had not followed good engineering and process safety practices when they earlier connected a drain from a truck unloading area into an acidic process sewer. On the day of the incident, sodium hydrosulfide, a process chemical that had spilled in the unloading area, reacted to release deadly hydrogen sulfide gas when it contacted acidic material in the sewer. The toxic gas vented from the sewer through a nearby fiberglass manhole cover and engulfed the workers. The Board recommended that Georgia-Pacific Corporation review sewer system safety to prevent the inadvertent mixing of potentially reactive chemicals and also identify plant areas that may be at risk for hydrogen sulfide release.

Third Coast Industries (Pearland, TX)

A massive fire, which broke out in the early morning hours of May 1, 2002, destroyed the Third Coast Industries blending facility south of Houston, in a blaze that consumed 1.2 million gallons of combustible and flammable liquids and lasted for more than 24 hours. Approximately 100 nearby residents were evacuated from their homes while the fire was allowed to burn itself out. The plant had no supply of fire water to aid emergency responders. On March 6, 2003, the Board issued its final report on the accident at a public meeting in Houston. The Board found that better fire control systems could have spared the plant from total destruction and minimized the impact on nearby residents and businesses. Most widely used fire codes have provisions that could have greatly mitigated the spread of the fire at Third Coast, but where the plant is located in unincorporated Brazoria County there is no mandatory fire code. The Board recommended that the County adopt such a fire code, and the County did so a week after of the Board's recommendation.

CURRENT INVESTIGATIONS

Kaltech Industries (New York, NY)

The CSB is investigating a building explosion that injured dozens on April 26, 2002, in the Chelsea neighborhood of downtown New York. The explosion occurred at a company, Kaltech Industries, that manufactures architectural signs. A number of members of the public were among the injured. Preliminary findings indicate that the explosion occurred as a result of an uncontrolled chemical reaction during waste mixing operations. A public hearing on the issue was held April 16, 2003, in New York City, and a final report is expected in June 2003.

DPC Enterprises (Festus, MO)

On August 14, 2002, approximately 48,000 pounds of toxic chlorine gas were released from a stationary rail car being unloaded at the DPC Enterprises plant in Festus, south of St. Louis. The leak resulted from the rupture of an improperly constructed transfer hose and subsequent failure of several emergency shutdown devices. On December 4, the Board issued a safety advisory to chlorine users nationwide to verify the materials of construction of chlorine transfer hoses to prevent future gas leaks. The Board's final report on the DPC incident is expected in May 2003.

First Chemical (Pascagoula, MS)

A violent explosion blew apart a large distillation tower at the chemical producer on the morning of October 13, 2002. CSB staff noted that the incident was a "close call" in that falling metal from the explosion could have caused the release of deadly gases had it struck certain nearby storage tanks. Shrapnel did penetrate one nitrotoluene storage tank at the site, igniting a fire that burned for several hours. The CSB conducted a well-attended community meeting on the significance of this case at Pascagoula City Hall on January 15. A final report is expected later this year.

Catalyst Systems (Gnadenhutten, OH)

On January 2, 2003, a violent explosion destroyed part of Catalyst Systems, a manufacturer of curing agents for automotive body fillers, located south of Cleveland. The explosion originated in a dryer used to concentrate benzoyl peroxide, a reactive chemical of the organic peroxide family. The blast caused one injury but could have been far worse had not most workers been at lunch when it occurred. CSB investigators are preparing a case study on this serious reactive chemical incident.

BLSR Operating (Rosharon, TX)

This facility, located south of Houston, processes oil and gas field wastes, recovering petroleum and disposing of waste water. On January 13, 2003, two trucks were unloading gas field wastes into an open trench, when suddenly their diesel engines began to race (a sign of a flammable atmosphere). Moments later a flash fire occurred, engulfing the trucks, fatally burning three workers, and injuring several others. The Board is investigating this incident, looking at how potentially flammable gas field wastes are managed for safety. A final report will be issued this summer.

West Pharmaceuticals (Kinston, NC)

On January 29, 2003, a massive explosion destroyed much of the West Pharmaceuticals plant that produced molded rubber medical products. A total of six people have died as the result of the blast, including several who initially survived only to die later from critical burn injuries. Others remain hospitalized. The shockwave from the explosion shattered windows hundreds of feet away and hurled debris up to two miles from the blast site. Damage to the plant was estimated at $150 million, and hundreds of jobs were put in jeopardy. A large team of CSB investigators deployed immediately to the site, arriving the evening of the explosion. CSB investigators rapidly identified the likelihood of a chemical dust explosion and began a comprehensive investigation of the root causes. The Board is planning to hold a community briefing in Kinston this spring.

Technic Inc. (Cranston, RI)

A February 7 explosion at Technic Inc., a manufacturer of metal plating chemicals, sent a number of workers to the hospital. Fortunately, only one worker was seriously injured, but his injuries were life-threatening. A CSB investigative team was dispatched and identified the possibility of an uncontrolled chemical reaction within the waste vent piping system attached to several chemical reactors. The team continues to investigate the root causes of this accident, which is another ex-

ample of a serious reactive chemical accident that originated within a waste disposal system.

CTA Acoustics (Corbin, KY)

During a brief process shutdown on the morning of February 20, a powerful explosion ripped through the CTA Acoustics plant in southeastern Kentucky. Seven people have died from burns received during the explosion, which CSB investigators believe likely involved combustible chemical dust from the process used to make fiberglass automotive insulation. Two workers remain in critical condition. The blast badly damaged the plant, halting production at several North American Ford manufacturing sites, idling more than 10,000 workers. CSB staff are continuing to investigate at the CTA plant, conducting interviews, gathering samples, and mapping blast damage. The CSB will hold a community meeting in the Corbin area within the next several months.

Hazard Study—Toxic Gas Emissions (Cincinnati, OH, and nationwide)

Following its investigation of the fatal Georgia Pacific hydrogen sulfide incident, the CSB initiated a follow-up study to look more broadly at the problem of toxic gases evolving from waste disposal systems. On December 11, 2002, a few weeks after this study was announced, a serious incident occurred at Environmental Enterprises in Cincinnati, OH, where a worker was overcome by the same gas, hydrogen sulfide, from a waste water treatment system. CSB staff are now reviewing records from around the country to determine how prevalent these incidents are, and their report is expected later in 2003.

Hazard Study—Sodium Hydrosulfide Handling (nationwide)

As another outgrowth of its Georgia Pacific investigation, CSB staff are conducting a review of other incidents involving sodium hydrosulfide, the chemical which reacted in the Georgia Pacific sewer to produce the toxic hydrogen sulfide. Evidence indicates that other fatalities have occurred from the interaction of sodium hydrosulfide with acid; this study is examining the sufficiency of current safe handling practices for this substance.

RECOMMENDATIONS PROGRAM LAUNCHED

Recommendations are CSB's principal tool for promoting chemical safety. Each recommendation has one or more specific recipients, who are the parties best able to carry out the recommended action to improve safety. Once CSB has issued a recommendation, the CSB recommendations staff encourages implementation and tracks compliance. In fiscal year 2002, the CSB issued a total of 67 recommendations and successfully closed 38 recommendations from prior year investigations. The CSB also began posting status information on all recommendations on our website.

The Board aims for 80 percent acceptance of our recommendations over a period of time. In the fifth year of our existence, we are well on the way to achieving that goal. We have received excellent cooperation in virtually every case, and have received only two negative responses to the 141 recommendations that have been issued. On the other hand, we have received numerous responses indicating positive actions underway or planned.

Here are some recent examples of safety accomplishments made as a specific result of CSB recommendations:

—OSHA issued a Technical Information Bulletin on the hazards associated with temporary work enclosures (CSB Union Carbide investigation);

—The Institute of Makers of Explosives (IME) developed guidelines for the safe reclamation of explosive materials and the proper training of explosives workers (CSB Sierra Chemical investigation);

—The American Petroleum Institute developed its first recommended practices for the safe operation of onshore oil and gas production facilities, including worker training, process design, and work practices (CSB Sonat investigation);

—The Morton International Chemical Company has taken actions to improve reactive chemical safety at its plants, including re-evaluating hazards, adding safety alarms, revising operating procedures, and investigating near-miss events (CSB Morton investigation);

—The National Propane Gas Association and the Fire Service Institute of Iowa revised their fire fighting training materials to include appropriate precautionary measures for flammable gas explosions (CSB Herrig investigation);

—Brazoria County, Texas, adopted a county-wide fire code for the first time following the Board's Third Coast Packaging investigation.

OUTREACH AND DATA EFFORTS REFOCUSED

Responding to recommendations from the Committee and the Inspector General, the Board restructured the agency's outreach efforts to ensure they are cost-effective and help to advance the agency's statutory mission to prevent accidents. Plans for a freestanding outreach office with up to five FTEs were cancelled, with most positions reassigned to investigations. Instead the agency has focused on making sure that key safety information from its own investigations becomes widely known. In lieu of a freestanding outreach office, the agency has established a small coordinating committee of existing staff who ensure that outreach activities are directly related to getting CSB safety recommendations adopted.

The Board also withdrew a strategic goal to develop its own accident data system and instead convened a data roundtable discussion in November 2002, jointly with EPA and OSHA. The roundtable resulted in broad agreement on measures to improve EPA's data collection program—measures that will benefit CSB and other government agencies that need to look at accident rates. In addition, CSB continues to work with other agencies, such as the Agency for Toxic Substances and Disease Registry, to better utilize other federal incident data systems.

The agency has also begun a highly successful program of public and community meetings in connection with our accident investigations. We have held public meetings in Paterson, NJ; Wilmington, DE; Festus, MO; Houston, TX (twice); and Pascagoula, MS. These meetings are held in communities where accidents have occurred, and most are also broadcast over the Internet. The meetings have been well attended and have drawn sizeable audiences of Internet viewers, including safety professionals who work in similar industries. We use these public meetings to discuss and release our investigative findings and recommendations and also to hear specific community concerns about chemical accident hazards.

MANAGEMENT IMPROVEMENTS

We made a number of management improvements during the past year, in part as an outgrowth of work by the CSB Inspector General (IG). Ten recommendations from a March 2002 IG report were all successfully implemented by the agency by the end of the September. Among the changes, CSB developed new legal procedures for handling vacancies in the Chair; expanded delegation to the COO and the career staff; improved tracking of staff time and resources; and streamlined its strategic goals and office structure. CSB also successfully petitioned OPM for special hiring authority to fill numerous vacancies in its investigations and recommendations programs. Armed with this temporary authority we hired seven new investigators and specialists by the end of the fiscal year.

In June 2002, the agency recruited its first full-time COO in more than two years. This action relieved the General Counsel of collateral responsibilities and provided a single, full-time manager for day-to-day operations. CSB also accepted six additional IG recommendations related to personnel management and has recently hired a full-time human resources manager to oversee this important function.

With the swearing in of a new Chairman, a fifth Board member, and a full-time Chief Operating Officer, the agency's management has reached full operating strength for the first time in its history. As one senior industry safety official wrote the Board recently, "I think the CSB has made truly exceptional progress . . . to a group publishing excellent investigation reports, facilitating discussions on issues facing the chemical industry, etc. . . . You have arrived . . . [emphasis in original]"

FISCAL YEAR 2004 BUDGET REQUEST

This Committee has urged the Board to undertake more investigations and hazard studies, and we want to produce more work. We are requesting a budget increase of $1 million to provide adequate resources for our expanded investigative staff to do the work that Congress wants.

With almost 40 personnel—mostly engineers, scientists, and technical specialists—the CSB is poised to achieve its statutory mission of protecting lives and property by investigating and preventing chemical accidents, and we are already producing significant results. The agency has pledged to produce up to 12 investigation reports in fiscal year 2004, up from a rate of just three a year in fiscal year 2002.

The expansion of the investigations program and the hiring of additional investigators have had a significant budgetary impact. In addition, we now have major investigations underway in North Carolina and Kentucky, on a scale that is unprecedented for our agency. The public expects CSB to conduct prompt, thorough, authoritative investigations of both accidents. We have significant, unavoidable ex-

penses for contracting with outside experts to assist those investigations—such as dust explosion experts—expenses that could not possibly have been anticipated in our fiscal year 2003 budget.

During both fiscal year 2001 and 2002, CSB spent less than its full annual appropriation, resulting in unspent "carryover" balances at the end of each fiscal year. For example, at the end of fiscal year 2002, CSB had $1.4 million in unspent two-year funds, out of an appropriation of $7.85 million.

However, our expenses for fiscal year 2003 will total an estimated $8.6 million, including current year appropriations, carryover funds, and prepaid contract items. By comparison, the agency's fiscal year 2003 appropriation is only $7.85 million, of which $1.4 million must be drawn from previous carryover funds. Because we prefunded certain fiscal year 2003 expenses during last year, we can currently function despite the apparent imbalance between our current expenses and our fiscal year 2003 appropriation.

Because of the agency's financial condition in fiscal year 2003, however, the CSB will have no available carryover moneys entering fiscal year 2004. In addition, we lack the financial means to prefund fiscal year 2004 expenses to any significant extent. Thus at the beginning of fiscal year 2004, CSB will need to be funded entirely from new appropriations.

The Board plans to increase output to 12 investigations and studies per year, which will impose additional travel and contract costs next year. Likewise we also intend to continue our highly successful program of briefings and Board meetings conducted outside of Washington, in the field. Information included with the agency's budget request shows that if the CSB is funded at the $8 million level in fiscal year 2004, we will face an immediate shortfall on October 1, 2003, of almost $1 million per annum, which will have a serious adverse effect on our operations and our ability to retain needed staff.

In fiscal year 2004 the Board will have a full complement of Board members and an adequate staff to meet our objectives. We ask the Committee's support to let us continue to accomplish the mission Congress gave us—to protect workers, the public, and the environment from chemical accidents.

U.S. COURT OF APPEALS FOR VETERANS CLAIMS

PREPARED STATEMENT OF HONORABLE KENNETH B. KRAMER, CHIEF JUDGE

Mr. Chairman and Distinguished Members of the Committee: On behalf of the Court, I appreciate the opportunity to present for your consideration the fiscal year 2004 budget request of $16,220,000 for the United States Court of Appeals for Veterans Claims. With our nation at war, the Court is even more committed to ensuring that our veterans and dependents have a justice system that affords effective and timely review of the denial by the Department of Veterans Affairs (VA) of their claims for benefits based on and provided by a grateful nation because of their service and sacrifices.

The Court's fiscal year 2004 budget request includes $1,175,000 requested by the Veterans Consortium Pro Bono Program (Representation Program). In accordance with practice since fiscal year 1997, the Representation Program has provided its own budget request, which the Court has forwarded (without comment) along with the Court's budget request.

The appropriation to the Court for fiscal year 2003 was $14,326,000 (before the .65 percent rescission reduced it to $14,232,881), of which $1,045,000 was the amount requested by the Representation Program. Our fiscal year 2004 budget request reflects an increase over the budget authority for Court operations for fiscal year 2003. Three factors account for virtually the entire increase in addition to the $130,000 increase sought by the Representation Program. The first reflects a budgeted pay raise for all nonjudicial Court personnel consistent with that generally anticipated for all Washington, D.C., area government employees. The second factor is the statutory authorization for a temporary increase in the number of judges. The third is a request for earmarked funding for security measures, which the Court is now withdrawing. I will discuss each of these matters further.

The first significant increase in the Court's budget request for fiscal year 2004 is in personnel compensation and benefits. As in the past, in conformance with OMB economic assumptions, we have requested funding for a pay adjustment for staff (2.0 percent), with no differentiation between the Economic Cost Indicator and locality pay, including necessary funding for benefits.

The second important factor is the result of the enactment of Public Law No. 107–103 (Dec. 27, 2001), calling for the temporary addition of two judges. Since its incep-

tion, the Court has been composed of seven judges, one of whom serves as chief judge; however, Public Law No. 107–103, temporarily increased the number of judicial positions from seven to nine. This law was designed to smooth the transition period when the then five, now four, remaining original judges would be eligible to retire in a very short span of time; at the end of that period, in August 2005, the size of the Court will return to seven judges. We have attempted to budget as prudently as possible for this temporary judicial increase. Given the uncertainty of the timing associated with the nominations process, in our fiscal year 2003 budget request we requested funding for one additional chambers; we have included, as part of the fiscal year 2004 budget request, funding for a second additional chambers, that is, for $590,000 to provide for personnel and benefits, office buildout, furnishings, equipment, and supplies, as well as continuing costs for the operation of the first additional chambers. Nominations for the two additional judicial positions are now pending before the Senate Committee on Veterans' Affairs, along with two nominations to fill the vacancies created by former Chief Judge Nebeker's retirement in October 2000 and Judge Holdaway's retirement in November 2002. If both additional judgeships are filled during fiscal year 2003, we would request reprogramming of fiscal year 2003 funds to provide immediately for establishing the second additional chambers, and if necessary seek supplemental funding. We would then withdraw from our fiscal year 2004 budget request our funding request for comparable costs associated with establishing an additional chambers. In addition, the benefits portion continues to include a Court contribution to the Judicial Retirement System (JRS) Trust Fund that reflects all participating judges' opting into the JRS survivor annuity program and the statutory provision anticipating that all judges—including any appointed as part of the temporary judicial increase—will ultimately join the Court's JRS.

Not taking into account the new judgeships, the Court's request proposes no increase in staffing. The Court, as always, will monitor staffing to ensure that it is kept at the minimum level necessary to review in a timely fashion the cases brought before the Court. To provide further background on the workload before the Court, the Court's caseload history over the past twelve years is summarized in the following table, which also appears on page 4 of the Court's fiscal year 2004 Budget Request:

	Fiscal Year 1991	Fiscal Year 1992	Fiscal Year 1993	Fiscal Year 1994	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002
BVA Total Denials	25,082	10,946	9,734	6,194	6,407	10,444	15,865	15,360	14,881	14,080	8,514	8,606
New Cases to USCAVC	2,223	1,742	1,265	1,142	1,279	1,620	2,229	2,371	2,397	2,442	2,296	2,150
New Cases as a Percent of BVA Denials	8.9	15.9	13.0	18.4	20.0	15.0	14.0	15.4	16.1	17.3	27.0	25.0

Appeals to the Court come from the pool of cases in which the Board of Veterans' Appeals (BVA or Board) has denied some or all benefits sought by claimants. The Court is also empowered to entertain petitions for extraordinary relief where the Court action sought would be in aid of its jurisdiction. As this table shows, the number of appeals and petitions filed with the Court has held relatively steady, even though the number of total denials by the Board (the BVA does not publish statistics on cases with partial denials) has dropped significantly since passage in November 2000 of the Veterans Claims Assistance Act of 2000 (Public Law No. 106–475) requiring VA to provide more comprehensive notice and development assistance to VA benefits claimants. There has been a substantial increase in new case filings over the last six months. Since September 2002, new case filings have averaged 242 per month. If this trend continues throughout fiscal year 2003, the Court will have the highest number of new cases in its history for a 12-month period.

Furthermore, since Congress extended the Equal Access to Justice Act (EAJA) to the Court in 1992, there has been a substantial number of EAJA applications. The case-filing figures provided in the table, above, however, do not reflect the number of EAJA applications filed and EAJA cases pending, even though these applications initiate a separate proceeding requiring Court action. In fiscal year 2002, the Court acted on 1,104 applications, up from 801 applications in 2001 and 776 applications in 2000. The potential availability of EAJA fees has encouraged a greater number of attorneys to develop expertise in veterans benefits law, and the professional assistance of the growing appellants' (benefits claimants) bar has proven very valuable in litigation before the Court. However, there is a tradeoff: Some EAJA applications can demand considerable time because they present very complex issues, and resolving these issues continues to require substantial judicial and staff resources. Consequently, processing and disposing of EAJA applications has become an important workload factor.

In addition to the factors addressed above, a third matter has contributed to the Court's fiscal year 2004 budget request. Included in the "communications, utilities, and miscellaneous charges" object category is $281,700 that the Court requested be earmarked for security enhancement. The Court is mindful, however, of the disfavor expressed, in H.R. Report No. 107–40 and the Statement of the Managers in the Conference Report accompanying H.J. Res. 2 (subsequently enacted as Public Law No. 108–7, hereinafter "the fiscal year 2003 Appropriations Act"), for our fiscal year 2003 request for earmarked funds for security enhancements. Accordingly, we withdraw the request for earmarked funds for use for security enhancement in fiscal year 2004. As instructed by the Committee, the Court is working through the General Services Administration (GSA) in an effort to make arrangements with the building's owner, from which GSA leases the Court's offices, for enhanced security to the building. Guards under contract to the Federal Protective Service (now part of the Department of Homeland Security) have, since March 5, 2003, been conducting magnetometer and x-ray screening at the lobby and loading dock and screening vehicles entering the public parking garage during regular business hours (with limited guard service in the lobby for extended hours). GSA and the Court continue to work toward additional security enhancements for the building. The Court is mindful of the Committee's view that costs for the garage be shared by those who use the facility.

The Court asks, however, that the Committee consider appropriating and earmarking $100,000 of these funds for use during fiscal year 2004 for the costs of working through GSA to locate a suitable site and examine design requirements and other specifications needed for a veterans justice center (feasibility study). VA, the veterans service organizations (VSOs), the Representation Program, and a number of other agencies and organizations involved in legal representation before the Court have expressed interest in relocating their appellate practitioners to a veterans justice center. The bar association continues to support an initiative to house the Court in a veterans justice center, rather than a commercial office building with nonfederal tenants and without adequate federal control over security. The costs of establishing such a center could be comparable to current annual rental payments by the Court and other federal entities housed in it. In H.R. Report No. 107–740, incorporated by reference into the legislative history of the fiscal year 2003 Appropriations Act, the Committee "strongly urge[d] the Court" to continue to work through GSA to "come to an agreeable solution" concerning the security issues affecting the building where the Court is located. In the event that there could not be agreement among the GSA, the Court, the building's owners, and the other tenants, the Committee recommended that "the Court look for alternative Federal office space to meet its needs." The GSA Public Building Services has expressed a willingness to work with the Court on this matter, and the earmarked $100,000 would be used to pay GSA for expenses incurred and passed through to the Court. According to

GSA, that is the estimated cost for a feasibility study that would include seven major components: (1) Client-requirements assessment; (2) asset-needs assessment; (3) conceptual development of alternatives; (4) technical and financial analysis of alternatives; (5) selection and justification of the preferred alternative; (6) construction cost estimates of the preferred alternative, separated into shell and tenant improvement components per the GSA pricing guide; and (7) delivery schedule and procurement strategy. The GSA feasibility study would provide the narratives, charts, plans, sketches, diagrams, and other information needed for an informed decision.

Although not a major factor, a $39,000 increase is reflected in the request for funding for other services. These services include cross-servicing for payroll and finance and accounting support from the Bureau of Public Debt (BPD) and the Department of Agriculture's National Finance Center, and for court security officers provided through a contract with the U.S. Marshals Service. In addition, a $10,000 increase for travel reflects an increase in the cost of travel, additional judges, and programmed travel by judges to law schools to conduct oral argument and thereby promote education in veterans' law (as discussed further in the next paragraph), and for training associated with the new judicial appointments. Finally, there is an increase of $12,000 reflecting increased subscription costs and supplies associated with the anticipated new judges and their staff.

Last year, in my statement in support of the Court's budget request for fiscal year 2003, I updated you on two new Court initiatives: To promote study of veterans benefits law in the nation's law schools and to support practitioners in their effort to organize a voluntary bar association. The Court has now held oral argument at two area law schools (Catholic University and Georgetown University), and one of the schools offered an evening course in veterans benefits law during the Fall 2002 semester. Later this Spring, the Court will hold oral argument at another local law school (the University of Baltimore). The voluntary bar association continues to operate successfully and now has almost 250 dues-paying members drawn from the appellants' bar, VA, veterans service organizations, and the Court. As one of its activities, the bar association has established a law school education committee, with members from among the Court's practitioners, including members outside the Washington, D.C., geographic area. These practitioners are working with law professors and law schools throughout the country in exploring various means to expose future attorneys to veterans benefits law.

In conclusion, I appreciate this opportunity to submit this testimony on the Court's budget request for fiscal year 2004. On behalf of the judges and staff, I thank you for your past support and continued assistance. I will be happy to answer any questions that you might have.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

AGENCY FOR TOXIC SUBSTANCES AND DISEASE REGISTRY

PREPARED STATEMENT OF HENRY FALK, M.D., M.P.H., ASSISTANT ADMINISTRATOR

It is a special pleasure to discuss ATSDR's accomplishments and plans, as this month marks the 20th anniversary of ATSDR's creation. I am very proud of ATSDR's progress over the past 20 years in advancing our understanding of the public health impacts of exposure to hazardous substances and in undertaking activities to prevent and mitigate disease and other harmful impacts of toxic exposure.

Among the profound changes that have occurred in our country during those 20 years, I would like to note two in particular that have played a significant role in shaping ATSDR's development and activities.

First, it has been widely recognized that the problems posed by hazardous waste sites are more extensive than was understood in the early years of the Superfund program. The number of hazardous waste sites in this country is much larger than was once thought. Sites that present major public health consequences continue to be identified, most notably asbestos contamination from W.R. Grace's vermiculite mine in Libby, Montana, a site that was first addressed under Superfund in 1999.

Second, terrorist events and the threat of future terrorist events have resulted in growing demand for ATSDR's unique experience and expertise developed over the past 20 years in carrying out mandated Superfund programs.

Our experience and expertise in chemical toxicology, in emergency response, and in fostering coordination among public health, environmental, and emergency response agencies, as well as organizations at the local, state, and federal levels, is extensive. In addition, ATSDR has an important role in disseminating critical infor-

mation to agencies and organizations with a role in terrorism preparedness and response.

The President's fiscal year 2004 Budget includes $73 million for ATSDR. This funding will support the agency's ongoing activities.

Through ever-expanding partnerships with other federal, state, tribal and local agencies and with private and public interest organizations, we continue to provide the highest quality services to the public in both our traditional Superfund programs and in terrorism-related activities. Innovative partnerships with organizations whose programs complement those of ATSDR have enabled us to achieve our public health mission more efficiently and effectively, both through disseminating critical information and through drawing on the expertise of others.

During the past year, in addition to ongoing work with the Environmental Protection Agency (EPA), we have collaborated with a broad range of agencies and organizations, including the Centers for Disease Control and Prevention (CDC), the National Institute of Environmental Health Sciences (NIEHS), the Federal Bureau of Investigation, the Federal Emergency Management Agency (FEMA), the Chemical Safety and Hazard Investigation Board, the American Chemistry Council, colleges and universities, and dozens of state and local public health organizations.

We have cooperative agreements with 31 state health departments, under which they conduct health assessments and undertake other environmental health activities. In addition, we continue to benefit from ATSDR's longstanding partnerships and programs, such as with the Minority Health Professions Foundation and its research program, as well as with a number of universities and state health departments through ATSDR's Great Lakes Human Health Effects Research Program. These programs help ATSDR fill the gaps in knowledge about the effects of hazardous substances on human health.

We continue to leverage technology, including the use of sophisticated toxicologic, epidemiologic, and environmental data sets and analytic approaches, to enable us to carry out our mission most effectively. Geographic information system technology allows us to layer health, demographic, environmental, and other traditional data sources to be analyzed. Improved scientific capacity enables us to track the spread of environmental contamination throughout a community, to identify geographic areas and facilities of particular concern, and to identify susceptible populations and potential health effects.

In addition to meeting our mandated Superfund-related obligations, we also help communities address emergency preparedness and response to acts of terrorism, while at the same time strengthening preparedness within ATSDR. Finally, we are pursuing a closer and more collaborative relationship with CDC as a mechanism for achieving the kind of synergy that will make us even more responsive and capable as a public health agency.

This testimony addresses some of the activities that will be supported under the fiscal year 2004 budget. These activities are critical to fulfilling our mandates under Superfund and to enhancing terrorism preparedness.

TRADITIONAL ATSDR SUPERFUND ACTIVITIES

The critical core function of our Agency is to assess the public health implications of hazardous waste sites and events involving the emergency release of chemicals. Our public health assessments and health consultations, as well as many of our health studies and surveillance programs, are directed to determining whether a site poses a threat to the public's health and to taking needed actions to protect public health, working with EPA and states.

A good example of the wide range of site-specific activities undertaken by ATSDR is our ongoing work in addressing tremolite asbestos contamination in Libby, Montana.

ATSDR has been working with EPA and with other federal, state, and local public health agencies to address the health threats posed by asbestos contamination in Libby. We conducted a medical screening program that involved testing of over 7,300 residents who were exposed to asbestos in that community. That program revealed that 18 percent of those tested have asbestos-related lung abnormalities as shown on chest x-rays—a much greater rate than exists in the United States as a whole.

ATSDR is now providing funding and technical assistance to help the State of Montana implement a follow-up testing program for former workers, residents, household contacts, and other eligible persons. We expect the facility for this testing to be operational by the first of June of this year. A study to determine the rate of abnormalities by use of computed tomography (CT) scans is ongoing. We worked with the Health Resources and Services Administration and the Substance Abuse

and Mental Health Services Administration, both agencies of the Department of Health and Human Services, to establish a community health clinic in Libby and to provide mental health services to the Libby community. Such a clinic is especially critical for addressing the health care needs of the medically uninsured, the underinsured, and other persons who lack the resources for primary medical care.

We are creating a registry of former workers and their families, approximately 10,000–15,000 people, to help track health conditions of these exposed persons and to enable us to provide them any new information that becomes available as part of an effort to assist in obtaining optimum medical care and taking preventive actions.

Our work to assess and address the health problems associated with exposure to asbestos from Libby has expanded to include 244 sites in the United States that received vermiculite ore from the W.R. Grace mine in Libby. A map included with this testimony indicates the distribution of these sites within the United States. We are coordinating with EPA and other federal, state, and local environmental and public health agencies to evaluate potential public health impacts at these sites. At this point, we have focused our efforts on developing health consultations at 28 priority sites and on working with 11 state health agencies that are assisting in this effort. We will begin releasing the reports of these health consultations in the next couple of months. These 28 sites, which are indicated on a second map provided with this testimony, were chosen because the exposure of former workers, their household contacts, and other individuals was deemed significant enough to warrant further evaluation. The priority sites include facilities in Beltsville, Maryland; St. Louis, Missouri; Marysville, Ohio; and Dallas, Texas. As reports on these sites become available, we will address the need for further ATSDR health evaluations of former workers or other potentially exposed individuals at these sites. Additional health work at these sites may well be required in the future.

ATSDR has also provided funding to nine states to conduct health statistics reviews, which offer a way of identifying any heightened incidence of disease associated with asbestos exposure at vermiculite sites around the country, and we continue to recruit states to join this effort. ATSDR expects to release an interim report of results of the health statistics reviews by June 30, 2003.

Our Superfund-related work encompasses environmental problems and health threats that extend well beyond those posed by asbestos contamination. We have a mandate to produce toxicological profiles on the 275 substances thought to pose the greatest hazards and to ensure that needed research is done on those chemicals to fill key gaps in information.

Two key programs that contribute to that effort are the Great Lakes Human Health Effects Research Program and the Minority Health Professions Foundation programs.

—We support the Great Lakes Human Health Effects Research Program in its efforts to build on and amplify the results of past and ongoing fish-consumption research in the Great Lakes basin. One of the significant findings under this program is that serum polychlorinated biphenyl (PCB) levels and consumption of Great Lakes fish are significantly associated with lower levels of thyroxine, a hormone secreted by the thyroid, in both women and men. Researchers also found that consumption of fish meals was highest among African Americans, but awareness of the fish advisories was lowest in that group.

—Our cooperative agreement with the Minority Health Professions Foundation and its Environmental Health and Toxicology Research Program continues to help us close the information gap in available scientific data on the health impacts of exposure to hazardous wastes, particularly on the health of poor and minority populations. The agreement, which includes as participants such historically black educational institutions as the Morehouse School of Medicine, Charles R. Drew University, Texas Southern University, Florida A & M University, Meharry Medical College, Tuskegee University, and Xavier University of Louisiana, helps underwrite the training of students who will make a major contribution to public health practice. Moreover, the agreement results in filling some of ATSDR's major research areas.

To further assist communities and apply the benefits from increasing knowledge about the relationship between exposure to toxic substances and resulting disease, in the past year ATSDR has begun implementing an applied public health environmental research agenda. In developing this program ATSDR has been working closely with other federal agencies, including the National Institute of Environmental Health Sciences, to best leverage resources and develop collaborative approaches to address common research needs. As part of this extramural research initiative ATSDR will pursue new partnerships with state-based and academic institutions. This research agenda will enable us to answer with greater certainty the

questions and concerns raised by communities exposed to toxic substances and hazardous wastes, and to improve our ability to provide the best service to communities in the vicinity of Superfund sites.

Site specific health studies are another important tool in advancing our knowledge about the relationship between exposure to hazardous substances and any resulting disease. Recent examples of some of our ongoing work in this area include:

—In Anniston, Alabama, ATSDR has been working in collaboration with local, state, and federal agencies, as well as with community representatives, to address community concerns regarding the potential for exposure to PCBs. We have been working with the Alabama Department of Public Health to gather, analyze, and interpret vital statistics and existing data describing the incidence of cancer for residents of Anniston, and we will be funding multi-year epidemiologic investigations to study the health effects of exposure to PCBs in this community. We will work closely with the institution(s) selected to do that study, providing both technical and administrative support to the researchers. We will also work closely with EPA in further evaluating exposures.

—In Herculaneum, Missouri, we have invited a panel of experts to assist us in developing an appropriate health study design to address the lead exposures experienced in this community. We are particularly interested in studying the effects of exposure to lead among children, adolescents, and young adults. In a blood lead screening effort conducted in 2001, 30 of 67 children six years old or younger living closest to the Doe Run lead smelter had blood lead levels at or above the CDC action level for lead of 10 ug/dL. A preliminary review of available blood lead data from testing in 2002 of 58 children under 6 years old indicate elevated blood lead levels in 17 percent of those children. Further study is warranted in view of the fact that these levels are more than double the national prevalence rate of 7.6 percent and the Missouri rate of 8 percent. Factors contributing to the reduction may include community education regarding possible pathways of exposure, health effects of exposure and measures to reduce exposure.

—In Fallon, Nevada, ATSDR worked closely with CDC's National Center for Environmental Health (NCEH), the Nevada State Health Division (NSHD), and other agencies to investigate a broad range of possible environmental causes of an unusually high number of childhood leukemia cases there. ATSDR conducted a comprehensive public health assessment process, consulting with community members to identify their health and environmental concerns and then examining a variety of possible environmental pathways through which people might have been exposed to hazardous substances. Earlier this year, ATSDR, CDC/NCEH and NSHD issued reports on the findings of this investigation and held a number of public meetings with the Fallon community. Despite extensive investigation, the agencies have not found a relationship between environmental exposures to contaminants and the leukemia cases.

—In San Antonio, Texas, we evaluated potential releases of hazardous substances from Kelly Air Force Base, on-base drinking water, and current and past air emissions for associations with health concerns of communities surrounding the base. We are now assisting the Air Force in evaluating a case series of amyotrophic lateral sclerosis, a motor neuron disease, in this community.

—In Dakota City, Nebraska, we examined the association between hydrogen sulfide, total reduced sulfur levels, and neuro-behavioral activity, on the one hand, and the incidence of hospital visits by children for treatment of asthma and other respiratory illnesses, on the other. We are now involved in a follow-up study in Dakota City and South Sioux City.

—In Warren Township, Ohio, we have been involved in investigating hydrogen sulfide exposure in the surrounding air, creating a multi-agency committee to form and carry out a Public Health Action Plan to address recommendations made in a rapid response health consultation.

—In Elmore, Ohio, we investigated whether beryllium air emissions and possible worker take-home contamination from the Brush Wellman Elmore plant present a health hazard to the community. Working with the Ohio Environmental Protection Agency, Ohio Citizen Action, and Brush Wellman, we issued a health consultation and conducted several public meetings to address community concerns.

—In El Paso, Texas, we worked with the Texas Department of Health to address that city's concerns about heavy metal contamination near Sun Bowl stadium. The health department, which receives funding from ATSDR, conducted a series of health consultations looking at lead and arsenic levels in soil. Several residential yards and a daycare facility were found to have amounts of lead and arsenic that exceeded health based screening values. Exposure to lead and ar-

senic at some of these areas could pose an unacceptable public health hazard to children.

—In Tarpon Springs, Florida, we recently issued for public comment a public health assessment for the Stauffer Chemical Company site, where contaminants are present in the groundwater and the air. We have entered into an agreement with the University of South Florida to identify and locate former employees as well as students who attended the school nearby, and we are working with the Florida Department of Health to review information from the Florida cancer registry.

—In northeast Denver, Colorado, we have been working with the Colorado Department of Public Health & Environment and the University of Colorado to conduct a study of children potentially exposed to arsenic, also focusing specifically on soil pica behavior, a habit of ingesting soil, in children six months to six years of age. We have also provided comments to EPA on its proposed plan for cleaning up the so-called VB I–70 site.

Another key function of ATSDR's Superfund program is to educate both the health community and the general public about the hazards of specific chemicals and waste sites. Recent work in this area includes:

—In Marion, Illinois, we have worked with the Illinois Department of Health to educate teachers about and improve storage and handling of potentially dangerous chemicals, including mercury, in schools. Many of these stored chemicals were removed as a result of the project.

—In Jasper County, Missouri, we funded a study by the Missouri Department of Health to assess whether public health intervention efforts had been effective in reducing blood lead levels of the community's children. The intervention efforts were found to have reduced blood lead levels significantly.

Targeted efforts to improve the diagnosis and treatment of children exposed to toxic substances have been another priority for ATSDR. We have recently succeeded in helping establish Pediatric Environmental Health Specialty Units (PEHSUs) in all ten of the federal regions. In fiscal year 2002, pediatricians at these clinics who are especially cross-trained in environmental medicine evaluated more than 1,500 children and provided an additional 1,500 phone consultations to other pediatricians in their regions.

In July of 2002, the PEHSU clinic in Chicago was contacted by the Chicago Housing Authority, which was concerned about arsenic contamination in the soil of a local playground. The PEHSU, working with the Chicago Department of Public Health, helped screen local children and identified 14 with elevated levels of arsenic in their urine. The PEHSU provided follow-up medical care for affected children, and the Chicago Housing Authority began immediate clean-up of the playground. This is an excellent example of how a new-and much needed-resource can help us partner to protect children from the effects of toxic exposure.

POST 9/11 CHALLENGES IN PREPARING TO ADDRESS TERRORISM AND EMERGENCY PREPAREDNESS

During the past year, ATSDR has continued to help communities improve emergency preparedness and develop a capacity for rapid response to acts of terrorism. ATSDR's role in countering health impacts of terrorism, particularly in the areas of chemicals and the environment, is essential to national safety. We continue to participate actively with CDC, EPA, the Department of Homeland Security (DHS), and state and local health agencies in undertaking planning and preparedness in areas that focus on the unique capabilities of ATSDR.

For example, we have used partnerships to address emergency response capacity in our work with the FEMA/DHS Comprehensive HAZMAT Emergency Response-Capability Assessment Program, or CHER-CAP. ATSDR has worked with FEMA/DHS on two local emergency planning exercises (the so-called "Tri-town" exercise in Connecticut, and one in Boston, Massachusetts) to assist those communities in improving their response to a release of hazardous materials. ATSDR's contributions included bringing the medical community into the local planning process and assessing hospital emergency preparedness and response through:

—on-site evaluation, walk-through, and disaster plan review;

—applying lessons learned from the scientific literature to enhance emergency response;

—encouraging communication and collaboration among public health and medical officials and community-wide disaster planners regarding preparation for mass-casualty events;

—providing assistance and training to community responders as well as supporting preparation for use of technology such as geographic information systems and toxicologic data bases; and

—conducting exercises to assess the state of readiness to respond to mass-casualty events.

In addition, in June of this year ATSDR will participate in a large-scale regional emergency preparedness exercise in Louisville, Kentucky with EPA, FEMA/DHS, CDC, and state and local public health agencies as well as hospitals, physicians, and fire departments. In this simulation, we will provide answers to toxicological and medical questions and help maintain a "victim's registry".

We also partner with the private sector to expand the utilization of our products. In conjunction with the American Chemistry Council, we distributed the document Managing Hazardous Materials Incidents (including the medical management guidelines) on CD–ROMs to states and communities to educate first-responders to the adverse health effects of specific chemicals.

We provide communities with access to geographic information systems to map localities and to model the dispersion of chemicals in the event of an uncontrolled release.

Our Hazardous Substances Emergency Events Surveillance system (HSEES) is a major resource in our efforts to reduce and even prevent the injury and death that result from hazardous substances events. The system captures incident and facility data as well as data on health outcomes from hazardous material (HazMat) accidents and other uncontrolled releases. To date, fifteen states have cooperative agreements with ATSDR to participate in HSEES. State health departments enter data into a Web-based application to enable ATSDR to access data instantly for analysis. We are working to use HSEES as a key source of health information to enable us to respond to emergency events, including incidents of terrorism. The recent fire at a plastics factory in Kinston, North Carolina, for example, provided us with an opportunity to evaluate the use of HSEES as a means of assessing past experience and trends in fires in similar types of facilities. Data from HSEES has also provided us with information that has been used to help ensure that first responders know the appropriate personal protective gear to use in dealing with the clean-up of clandestine methamphetamine labs.

Since the events of 9/11/2001, ATSDR has initiated several activities designed to apply existing tools to aid preparedness in the event of a chemical attack. For example, ATSDR distributed a CD–ROM version of our toxicological profiles and medical management guidelines to state and local agencies and to first-responders. In addition, ATSDR toxicologists, in conjunction with scientists at CDC, have evaluated chemicals that are the most likely to be used in a terrorist attack. Although we have information on how to diagnose and treat people exposed to some of these chemicals, we are working to fill the gaps in information that still exist so that we can be even better prepared. At the same time, we are sharing the information that we do currently have with all relevant parties, including first-responders, hospital emergency rooms, poison control centers, clinicians, and the general public.

Other activities that demonstrate ATSDR's commitment to improving community emergency preparedness and to developing a rapid response capacity to terrorism include the following:

—Staff members worked with the Federal Bureau of Investigation to collect anthrax spore samples as evidence in the American Media Inc. office building in Boca Raton, Florida, where the index case of inhalation anthrax occurred in an employee. ATSDR scientists and FBI investigators worked together as members of building entry and medical monitoring teams throughout the field investigation. The field investigation team successfully applied a new combination of scientific techniques to locate, quantify, and collect concentrations of anthrax spores within the building.

—Working with funding from FEMA/DHS, we are helping the New York City Department of Health and Mental Hygiene develop a registry of 150,000–200,000 workers and residents to track the health of people exposed to contaminants from the World Trade Center site.

—ATSDR rapidly assembled toxicologic guidance for NASA, EPA, and local first responders on the potential for exposures to toxic substances in connection with the Columbia shuttle disaster.

—ATSDR has linked our emergency response staff with the new CDC Emergency Operations Center so that we have a rapid and seamless public health response to emergency events involving chemicals, including any terrorist attack.

ATSDR will continue to work closely with:

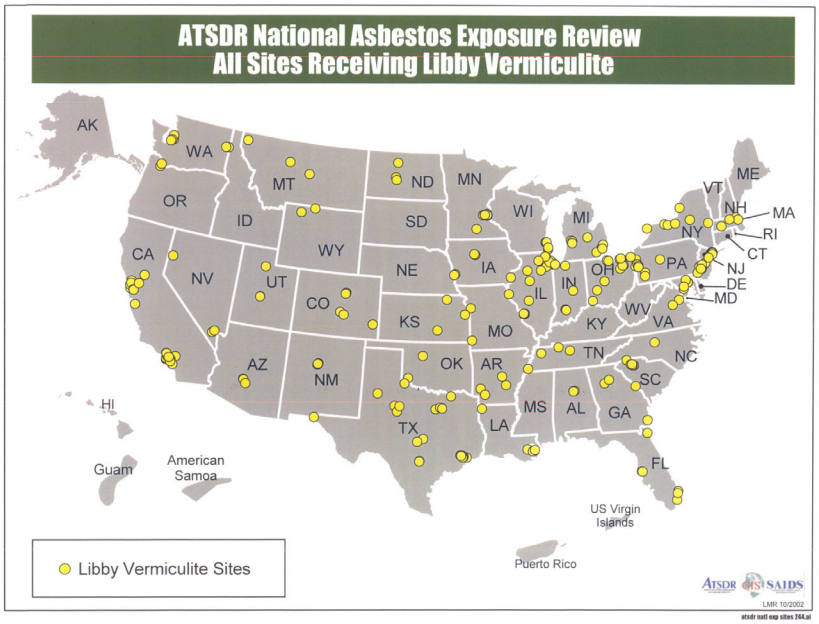
—EPA, to develop data and distribute information on chemicals and other hazards;

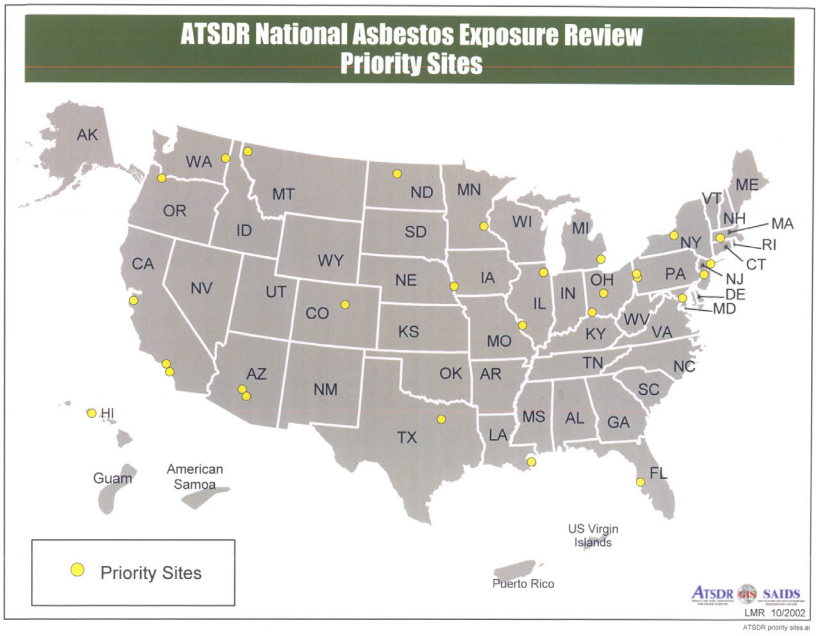
—our sister agency CDC, other agencies within the Department of Health and Human Services, and state and local agencies to help train health responders, to deal with chemical, radiologic, and environmental terrorist threats; and

—DHS, to assure that public health responders are integrated into local emergency planning.

Mr. Chairman and members of the Subcommittee, our 20th year of service to the American public has been the most productive of all, and I expect that productivity to continue. We have been good stewards of the public funds that Congress has entrusted to us. We continue to look for ways to maximize our contribution to the public's health through leveraging partnerships and technology. And, ATSDR has undertaken a major internal initiative in strategic planning for the next five years. We are tying our budget and staffing levels to specific performance planning goals and objectives, and striving to improve our program performance measures with more outcome and impact data, in an effort to provide Congress and the public a full accounting of our programs in terms of the difference we have made and the unique expertise and services we offer.

Thank you for the opportunity to provide this testimony.





DEPARTMENT OF THE ARMY—CIVIL

PREPARED STATEMENT OF HONORABLE LES BROWNLEE, UNDER SECRETARY OF THE ARMY AND ACTING ASSISTANT SECRETARY OF THE ARMY (CIVIL WORKS)

INTRODUCTION

Thank you for the opportunity to provide this statement in support of the President's budget for the Department of the Army's Cemeterial Expenses program for fiscal year 2004.

I am providing this statement on behalf of the Secretary of the Army, who is responsible for operating and maintaining Arlington and Soldiers' and Airmen's Home National Cemeteries, as well as making necessary capital improvements to ensure their long-term viability.

Arlington National Cemetery is the Nation's premier military cemetery. It is an honor to represent this cemetery and the Soldiers' and Airmen's Home National Cemetery. On behalf of these two cemeteries and the Department of the Army, I would like to express our appreciation for the support this subcommittee has provided over the years.

FISCAL YEAR 2004 BUDGET OVERVIEW

The fiscal year 2004 budget is $25,961,000, which is $6,484,000 less than the fiscal year 2003 appropriation of $32,445,000. The fiscal year 2004 budget will support Arlington National Cemetery's efforts to improve its infrastructure and continue working toward implementation of its Ten-year Capital Investment Plan. The funds requested are sufficient to support the work force, assure adequate maintenance of buildings and grounds, acquire necessary supplies and equipment, and provide the high standards of service expected at Arlington and Soldiers' and Airmen's Home National Cemeteries.

The budget also includes funds to pursue expansion efforts needed to ensure that Arlington National Cemetery remains an active burial place for service men and women well into the twenty-first century. The following table displays how long gravesites will remain available in both developed and undeveloped areas that are currently part of the Cemetery. It is presented to illustrate the importance of proceeding with expansion projects in a timely manner so that there will be no disrup-

tion in services for deceased veterans and to relieve significant crowding of funeral services.

Note that the gravesite capacity shown in the table for the undeveloped area is for currently owned land (i.e., Project 90 and utility relocations), but does not include the Millennium Project, which requires both land within the Cemetery's boundaries (i.e., the old warehouse area and Section 29 land) and land to be transferred to the Cemetery (i.e., Fort Myer picnic area). Nor does the table reflect future land expansion projects programmed in the Ten-year Capital Investment Plan beyond the Millennium Project, such as the Navy Annex and Fort Myer parking lot, all of which are currently authorized and are addressed in the Concept Land Utilization Plan.

ARLINGTON NATIONAL CEMETERY

[Gravesite Capacity as of September 30, 2002]

Gravesite capacity—developed areas	242,850
Total gravesites used	212,281
Gravesites currently available	30,569
Year available capacity exhausted	2012
Gravesite capacity—undeveloped area	36,000
Total gravesite capacity	278,850
Year total capacity exhausted	2025

I will elaborate further on the significance of the declining gravesite capacity later on in this statement.

BUDGET DETAILS

The budget is made up of three programs—Operation and Maintenance, Administration, and Construction. The principal items contained in each program are described below.

Operation and Maintenance Program

The budget for the Operation and Maintenance program is $15,793,000. It provides for the cost of operations necessary to conduct an average of 25 funeral services per day, accommodate four million visitors each year, and maintain 652 acres of land and associated infrastructure. This program supports 95 of the cemeteries' total of 101 full time equivalent (FTE) work-years. Contractual services comprise just over one-half of the Operation and Maintenance program at $8,560,000, as follows:

—$3,000,000 for tree and shrub maintenance.
—$2,300,000 for grounds maintenance.
—$1,400,000 for information guard services.
—$530,000 to develop an automated system for burial records, gravesite locations, financial management, supplies and equipment.
—$325,000 for custodial services.
—$1,005,000 for recurring maintenance of equipment, buildings, headstones, and other facility maintenance contracts.

The remaining funds in the Operation and Maintenance program support the Government workforce, which is primarily responsible for all activities associated with preparing gravesites and conducting burial services, as well as the cost of utilities, supplies and equipment.

Administration Program

The budget includes $1,299,000 for the Administration program, which provides for essential management and administrative functions, including staff supervision of Arlington and Soldiers' and Airmen's Home National Cemeteries. Budgeted funds will provide for personnel compensation, benefits, and reimbursable administrative support services provided by other government agencies. This program supports the balance of the cemeteries' workforce of six FTE work-years.

Construction Program

The Construction program's budget is $8,869,000, consisting of the following projects:

—$3,300,000 to design development of 36 acres of land known as the Millennium Project.
—$53,000 to update and refine the Ten-year Capital Investment Plan.

—$200,000 to continue developing property in and adjacent to Arlington National Cemetery, in accordance with the Concept Land Utilization Plan.
—$1,850,000 to repair roads and walkways.
—$400,000 to continue the grave liner program.
—$350,000 to demolish the remaining old warehouse buildings.
—$720,000 to repair storm and sanitary sewer lines.
—$520,000 to study, design and repair stone boundary walls.
—$535,000 to study and design Facility Maintenance Complex storage facilities.
—$205,000 to conduct utility surveys.
—$185,000 to install an irrigation system at the Kennedy gravesites.
—$140,000 to repair the fountain at Columbarium Court 2.
—$125,000 to study appearance standards for cemetery operations.
—$286,000 to perform a variety of minor projects such as painting and cleaning facilities.

Three of the above projects are particularly important to increase the capacity of Arlington National Cemetery, so that space is available for burials into the next century. They are described further in the following paragraphs.

Millennium Project.—As the table displayed earlier in this statement illustrates, capacity in the currently developed area of Arlington National Cemetery will be exhausted by 2025. In order to extend the Cemetery's useful life, the budget includes $3.3 million to design the Millennium Project, so that development can begin in fiscal year 2007. The Millennium Project involves the development of 36 acres of land into gravesite areas, roads, utilities, columbarium walls, and a boundary wall with niches for the placement of cremated remains. Approximately 26,000 additional gravesites and 15,000 niches will be provided when the development is complete. Actual yields could change significantly, depending upon final design. The Millennium Project would extend the useful life of the Cemetery beyond 2025 to somewhere between 2038 and 2047, depending upon final implementation.

The Millennium Project consists of three parcels of land. The first parcel (7 acres) is land already within the boundaries of Arlington National Cemetery made available by demolition of the old warehouse buildings. The second parcel (12 acres) was transferred to the Cemetery from the National Park Service on January 28, 2002, pursuant to the authority contained in Section 2863 of Public Law 107–107, the National Defense Authorization Act for Fiscal Year 2002. The final piece of the Millennium Project is a 17-acre parcel of adjacent land currently owned by Fort Myer (picnic area), which is to be transferred to the Cemetery in accordance with Section 2882 of the fiscal year 2000 Defense Authorization Act (Public Law 106–65). We are working with Fort Myer to implement this land transfer in the near future.

Ten-year Capital Investment Plan.—By our letter of February 5, 2002, we provided this subcommittee with a ten-year plan that identifies the Cemetery's new construction, major rehabilitation, major maintenance and study proposals for the next ten years. It addresses projects identified in the 1998 Master Plan and other projects needed to ensure that the cemetery remains open for burials into the twenty-second century. It also serves as a guide for annually recurring maintenance needs of the Cemetery.

The fiscal year 2004 budget includes $53,000 to continue developing and refining this multi-year plan for funding projects in a technically sound and financially efficient manner. This is a living document that will be periodically updated to reflect the latest information, identify new requirements and improve the quality of cost estimates. It is an essential tool in developing a credible long-term investment strategy and the budget recommendations that emanate from it.

Concept Land Utilization Plan.—By our letter of October 27, 2000, we provided this subcommittee with a plan that identifies the requirements for developing adjacent land for future expansion. The first site to be developed is the Millennium Project, as described above. The Concept Land Utilization Plan also includes the Navy Annex and Fort Myer parking lot, which would extend the Cemetery's life to somewhere between 2054 and 2068, again depending upon how these sites are ultimately developed. Increasing capacity beyond this time frame will require additional land expansion for gravesites or more columbarium niches.

The other items listed in the Construction program are needed to address aging and deteriorating infrastructure. These are primarily repairs and replacements that should be accomplished to avoid further cost increases and potentially disruptive emergency repairs.

FUNERALS

In fiscal year 2002, there were 4,022 interments and 2,283 inurnments. In fiscal year 2003, we estimate there will be 3,925 interments and 2,700 inurnments. Look-

ing ahead to fiscal year 2004, we estimate there will be 3,925 interments and 2,775 inurnments.

CEREMONIES AND VISITATION

Millions of visitors, both foreign and American, come to Arlington to view the Cemetery and participate in ceremonial events. During fiscal year 2002, about 3,100 ceremonies were conducted, with the President of the United States attending the ceremonies on Veterans Day and Memorial Day.

During fiscal year 2002, Arlington National Cemetery accommodated approximately 4 million visitors, making it one of the most visited historic sites in the National Capital Region. A recent study confirmed this estimate. A customer survey system will be designed and implemented in conjunction with the Cemetery's overall automation plan and will be used to collect, enter and analyze the survey data.

FISCAL YEAR 2003 APPROPRIATION

The additional $8,000,000 provided in the fiscal year 2003 appropriation will be used to repair the Memorial Amphitheater ($6,000,000), accelerate Phase II of Project 90 land development ($1,200,000), and replace the visitor center roof ($800,000). The roof replacement will be accomplished with reprogrammed funds as explained in my letter to this subcommittee dated October 30, 2002. The 0.65 percent rescission included in the fiscal year 2003 appropriation act (Public Law 108–7), amounts to $210,893 for Arlington National Cemetery, which has been applied to Project 90.

CONCLUSION

The funds included in the fiscal year 2004 budget are necessary to maintain the existing infrastructure at Arlington National Cemetery, provide quality services for its many visitors, make the capital investments needed to accommodate burials, and preserve the dignity, serenity and traditions of the cemetery. I respectfully ask the Subcommittee's favorable consideration of our budget.

FEDERAL DEPOSIT INSURANCE CORPORATION

PREPARED STATEMENT OF GASTON L. GIANNI, JR., INSPECTOR GENERAL, OFFICE OF INSPECTOR GENERAL

FISCAL YEAR 2004 BUDGET SUMMARY STATEMENT

The Office of Inspector General (OIG) at the Federal Deposit Insurance Corporation (FDIC) requests $30.1 million for fiscal year 2004 to fund 168 staff who conduct independent audits, investigations, and other reviews to assist and augment the FDIC's mission. OIG efforts promote the economy, efficiency, and effectiveness of the FDIC's programs and operations and protect against fraud, waste, and abuse.

The OIG's fiscal year 2002 achievements are impressive and include:

—$1.360 billion in actual and potential monetary benefits—a potential return of $42 for each $1 invested in the OIG.
—141 non-monetary recommendations to FDIC management
—29 referrals to the Department of Justice
—35 indictments
—28 convictions
—2 employee/disciplinary actions

The OIG recently assessed the most significant management and performance challenges facing the FDIC. The OIG's annual and strategic plans for fiscal years 2003 and 2004 are and will be focused on issues within these challenges:

—Adequacy of Corporate Governance in Insured Depository Institutions
—Protection of Consumer Interests
—Security of Critical Infrastructure
—Management and Analysis of Risks to the Insurance Funds
—Effectiveness of Resolution and Receivership Activities
—Management and Security of Information Technology Resources
—Assessment of Corporate Performance
—Transition to a New Financial Environment
—Organizational Leadership and Management of Human Capital
—Cost Containment and Procurement Integrity

The OIG's budget is about $1.3 million less than the fiscal year 2003 appropriation. After adjusting for inflation, fiscal year 2004 will be the eighth consecutive

year that the OIG's budget decreased. The OIG has significantly downsized its staff from an authorized level of 215 for fiscal year 2002 to 168 for fiscal year 2004. The budget and staffing reductions have been possible due to the shrinking size of the FDIC, completion of work related to the banking and thrift crises of the 1990s, prospects for continuing health of the banking industry, and buyout and early retirement initiatives of the FDIC.

Most of the OIG's budget would pay for salaries, benefits, travel, and training for its staff. The OIG is also budgeting for certain potential litigation expenses which, under Public Law 107–174, must now be paid with appropriated funds. Also, the OIG is budgeting to replace computers and continue efforts to establish an electronic crimes unit. The OIG's appropriation would be derived from the Bank Insurance Fund, the Savings Association Insurance Fund, and the FSLIC Resolution Fund. These funds are the ones used to pay for other FDIC operating expenses.

Mr. Chairman and Members of the Subcommittee, I am pleased to present the fiscal year 2004 budget request totaling $30.1 million for the Office of Inspector General (OIG) at the Federal Deposit Insurance Corporation (FDIC). As Inspector General, I am proud of the OIG's fiscal year 2002 performance and results and look forward to current and future challenges to support the Congress, the FDIC Chairman, and corporate management.

The FDIC was created by the Congress in 1933 to maintain stability and public confidence in the nation's banking system. The federal deposit insurance offered by the FDIC is designed to protect depositors from losses due to failures of insured commercial banks and thrifts. Individual deposits of up to $100,000 are covered for 9,354 institutions totaling $3.386 trillion in deposits as of December 31, 2002. The FDIC also promotes the safety and soundness of these institutions by identifying, monitoring, and addressing risks to which they are exposed.

The FDIC OIG was established in 1989 when the Congress amended the Inspector General Act to include the FDIC under the Act's provisions. The OIG's program of independent audits, investigations, and other reviews assists and augments the FDIC's mission. OIG efforts promote the economy, efficiency, and effectiveness of FDIC programs and operations and protect against fraud, waste, and abuse.

The past year has experienced great change in the composition of the OIG workforce through a major downsizing and reshaping initiative. Along with others in the Corporation, the OIG has worked to complete a downsizing effort that has been ongoing for several years following the FDIC staff buildup to handle the bank and thrift crisis in the early 1990s. For the OIG, the recent downsizing has meant decreasing from an authorized level of 215 staff for fiscal 2002 to 168 for fiscal 2004—about a 22 percent reduction. Since I became the FDIC Inspector General in 1996, our staff has decreased from 370 to the current level, or a total decrease of about 56 percent. This decrease is comparable to overall staff decreases throughout the FDIC.

Even with our downsizing, the OIG has continued to provide significant value to the management of the FDIC. In addition, we have carried out initiatives to work more strategically in areas of greatest challenge to the FDIC, improve our efficiency, enhance our communications with both the Corporation and the Congress, add to our staff expertise, and align our human capital with our strategic planning.

The funds we are requesting are essential to helping us remain prepared to meet the complex and multidimensional issues and challenges confronting the FDIC now and in the future. These funds will permit us to continue employing the highly capable staff who can meet our future challenges, invest in the technology needed to advance our capabilities, and cover other mandates. After adjusting for inflation, fiscal year 2004 will be the eighth consecutive year that the OIG's budget has decreased.

Before detailing our budget needs for fiscal year 2004, I would like to highlight some of the OIG's accomplishments in fiscal year 2002 and the major challenges confronting the FDIC and OIG.

A REVIEW OF THE FDIC OIG'S FISCAL YEAR 2002 ACCOMPLISHMENTS

The OIG's fiscal year 2002 achievements are impressive, and the results include:

—$1.360 billion in actual and potential monetary benefits—a potential return of $42 for each $1 invested in the OIG.
—141 non-monetary recommendations to FDIC management
—29 referrals to the Department of Justice
—35 indictments
—28 convictions
—2 employee/disciplinary actions

More specifically, our accomplishments included 48 completed investigations that led to the above indictments and convictions as well as fines, court-ordered restitu-

tion, and recoveries that constitute the bulk of the monetary benefits from our work. Also, we issued 36 audit reports, 5 evaluations, and 1 memorandum, which included about $607,000 in questioned costs and $3.1 million in recommendations that funds be put to better use. The recommendations in these reports aim to improve the internal controls and operational effectiveness in diverse aspects of the Corporation's operations, including automated systems, contracting, bank supervision, financial management, and asset disposition.

Further, the OIG accomplished many of its organizational goals during the fiscal year as outlined in our annual performance plan. Our 2002 Performance Report shows that we met or substantially met 23 of our 26 goals, or 88 percent. In a measurable way, these achieved goals show the progress we continue to make to add value to the Corporation with our audits, investigations, and evaluations in terms of impact, quality, productivity, timeliness, and client satisfaction. We also met or substantially met goals for providing professional advice to the Corporation and for communicating with clients and the public.

Audits, Investigations, and Evaluations

Examples of the OIG's audits, investigations, and evaluations work that contributed to these accomplishments follow.

Audits of Superior Bank Failure.—The OIG issued the results of four reviews, several based on a congressional request, related to the failure of Superior Bank, FSB, Hinsdale, Illinois. Loss estimates resulting from the failure total about $440 million, making this one of the costliest of all recent failures of FDIC-insured institutions. I testified about our work before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, commenting on areas where regulatory oversight could be strengthened; the regulatory capital treatment of residual assets; and the FDIC Board of Directors' authorization of an expanded delegation of authority for examiners to conduct examinations, visitations, or other activities of insured depository institutions.

Review of FDIC Special Examination Authority.—The OIG issued the results of its review of the FDIC's special examination authority and the Division of Supervision's effectiveness in monitoring risks posed by the nation's largest banks. Additionally, the OIG commented in advance on the draft interagency agreement signed on January 29, 2002 authorizing an expanded delegation of authority to grant the FDIC more autonomy in examining banks that pose a heightened risk to the insurance funds.

Investigation of Former Chairman of Bank of Honolulu.—In March 2002, the former chairman and owner of 76 percent of shares of the now-defunct Bank of Honolulu (Hawaii) was sentenced in the U.S. District Court in Honolulu to 36 months' incarceration to be followed by 5 years' supervised release. However, he will be subject to immediate deportation upon release from confinement. As a part of the sentencing, he was also ordered to pay restitution totaling $3,115,523. The defendant had previously pled guilty in October 2001 to violating the federal wire fraud statute as a part of a scheme whereby he and his brother fraudulently obtained the proceeds of two loans totaling $3 million made by the Bank of Honolulu. He also pled guilty to knowingly and fraudulently concealing property as a part of the bankruptcy proceeding he filed in 1998. The bankruptcy fraud violations involve two tax refund checks from the State of Hawaii totaling $757,249, which he received and failed to turn over to the Bankruptcy Trustee.

The defendant was initially indicted in August 2000 and was charged with additional violations in superseding indictments in October 2000 and May 2001. The latter superseding indictment also included charges against five other individuals who were alleged to have helped him hide money from the bankruptcy court and creditors. The additional defendants included two of his brothers, two of his business associates, and his girlfriend.

This case was jointly investigated by the FDIC OIG and the FBI and was prosecuted by the United States Attorney's Office for the District of Hawaii.

Investigation of the First National Bank of Keystone (West Virginia).—During the past year the investigations and prosecutions of the principal subjects in the case involving the failure of the First National Bank of Keystone (West Virginia) were completed. The investigation and prosecutions involving Keystone were conducted by a multi-agency task force comprised of special agents of the FDIC OIG, FBI, and IRS and prosecutors from the United States Attorney's Office for the Southern District of West Virginia and the U.S. Department of Justice. The FDIC Division of Resolutions and Receiverships also provided valuable assistance in support of the task force investigations. The investigation began after the Office of the Comptroller of the Currency conducted an examination in 1999 that uncovered information that ultimately resulted in the closure of the First National Bank of Keystone (Keystone)

on September 1, 1999. Based on the estimated losses to the insurance fund attributable to the Keystone failure, it is one of the ten costliest bank failures since 1933.

Since inception, this investigation and corresponding prosecutions have resulted in the conviction and sentencings of four of the former officers of the bank on charges of obstructing the examination of the bank. Two of those same officers along with three other officers were convicted on various other charges relating to illegal activity at the bank including bank fraud, money laundering, embezzlement, mail fraud, insider trading, and filing false income tax returns. Sentencings have totaled over 88 years' confinement, over 32 years' probation, fines of $124,500, and over $1.3 billion in restitution.

I am especially proud of the recognition given to four OIG Special Agents who received the Attorney General's Award for Distinguished Service on July 17, 2002 for their exemplary work in the investigation and prosecutions related to this case.

Review of Information Security Issues.—The OIG issued its mandated report on the FDIC's compliance with the Government Information Security Reform Act, concluding that the Corporation had established and implemented management controls that provided limited assurance of adequate assurance over its information resources. While progress had been made in addressing previously identified weaknesses, in 3 of 10 key management control areas evaluated (Contractor and Outside Agency Security, Capital Planning and Investment Control, and Performance Measurement), the FDIC had no assurance that adequate security had been achieved. Our report also highlighted opportunities for the Corporation to strengthen the accountability and authority for information security by (a) appointing a permanent Chief Information Officer (CIO), (b) ensuring that the individual serving as the CIO reports directly and solely to the Chairman, and (c) filling key vacancies within the Division of Information Resources Management that support information security initiatives and operations.

Investigations of Outstanding Restitution Orders and Other Debt.—Working with the Corporation's Division of Resolutions and Receiverships, the U.S. Attorneys' offices, and other federal agencies, the OIG continued to identify and pursue investigations of FDIC debtors who have concealed assets or committed other fraud in attempting to avoid repayment of their obligations to the FDIC. Our caseload includes a total of over $1 billion of estimated fraud related to court-ordered restitution and other types of debt.

Evaluation of Physical Security for FDIC Facilities.—Following the tragic events of September 11, 2001, the OIG focused its attention on the security of FDIC facilities. We reported that the FDIC generally addresses Department of Justice minimum security standards, but we saw a need to assign a risk level to each FDIC facility and develop appropriate plans based upon the risks. The Corporation has been responsive to our concerns.

Our semiannual reports to the Congress provide many other examples of OIG accomplishments. These reports can be found on our Web page at www.fdic.gov/oig/semi.html or by contacting our office.

Assistance to FDIC Management

In addition to 2002 audits, investigations, and evaluations, the OIG made valuable contributions to the FDIC in several other ways. We strive to work in partnership with Corporation management to share our expertise and perspective in certain areas where they are seeking to make improvements. Among these contributions were the following activities:

—Reviewed 40 proposed corporate policies and 2 draft regulations and offered comments and suggestions when appropriate.
—Commented on the FDIC's annual performance report.
—Provided advisory comments on the FDIC's 2002 Annual Performance Plan.
—Provided the Corporation with a risk analysis that identified an emerging risk, the quality of bank financial reporting and auditing.
—Participated in several division level conferences to communicate about our audit and investigation work and processes.
—Provided comments to the Chief Operating Officer on the Corporation's draft Emergency Response Plan.
—Provided technical assistance and advice to several FDIC groups working on information technology issues, business process redesign, information security reviews, and contracting policies.
—Conducted an annual review of the Corporation's internal control and risk management program.

OIG Management and Operational Initiatives

An important part of our stewardship over the funding we receive includes our continuous efforts to improve OIG operations. During the past year, we took several initiatives that have great significance on our work and operations.

As I mentioned in the beginning of our statement, the OIG participated in a significant downsizing and restructuring initiative with the Corporation. FDIC Chairman Donald Powell envisions a smaller FDIC and developed a program of voluntary employee separation incentives, including an employee buyout program and early retirements. I thoroughly reviewed all OIG functions and determined that we needed to downsize our staff significantly and, in some cases, hire staff with more relevant skills. Over 50 OIG staff accepted buyouts and/or early retirements. We closed our San Francisco office and are in the process of completing a small reduction-in-force involving remaining surplus staff.

The new organization, though smaller, is now more closely aligned with key FDIC mission areas. For example, our Office of Audits underwent a major reorganization around five operational directorates: Resolution, Receivership, and Legal Affairs; Insurance, Supervision, and Consumer Affairs; Information Assurance; and Resources Management. A fifth directorate, Corporate Evaluations, performs corporate-wide and other evaluations. Our audit function underwent a peer review by the U.S. Agency for International Development. The review concluded that the OIG's quality control system was designed in accordance with the standards of the President's Council on Integrity and Efficiency (PCIE) and provided reasonable assurance of conformance to professional standards in the conduct of audits.

Our Office of Investigations has also realigned its staff and field operations in response to the OIG's downsizing effort. In addition, I established the Office of Management and Congressional Relations by merging two offices.

While restructuring to a smaller workforce, the OIG continues to look to increasing the value of our people and the performance capacity of the OIG. During fiscal year 2002, we issued a Human Capital Strategic Plan, which will align and integrate our human resource policies and procedures with the OIG mission. The alignment of our human resources with our mission is a new strategic goal in revisions we have made to our Strategic Plan. The Human Capital Strategic Plan outlines four objectives to maximize the return on our human capital investments. The objectives relate to workforce analysis; competency investments; leadership development; and a result-oriented, high performance culture. We are in the process of implementing several key efforts in this multi-year plan, including identification of key staff competencies needed to perform our work and development of a business knowledge inventory system.

Our revised strategic goals are interrelated, as follows:

Value and Impact.—OIG products will add value by achieving significant impact related to addressing issues of importance to the Chairman, the Congress, and the public.

Communication and Outreach.—Communication between the OIG and the Chairman, the Congress, employees, and other stakeholders will be effective.

Human Capital.—The OIG will align its human resources to support the OIG mission.

Productivity.—The OIG will effectively manage its resources.

Other internal initiatives include our joint sponsorship of a 2-day Symposium on Emerging Issues with Offices of Inspector General of the Department of the Treasury and the Board of Governors of the Federal Reserve System, which provided approximately 95 auditors from bank regulatory agencies and other government organizations insight into emerging issues as identified by agency and congressional leadership. We also conducted our fourth external customer survey regarding satisfaction with OIG operations and processes. We also continued to incorporate new technology into our office with the use of an automated working paper software package designed to enhance the efficiency and effectiveness of our audits and evaluations. In addition, we implemented a software application that our office developed to approve training requests and keep accurate records on our staff's compliance with continuing professional education requirements in Government Auditing Standards. We also established an internal Information Technology Security Program.

Other Activities

I continued my role as Vice Chair of the President's Council on Integrity and Efficiency (PCIE) and have held this position since April 1999. The Council maintains six standing committees to initiate and manage audit, investigation, evaluation, legislation, professional development, and integrity issues and projects in the Inspector General community. The PCIE has been very active in helping the government

achieve better results and has concentrated many of its activities on areas that would facilitate agency efforts related to the President's Management Agenda. To enhance the community's ability to continue fulfilling its mission, the PCIE co-hosted its annual conference to highlight challenges and explore ways to address them. Further, the PCIE issued several documents during the fiscal year that contributed to good government. These documents addressed our nation's critical infrastructure protection, critical security, and government-wide management challenges. Several of these documents were requested by congressional oversight committees to augment their oversight abilities.

In addition to my leadership role with the PCIE, the FDIC OIG continued its participation in a Results Act interest group sponsored by the PCIE and the U.S. Office of Personnel Management to share ideas and best practices on the Results Act implementation. We also participated in a PCIE working group looking into the use of Social Security Numbers in the federal government and concerns related to identity theft. I also led a PCIE committee to update Quality Standards for Federal Offices of Inspector General (Brown Book).

MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE FDIC

The OIG recently assessed the most significant management and performance challenges facing the FDIC. We provided a description of these challenges to the Chief Financial Officer of the FDIC in the spirit of the Reports Consolidation Act of 2000. For our part, we will continue to pursue audits, evaluations, investigations, and other reviews that address the challenges, and we look forward to continuing to work with the Congress and corporate officials to address the challenges successfully. Our annual and strategic plans for fiscal years 2003 and 2004 are and will be focused on issues within these challenges. I will discuss each of the challenges listed below in detail.

—Adequacy of Corporate Governance in Insured Depository Institutions
—Protection of Consumer Interests
—Security of Critical Infrastructure
—Management and Analysis of Risks to the Insurance Funds
—Effectiveness of Resolution and Receivership Activities
—Management and Security of Information Technology Resources
—Assessment of Corporate Performance
—Transition to a New Financial Environment
—Organizational Leadership and Management of Human Capital
—Cost Containment and Procurement Integrity

Adequacy of Corporate Governance in Insured Depository Institutions

A number of well-publicized announcements of business failures, including financial institution failures, have raised questions about the credibility of accounting practices and oversight in the United States. These recent events have increased public concern regarding the adequacy of corporate governance and, in part, prompted passage of the Sarbanes-Oxley Act of 2002. The public's confidence in the nation's financial system can be shaken by deficiencies in the adequacy of corporate governance in insured depository institutions. For instance, the failure of senior management, boards of directors, and auditors to effectively conduct their duties has contributed to some recent financial institution failures. In certain instances, Board members and senior management engaged in high-risk activities without proper risk management processes, did not maintain adequate loan policies and procedures, and circumvented or disregarded various laws and banking regulations. In other instances, independent public accounting firms rendered unqualified opinions on the institutions' financial statements when, in fact, the statements were materially misstated. To the extent that financial reporting is not reliable, the regulatory processes and FDIC mission achievement, that is ensuring the safety and soundness of the nation's financial system, can be adversely affected. For example, essential research and analysis used to achieve the supervision and insurance missions of the Corporation can be complicated and potentially compromised by poor quality financial reports and audits. Potentially the insurance funds can be affected by financial institution and other business failures involving financial reporting problems. In the worst case, illegal and otherwise improper activity by management of financial institutions or their boards of directors can be concealed, resulting in significant potential losses to the FDIC insurance funds.

The Corporation has initiated various measures designed to mitigate the risk posed by these concerns, such as reviewing the bank's board activities and ethics policies and practices and reviewing auditor independence requirements. In addition, the FDIC reviews the financial disclosure and reporting obligations of publicly traded state nonmember institutions as well as their compliance with other Securi-

ties and Exchange Commission regulations and the Federal Financial Institutions Examination Council-approved and recommended policies to help ensure accurate and reliable financial reporting through an effective external auditing program. Nevertheless, the adequacy of corporate governance will continue to require the FDIC's vigilant attention.

Protection of Consumer Interests

The FDIC is legislatively mandated to enforce various statutes and regulations regarding consumer protection and civil rights with respect to state-chartered, nonmember banks and to encourage community investment initiatives by these institutions. Some of the more prominent laws and regulations in this area include the Truth in Lending Act, Fair Credit Reporting Act, Real Estate Settlement Procedures Act, Fair Housing Act, Home Mortgage Disclosure Act, Equal Credit Opportunity Act, Community Reinvestment Act of 1977, and Gramm-Leach-Bliley Act.

The Corporation accomplishes its mission related to fair lending and other consumer protection laws and regulations by conducting compliance examinations, taking enforcement actions to address unsafe or unsound banking practices and compliance violations, encouraging public involvement in the compliance process, assisting financial institutions with fair lending and consumer compliance through education and guidance, and providing assistance to various parties within and outside of the FDIC.

The FDIC's examination and evaluation programs must assess how well the institutions under its supervision manage compliance with consumer protection laws and regulations and meet the credit needs of their communities, including low- and moderate-income neighborhoods. The FDIC must also work to issue regulations that implement federal consumer protection statutes—both on its own initiative and together with the other federal financial institution regulatory agencies. One important focus will be the Gramm-Leach-Bliley Act, as the Corporation must ensure it has a quality program to examine institution compliance with the privacy and other provisions of the Act.

The Corporation's community affairs program provides technical assistance to help banks meet their responsibilities under the Community Reinvestment Act. The current emphasis is on financial literacy, aimed specifically at low- and moderate-income people who may not have had banking relationships. The Corporation's "Money Smart" initiative is a key outreach effort. The FDIC must also continue efforts to maintain a Consumer Affairs program by investigating consumer complaints about FDIC-supervised institutions and answering consumer inquiries regarding consumer protection laws and banking practices.

Security of Critical Infrastructure

The adequate security of our nation's critical infrastructures has been at the forefront of the Federal government's agenda for many years. Specifically, the President's Commission on Critical Infrastructure Protection (established in July 1996) was tasked to formulate a comprehensive national strategy for protecting the nation's critical infrastructure from physical and "cyber" threats. Included among the limited number of systems whose incapacity or destruction were deemed to have a debilitating impact on the defense or economic security of the nation was the banking and finance system. With the increased consolidation and connectivity of the banking industry in the years since 1996, and with the new awareness of the nation's vulnerabilities to terrorist attacks since September 11, 2001, the security of the critical infrastructure in the banking industry is even more important.

On May 22, 1998, the Presidential Decision Directive (PDD) 63 was signed, calling for a national effort to ensure the security of the nation's critical infrastructures. PDD 63 defined the critical infrastructure as the "physical and cyber-based systems essential to the minimum operations of the economy and government." President Bush declared that securing our critical infrastructure is essential to our economic and national security and issued two Executive Orders (EO 13228, The Office of Homeland Security and the Homeland Security Council and EO 23231, Critical Infrastructure Protection in the Information Age) to improve the federal government's critical infrastructure protection program in the context of PDD 63.

The intent of PDD 63 is to ensure that the federal government maintains the capability to deliver services essential to the nation's security, economy, and the health and safety of its citizens, in the event of a cyber or physical-based disruption. Much of the nation's critical infrastructure historically has been physically and logically separate systems that had little interdependence. However, as a result of technology, the infrastructure has increasingly become automated and interconnected. These same advances have created new vulnerabilities to equipment failures, human error, and natural disasters as well as terrorism and cyber attacks.

To effectively protect critical infrastructure, the FDIC's challenge in this area is to implement measures to mitigate risks, plan for and manage emergencies through effective contingency and continuity planning, coordinate protective measures with other agencies, determine resource and organization requirements, and engage in education and awareness activities. The FDIC will need to continue to work with the Department of Homeland Security and the Finance and Banking Information Infrastructure Committee created by Executive Order 23231 and chaired by the Department of the Treasury, on efforts to improve the security critical infrastructure of the nation's financial system.

Management and Analysis of Risks to the Insurance Funds

A primary goal of the FDIC under its insurance program is to ensure that its deposit insurance funds do not require resuscitation by the U.S. Treasury. Achieving this goal is a considerable challenge, given that the FDIC supervises only a portion of the insured depository institutions. The identification of risks to non-FDIC supervised institutions requires effective communication and coordination with the other federal banking agencies. The FDIC engages in an ongoing process of proactively identifying risks to the deposit insurance funds and adjusting the risk-based deposit insurance premiums charged to the institutions.

Recent trends and events continue to pose risks to the funds. Over the past year, 11 banks have failed and the potential exists for additional failures. While some failures may be attributable primarily or in part to economic factors, bank mismanagement and fraud have also been factors in most recent failures. The environment in which financial institutions operate is evolving rapidly, particularly with the acceleration of interstate banking; new banking products and complex asset structures; and electronic banking. The industry's growing reliance on technologies, particularly the Internet, has changed the risk profile of banking. The consolidations that may occur among banks and securities firms, insurance companies, and other financial services providers resulting from the Gramm-Leach-Bliley Act pose additional risks to the FDIC's insurance funds. The Corporation's risk-focused examination process must operate to identify and mitigate these risks and their real or potential impact on financial institutions to preclude adverse consequences to the insurance funds.

Another risk to the insurance funds results from bank mergers that have created "megabanks," or "large banks" (defined as institutions with assets of over $25 billion). For many of these institutions, the FDIC is the insurer but is not the primary federal regulator. Megabanks offering new or expanded services also present challenges to the FDIC. The failure of a megabank, for example, along with the potential closing of closely affiliated smaller institutions, could result in such losses to the deposit insurance funds as to require significant increases in premium assessments from an institution.

Further, because of bank mergers and acquisitions, many institutions hold both Bank Insurance Fund (BIF) and Savings Association Insurance Fund (SAIF) insured deposits, obscuring the difference between the funds. There is ongoing consideration of merging the two insurance funds, with the thought being that the merged fund would not only be stronger and better diversified but would also eliminate the concern about a premium disparity between the BIF and the SAIF. Assessments in the merged fund would be based on the risk that institutions pose to the single fund. The prospect of different prices for identical deposit insurance coverage would be eliminated. Also, insured institutions would no longer have to track their BIF and SAIF deposits separately, resulting in cost savings for the industry. The Corporation has worked hard to bring about deposit insurance reform and needs to continue to work with the banking community and the Congress in the interest of eventual passage of reform legislation.

Another risk to the insurance funds relates to the designated reserve ratio. As of March 31, 2002, the Bank Insurance Fund (BIF) reserve ratio was at 1.23 percent, the first time it had fallen below 1.25 percent since 1995. By December 31, 2002, the BIF reserve ratio was at 1.27, two basis points above the statutorily mandated designed reserve ratio for the deposit insurance funds. If the BIF ratio is below 1.25 percent, in accordance with the Federal Deposit Insurance Act, the FDIC Board of Directors must charge premiums to banks that are sufficient to restore the ratio to the designated reserve ratio within 1 year. The Corporation's challenge is to maintain or exceed the designated reserve ratio, as required by statute.

The process for setting deposit insurance premiums, which is closely related to the above discussion of the designated reserve ratio, represents yet another significant risk to the insurance funds. Insurance premiums are not generally assessed based on risk but rather the funding requirements of the insurance funds. This approach has the impact of assessing premiums during economic downturns when banks are failing and likely not in the best position to afford the premiums. Also, numerous

"free rider" institutions have benefited from being able to sharply increase insured deposits without contributions to the insurance funds commensurate with this increased risk. This can occur because the designated reserve ratio has not been breached thereby triggering across-the-board premiums. Current deposit insurance reform proposals include provisions for risk-based premiums to be assessed on a more regularly scheduled basis than would occur using the existing approach. Risk-based premiums can provide the ability to better match premiums charged to institutions with related risk to the insurance funds.

Effectiveness of Resolution and Receivership Activities

One of the FDIC's most important corporate responsibilities is planning and efficiently handling the franchise marketing of failing FDIC-insured institutions and providing prompt, responsive, and efficient resolution of failed financial institutions. These activities maintain confidence and stability in our financial system. The Division of Resolutions and Receiverships (DRR) has outlined primary goals for the following four business lines and each is accompanied by significant challenges.

(1) *Deposit Insurance.*—DRR must provide customers of failed financial institutions with timely access to their insured funds and financial services. A significant challenge in this area is to ensure that FDIC deposit insurance claims and payment processes are prepared to handle large institution failures.

(2) *Resolutions.*—As DRR seeks to resolve failed institutions in the least costly manner, its challenges include improving the efficiency of contingency planning for institution failures and improving internal FDIC communication and coordination as well as communication with the other primary federal regulators to ensure timely access to records and optimal resolution strategies.

(3) *Receivership Management, Accounting, Internal Review, and Customer Service.*—DRR's goal is to manage receiverships to maximize net return towards an orderly and timely termination and provide customers of failed institutions and the public with timely and responsive information. Related challenges include improving the efficiency of the receivership termination process, improving claims processing, continual assessment of recovery strategies, improving investigative activities, and charging receiverships for services performed under the Receivership Management Program (i.e., service costing).

(4) *Employees.*—DRR employees need to possess the resources, skills, and tools to perform the mission of the Division. One related challenge is to ensure that Division personnel have sufficient legal support for decision-making.

Management and Security of Information Technology Resources

Information technology (IT) continues to play an increasingly greater role in every aspect of the FDIC mission. As corporate employees carry out the FDIC's principal business lines of insuring deposits, examining and supervising financial institutions, and managing receiverships, they rely on information and corresponding technology as an essential resource. Information and analysis on banking, financial services, and the economy form the basis for the development of public policies and promote public understanding and confidence in the nation's financial system. IT is a critical resource that must be safeguarded.

Accomplishing IT goals efficiently and effectively requires sound IT planning and investment control processes. The Corporation's 2003 information management budget is approximately $171.9 million. The Corporation must constantly evaluate technological advances to ensure that its operations continue to be efficient and cost-effective and that it is properly positioned to carry out its mission. While doing so, the Corporation must continue to respond to the impact of laws and regulations on its operations. Management of IT resources and IT security have been the focus of several laws, such as the Paperwork Reduction Act, the Government Information Security Reform Act (GISRA), and most recently, the Federal Information Security Management Act of 2002 (FISMA). Similar to the requirements of GISRA, under FISMA, each agency is required to report on the adequacy and effectiveness of information security policies, procedures, and practices and compliance with information security requirements of FISMA.

The Corporation has worked to implement many sound information system security controls, but has not yet fully integrated these into an entity-wide program. Additionally, efforts to identify sensitive data, plan for and fund essential security measures, incorporate security requirements in FDIC contracts, enhance software configuration management, and measure the overall performance of the information security program need continued attention. Frequently, security improvements at the FDIC were the result of a reaction to specific audit and review findings, rather than the result of a comprehensive program that provided continuous and proactive identification, correction, and prevention of security problems. There is also a need

to appoint a permanent CIO (vacant since September 2001) to strengthen accountability and authority in the FDIC's information security program.

The FDIC's progress in addressing the security weaknesses identified in our 2001 Security Act evaluation report were offset by the emergence of new information security weaknesses identified during our 2002 evaluation, as well as the FDIC's internal evaluation completed on January 10, 2003. Thus, management and security of information technology resources continues to warrant management attention.

Assessment of Corporate Performance

The Government Performance and Results Act (Results Act) of 1993 was enacted to improve the efficiency, effectiveness, and accountability of federal programs by establishing a system for setting goals, measuring performance, and reporting on accomplishments. The Results Act requires most federal agencies, including the FDIC, to prepare a strategic plan that broadly defines each agency's mission, vision, and strategic goals and objectives; an annual performance plan that translates the vision and goals of the strategic plan into measurable annual goals; and an annual performance report that compares actual results against planned goals.

The Corporation's strategic plan and annual performance plan lay out the agency's mission and vision and articulate goals and objectives for the FDIC's three major program areas of Insurance, Supervision, and Receivership Management. The plans focus on four strategic goals that define desired outcomes identified for each program area: (1) Insured Depositors Are Protected from Loss Without Recourse to Taxpayer Funding, (2) FDIC-Supervised Institutions Are Safe and Sound, (3) Consumers' Rights Are Protected and FDIC-Supervised Institutions Invest in Their Communities, and (4) Recovery to Creditors of Receiverships Is Achieved. Through its annual performance report, the FDIC is accountable for reporting actual performance and achieving these strategic goals.

The Corporation has made significant progress in implementing the Results Act and needs to continue to address the challenges of developing more outcome-oriented performance measures, linking performance goals and budgetary resources, implementing processes to verify and validate reported performance data, and addressing crosscutting issues and programs that affect other federal financial institution regulatory agencies.

Transition to a New Financial Environment

On September 30, 2002, the FDIC executed a multi-year contract to replace its core financial systems and applications with a commercial-off-the-shelf software package. The FDIC Board had previously approved contract expenditure authority for the New Financial Environment (NFE) project totaling approximately $28.8 million. At the time the Board case was approved, the FDIC estimated the total life cycle cost of NFE, including FDIC staff time, to be approximately $62.5 million over 8 years. NFE is a major corporate initiative to enhance the FDIC's ability to meet current and future financial management and information needs.

Although NFE offers the FDIC significant benefits, it also presents significant challenges. These challenges will test the Corporation's ability to (1) maintain unqualified opinions on the FDIC's annual financial statements through the system implementation and associated business process reengineering; (2) manage contractor resources, schedules, and costs; and (3) coordinate with planned and ongoing system development projects related to NFE. Preliminary results of an ongoing audit found that the FDIC had established key management controls for the NFE project, but that opportunities for improvement existed in the areas of project integration, communications, and risk response planning.

Overall, the FDIC needs to ensure that the NFE Project team successfully implements modern and reliable systems to improve financial business processes and support current and future financial management and information needs, while controlling costs for the new environment to the maximum extent possible.

Organizational Leadership and Management of Human Capital

The FDIC has been in a downsizing mode for the past 10 years as the workload from the banking and thrift crises of the late l980s and 1990s has been accomplished. Over the past months, a number of division mergers and reorganizations took place and the Corporation concluded its 2002 buyout/retirement incentive programs. These most recent incentive programs achieved a reduction of 699 staff and $80 million projected savings in future operating costs. In total, over the past 10+ years, the workforce (combined from the FDIC and the Resolution Trust Corporation) has fallen from approximately 23,000 in 1992 to 5,500 as of September 30, 2002.

By June 2003, the Corporation hopes to substantially complete required downsizing, identify an appropriate skills mix, and correct any existing skills imbal-

ances. To do so, the Corporation continues to carry out other features of its comprehensive program such as solicitations of interest, reassignments, retraining, outplacement assistance, and possible reductions-in-force. The Corporation has also predicted that almost 20 percent of FDIC employees will be eligible to retire within the next 5 years. As the Corporation adjusts to a smaller workforce, it must continue to ensure the readiness of its staff to carry out the corporate mission.

The Corporation must also work to fill key vacancies in a timely manner, engage in careful succession planning, and continue to conserve and replenish the institutional knowledge and expertise that has guided the organization over the past years. A need for additional outsourcing may arise and hiring and retaining new talent will be important. Hiring and retention policies that are fair and inclusive must remain a significant component of the corporate diversity plan. Designing, implementing, and maintaining effective human capital strategies are critical priorities and must be the focus of centralized, sustained corporate attention.

A significant element of this performance and management challenge relates to organizational leadership at the FDIC Board of Directors level, specifically with respect to the current make-up of the Board. The Board is a body whose strong leadership is vital to the success of the agency and to the banking and financial services industry. The Board is comprised of five directors, including the FDIC Chairman, two other FDIC directors, the Comptroller of the Currency, and the Director of the Office of Thrift Supervision. In order to ensure that the balance between various interests implicit in the Board's structure is preserved, the Board should operate at full strength. However, the Board has been operating with an FDIC Director vacancy since September 1998. Accordingly, we have urged that vacancies on the Board be filled as promptly as practicable in order to afford the FDIC the balanced governance and sustained leadership essential to the agency's continued success.

Cost Containment and Procurement Integrity

As steward for the Bank Insurance Fund and Savings Association Insurance Fund, the FDIC seeks ways to limit the use of those funds. As such, the Corporation must continue to identify and implement measures to contain and reduce costs, either through more careful spending or assessing and making changes in business processes to increase efficiency. Many of the efforts described above as part of other management and performance challenges (e.g., New Financial Environment, Service Costing, corporate downsizing) attest to the Corporation's ongoing efforts to do so.

A key challenge to containing costs relates to the contracting area. To assist the Corporation in accomplishing its mission, contractors provide services in such areas as information technology, legal matters, loan servicing, and asset management. To achieve success in this area, the FDIC must ensure that its acquisition framework—that is, its policies, procedures, and internal controls—is marked by sound planning; consistent use of competition; fairness; well-structured contracts designed to produce cost-effective, quality performance from contractors; and vigilant contract management and oversight.

The Corporation has taken a number of steps to strengthen internal control and effective oversight. However, our work in this area continues to show that further improvements are necessary to reduce risks such as the consideration of contractor security in acquisition planning, incorporation of information security requirements in FDIC contracts, and oversight of contractor security practices. Other risks include corporate receipt of billings for such items as unauthorized subcontractors, unallowable subcontractor markups, incorrect timesheets, unreasonable project management hours billed, conflicts of interest, and unauthorized labor categories. The combination of increased reliance on contractor support and continuing reductions in the FDIC workforce presents a considerable risk to the effectiveness of contractor oversight activities. Additionally, large-scale procurements, such as Virginia Square II (a $111 million construction project to house FDIC staff for the most part now working in leased space in the District of Columbia) and the New Financial Environment, necessitate continued emphasis on contractor oversight activities.

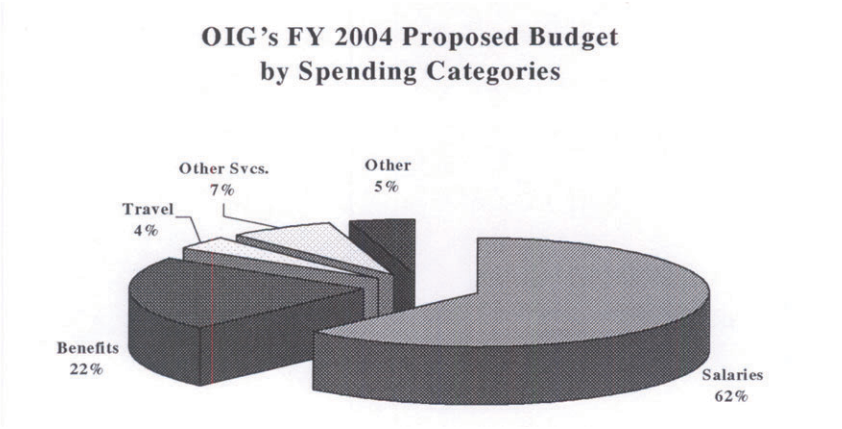
THE OIG'S FISCAL YEAR 2004 BUDGET REQUEST

The OIG is requesting a fiscal year 2004 appropriation of $30,125,000 and will fund 168 full-time equivalent staff. The OIG's operating budget for fiscal year 2004 totals about $27.8 million, exclusive of new capital expenditures for computers and a new government-wide funding mandate. This operating budget, which includes the salaries, benefit costs, travel, and training expenses for our employees, is 9 percent less than the fiscal year 2003 operating budget. We are budgeting for capital expenditures of about $1.3 million for replacing OIG docking station computers in accordance with the FDIC's computer replacement schedule and for our electronic crimes unit requirements. In addition, we are budgeting for certain potential litiga-

tion expenses which, under Public Law 107–174, must now be paid for with appropriated funds.

Our electronic crimes unit enables the OIG to conduct computer forensic examinations where possible illegal activities have occurred involving information technology. We have already employed the capability in several investigations of suspected fraud that may have occurred in banks prior to their closings due to insolvency. Additional hardware and software will enhance this capability and keep it current with changing technology.

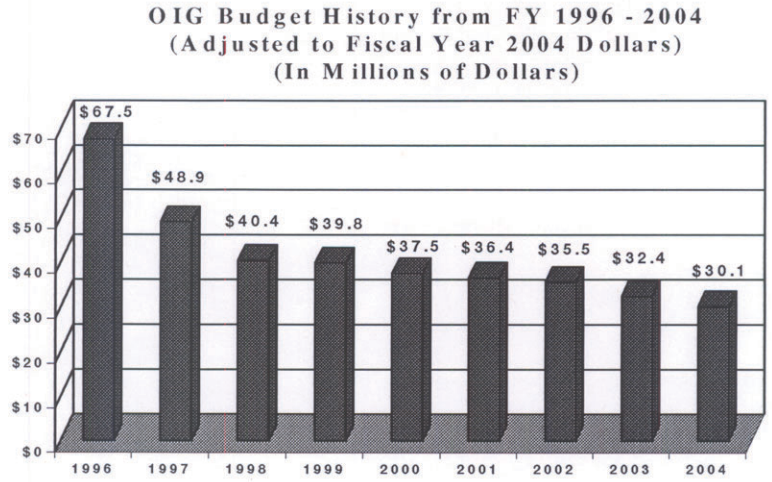
The chart below shows the distribution of the OIG's budget by major object classification. Mostly, the OIG budget is comprised of salaries, benefits, and the necessary funding for travel and training expenses.



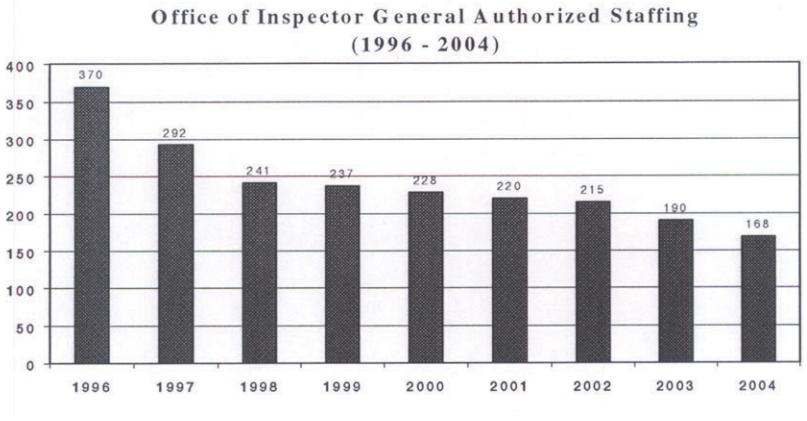
The FDIC OIG has been operating under an appropriated budget since fiscal year 1998 in accordance with Section 1105(a) of Title 31, United States Code, which provides for "a separate appropriation account for appropriations for each Office of Inspector General of an establishment defined under Section 11(2) of the Inspector General Act of 1978." This funding approach is part of the statutory protection of the OIG's independence. The FDIC OIG is the only appropriated entity in the FDIC. The OIG's appropriation would be derived from the Bank Insurance Fund, the Savings Association Insurance Fund, and the FSLIC Resolution Fund. These funds are the ones used to pay for other FDIC operating expenses.

The fiscal year 2004 budget is about $1.3 million less than the fiscal year 2003 appropriation. After adjusting for inflation, fiscal year 2004 will be the eighth consecutive year that the OIG's budget decreased.[1] The graph below shows the OIG's budget history since I became the Inspector General in 1996.

[1] Prior to fiscal year 1998, the OIG budget was part of the FDIC annual operating budget approved by the Board of Directors from deposit insurance funds and other funds under the Board's stewardship.



As I discussed earlier, the OIG has significantly downsized not only in the past year, but also since 1996. By statute, the FDIC and the Resolution Trust Corporation (RTC) and their Offices of Inspector General merged on January 1, 1996 and at that time, the combined OIG employed 370. The proposed staffing for fiscal year 2004 will be less than half of the 1996 staffing level. The OIG's budget and staffing reductions have been possible due to the shrinking size of the FDIC, completion of the carryover work from the RTC, prospects for continuing health of the banking industry, and the Corporation's own staff downsizing initiatives. Total FDIC employment has declined from a combined FDIC-RTC peak of about 23,000 staff in early 1992 to 5,457 as of December 31, 2002. The graph below shows the OIG authorized staffing since the merger of RTC in 1996.



CONCLUDING REMARKS

Mr. Chairman and Members of the Subcommittee, I appreciate the support and resources we have received from this subcommittee, the Congress, and the FDIC over the past several years. As a result, the OIG has been able to make a real difference in FDIC operations in terms of financial benefits and improvements, and in strengthening our own operations and efficiency. Our budget request for fiscal year 2004 is modest in view of the value we add. We seek your continued support so that we will be able to effectively and efficiently conduct our work on behalf of the FDIC Chairman, the Congress, and the American public.

In this 25th year since passage of the Inspector General Act, I take pride in my organization and the entire federal Inspector General community and its collective achievements. Building on this legacy, we inthe FDIC OIG look forward to new challenges and assisting the Congress and corporate officials in meeting them.

AMERICAN BATTLE MONUMENTS COMMISSION

PREPARED STATEMENT OF MAJOR GENERAL JOHN P. HERRLING, USA (RET), SECRETARY

Mr. Chairman and Members of the Committee: Thank you for the opportunity to testify on the American Battle Monuments Commission's fiscal year 2004 Appropriation Request. The special nature of the American Battle Monuments Commission places it in a unique and highly responsible position with the American people. The manner in which we care for our country's Honored War Dead is, and should remain, a reflection of the high regard in which we, as a nation, respect their service and sacrifice.

The American Battle Monuments Commission is responsible for commemorating the services of American Armed Forces where they have served since April 6, 1917 (the date of U.S. entry into World War I) through the establishment of suitable memorial shrines; and for designing, constructing, operating, and maintaining permanent American burial grounds in foreign countries. In performing these functions, we administer, operate, and maintain twenty-four permanent memorial cemeteries and twenty-five monuments, memorials, and markers in the United States and fifteen countries around the world.

We have eight World War I and 14 World War II cemeteries located in Europe, the Mediterranean, North Africa and the Philippines. All of these cemeteries are closed to burials except for the remains of the War Dead who may occasionally be discovered in World War I or World War II battlefield areas. In addition, we are responsible for the American cemeteries in Mexico City, established after the Mexican War, and in Panama.

Presently, 124,917 U.S. War Dead are interred in these cemeteries—30,922 of World War I, 93,245 of World War II and 750 of the Mexican War. Additionally, 6,010 American veterans and others are interred in the Mexico City and Corozal (Panama) American Cemeteries. Commemorated individually by name on stone tablets at the World War I and II cemeteries and three memorials on U.S. soil are the 94,132 U.S. servicemen and women who were Missing in Action, or lost or buried at sea during the World Wars and the Korean and Vietnam Wars.

We provide services and information to the public, friends, and relatives who visit our cemeteries and memorials. This includes information about grave and memorialization sites as well as location, suggested routes and modes of travel to the cemeteries or memorials. Immediate family members are provided letters authorizing fee-free passports for overseas travel to specifically visit a loved one's grave or memorial site. During fiscal year 2002, over 8 million people visited our cemeteries and monuments worldwide, half of whom were American. Photographs of individual headstones and sections of the Tablets of the Missing on which the service person's name is engraved are also available. These photographs are mounted on large color lithographs of the cemeteries or memorials. In addition, we assist those who wish to purchase floral decorations for placement at a grave or memorial site in our cemeteries. A photograph of the in-place floral arrangement is provided to the donor.

The care of these shrines to our War Dead requires a sizeable annual program of maintenance and repair of facilities, equipment, and grounds. This care includes upkeep of 131,000 graves and headstones; 73 memorial structures; 41 quarters, utilities, and maintenance facilities; 67 miles of roadways and walkways; 911 acres of flowering plants, fine lawns and meadows; nearly 69 acres of shrubs and hedges and over 11,000 ornamental trees. Care and maintenance of these resources are exceptionally labor intensive, therefore, personnel costs account for over 53 percent of our budget for fiscal year 2004. Some of this maintenance is performed by casual labor, in peak seasons, since permanent cemetery staffs are not sized to provide all the required maintenance during the peak-growing season. The remaining 47 percent of our budget funds our engineering, maintenance, utilities, equipment, and administrative costs.

As an organization responsible for permanent burial facilities, we do not have the option of closing or consolidating cemeteries. Within the context of the President's Management Agenda, we have continued our efforts to achieve greater efficiency and effectiveness in the areas where we do have alternatives.

STRATEGIC MANAGEMENT OF HUMAN CAPITAL

Such efforts demand the strategic management of human capital. We analyze our work force to maximize the efforts of employees who deliver our services.

In fiscal year 2000, ABMC and OMB conducted a joint productivity study to determine if equipment modernization, leasing, outsourcing, and automation improvements could increase the efficiency of our cemetery workers. Industry experts from two major turf and grounds-keeping equipment manufacturers participated in the study. They concluded that opportunities existed to reduce work-hours associated with labor-intensive operations, potentially offsetting the requirement for additional personnel. During fiscal year 2001, we continued our study and began procurement of modern, labor-efficient and safety-related equipment identified in fiscal year 2000. During fiscal year 2002 and 2003, we continue to replace outdated equipment, enhance our automation systems, and make improvements in our operations. In order to continue productivity program enhancements, we are requesting $3.0 million for fiscal year 2004.

Managing our human capital demands that we have the right person with the right skills in every position. In fiscal years 1998 and 1999, we undertook the first comprehensive survey of our overseas personnel, their position descriptions, and workloads since the early 1980's. This survey identified a variety of discrepancies in how we staffed our cemeteries. We took corrective action, and with the concurrence of OMB, ensured consistency in staffing. In fiscal year 2002, we began a worldwide manpower study which will further identify and comprehensively outline our manpower requirements, position descriptions, workloads and manpower distribution to ensure our work force is properly deployed.

A key element of recruiting and retaining a talented work force is fair compensation. To ensure equal pay for equal work we converted the European Region from our legacy Cemetery System for classifying and paying most of our foreign employees to the standard Foreign Service National (FSN) pay system. This FSN system is used by State Department and other federal departments employing foreign nationals overseas. This will ensure that we have a pool of well qualified personnel to fill our critical positions. Making this change resulted in an additional requirement of $900 thousand a year in personnel compensation. The investment will ensure our ability to recruit and retain a quality work force.

I would like to thank the Congress for their support of our personnel program by the inclusion of 20 FTE to compensate for the reduction of the French workweek to 35 hours. This increase will allow us to continue to maintain the finest Memorial Cemeteries in the world.

COMPETITIVE SOURCING

We have continued efforts to avoid using our work force to perform tasks that are not inherently governmental and are readily available in the commercial market place. In this area we are well advanced. When Congress directed us to establish a World War II Memorial, we outsourced the fund raising, design, construction, data management, fulfillment processing, customer servicing, and public relations.

The success of this effort has been astonishing. It will soon result in the first national memorial dedicated to the 16 million who served in uniform during the war, the more than 400,000 who gave their lives, and the millions who supported the war effort from the home front.

Our competitive sourcing initiatives did not stop there. Contributing to our efforts to improve financial management, in April 2000, we contracted with a software implementation consultant to assist in the selection and development of an automated, integrated accounting system that conforms to regulatory requirements. Our new commercial-off-the-shelf system became operational in October 2001. The use of a competitive source contractor allowed our government employees to focus on our daily mission while the contractor ironed out the normal wrinkles associated with implementing a new system. We are pleased with the overall results and will continue to upgrade our capabilities so that we will be among the leaders in financial management in the Federal Government.

In addition, our Infrastructure Modernization Program (IMP) has made extensive use of outsourcing to ensure that highly qualified firms and individuals were contracted to perform engineering analysis and reviews. Most construction and engineering projects at ABMC facilities are contracted out, since these projects are usually unique and beyond the capability of our limited staff.

Our cemeteries and their infrastructure range from 45 to 80 years old. We began IMP in fiscal year 2001 in order to examine in detail the infrastructure of our facilities and bring them up to today's standards. With this we can avoid future uncertainty, work in a programmed and efficient manner, and protect our investments

in facilities. The first phase of the IMP consisted of studies to identify deficiencies in the various aspects of our infrastructure. In the second phase, corrective actions are performed. So far studies of electrical systems, the structural integrity (safety) aspect of our facilities, and our water systems were completed by an Architectural & Engineering firm. Corrective actions on electrical systems and structural integrity began during late fiscal year 2001 and are continued in fiscal year 2002 and fiscal year 2003. Considerable electrical work was identified; fortunately, requirements for structural work were of a limited nature. With the study on water systems completed in fiscal year 2002, we are moving forward on corrective actions. During fiscal year 2003, we are dedicating $2 million to IMP, and are requesting $2 million for fiscal year 2004 to continue these essential projects in addition to the $2.1 million to continue normal engineering and maintenance operations.

IMPROVED FINANCIAL PERFORMANCE

Since 1998, ABMC has been required to produce full financial statements. In addition, these CFO Act financial statements are independently audited by the Comptroller General. Each year, ABMC has earned an unqualified opinion from GAO on our annual financial audits.

We recognize that improved financial performance is more than achieving an unqualified audit opinion. It is about putting useful and timely information in the hands of leaders with which they can make decisions. Our new accounting system moves us toward that goal. Looking to the future, we have included $552 thousand dollars in our fiscal year 2004 budget to move to a web-based system that will enhance our ability to make such information more readily available to our decision-makers.

Closely related to efforts to expand e-government, in partnership with the Department of the Treasury, we converted to full electronic funds transfer banking for all foreign currency disbursements. Prior to this, we maintained U.S. funds in separate overseas foreign currency bank accounts under delegated disbursing authority from the Treasury. Now disbursements flow electronically from our accounting system through the Treasury's Kansas City Financial Center to the overseas bank account of our vendors and employees. The initial conversion to this electronic capability was not as seamless as expected. However, the process is now stabilized and is allowing quicker payments for customers, elimination of funds held outside the Treasury in foreign bank accounts, and real automation of worldwide funds transfers.

Our new integrated accounting system and our successes on international electronic funds payment and full financial audits are moving ABMC toward new levels of financial excellence. We look forward to the challenges of fiscal year 2004.

EXPANDED E-GOVERNMENT

Our efforts in expanding e-government go beyond the use of electronic funds transfers overseas. They include how we deliver our services to our citizens—the very heart of what we do.

Over the last several years, ABMC has expanded access to valuable information through the use of on-line tools. We have a Web site which allows visitors to gather information on our organization, cemeteries, memorials, and their locations. Our European Region has an intranet web site which provides details on their operations. In addition, we have placed an interactive video system at the Korean War Veteran's Memorial which allows visitors to view or print biographies of those lost in that conflict.

We are also supporting the Administration's efforts to reduce the number of payroll providers within the federal government. We are working with OPM and GSA to transfer our internal, manual payroll operations to a web-based system provided by a service provider, in our case GSA. We fully support this effort as a way of saving money throughout the government. However, that conversion may bring additional conversion costs to us in fiscal year 2004. We are in the process of solidifying our cost estimates.

BUDGET AND PERFORMANCE INTEGRATION

We are pressing forward in the budget process to ensure that our funding requests support the objectives of the agency and the President's Management Agenda. Our budget clearly ties to our Strategic and Annual Performance Plans. In addition, these plans directly link to the Commission's Management Discussion and Analysis (MD&A) statements which are required as an integral part of the annual audit conducted by the Comptroller General.

OTHER IMPORTANT PROJECTS

Normandy Interpretive Center

Congress, through Public Law 107–73, provided $5.0 million to ABMC for fiscal year 2002, specifically for the partial cost of design and construction of a new interpretive and visitor center at the Normandy American Cemetery in France. In fiscal year 2003, Congress provided an additional $4.0 million to continue this project. We have developed a contract proposal and have begun the initial pre-design phase. Our intent is to achieve an appropriate and comprehensive design, determine and obtain total project funding, and begin construction during fiscal year 2004.

Vietnam Veterans Plaque

Public Law 106–214 directed ABMC to oversee the placement of a plaque "within the Vietnam Veterans Memorial containing an inscription intended to honor those Vietnam veterans who died after their service in the Vietnam War, but as a direct result of that service, and whose names are not otherwise eligible for placement on the Memorial Wall." The law clearly stated that federal funds may not be used to design, procure, or install the plaque. We are in the process of working this important project through the requirements of the Commemorative Works Act and anticipate completion within the next year.

WWII Memorial

Beyond our primary mission of operating and maintaining and improving the management of twenty-four memorial cemeteries and twenty-five monuments, memorials, and markers, our attention has also been focused on the design and construction of the World War II Memorial.

Congress provided legislative authority for siting the memorial in the prime area of the capital, which includes the National Mall. The total estimated cost of the memorial project is $170.5 million, which includes site selection and design, construction, a National Park Service maintenance fee required by the Commemorative Works Act, groundbreaking and dedication ceremonies, fund raising and administration of the project from its inception in 1993 through projected completion in 2004.

The Commission of Fine Arts (CFA), the National Capital Planning Commission (NCPC) and the Department of Interior approved selection of the Rainbow Poolsite, a 7.4-acre area at the east end of the Reflecting Pool between the Lincoln Memorial and the Washington Monument.

The public fund raising began in earnest in March 1997 when the ABMC announced that former Senator Bob Dole would serve as the National Chairman of the World War II Memorial Campaign. He was joined in this endeavor by National Co-Chairman Frederick W. Smith, founder and CEO of FedEx Corporation. The fund-raising efforts continued to be positive during fiscal year 2002, building on the groundwork and success of previous fiscal years. The campaign received $11.6 million in contributions during the fiscal year 2002, bringing the total funds received from all sources, including the federal government, to $186 million. This total increased to about $189 million as of January 2003.

Congress also approved several legislative items that continue to support the memorial project. Public Law 106–117, signed November 30, 1999, granted ABMC permanent authority to solicit and receive funds and preserves any such funds in ABMC controlled interest bearing Treasury Accounts, including any funds remaining after completion of the memorial and increased ABMC's authority to accept volunteer services and to use intellectual property interests. In addition, Public Law 106–398, signed October 30, 2000, designated $6 million of the proceeds from the sale of titanium from the National Defense Stockpile for completion of the design, groundbreaking, construction, maintenance, and dedication of the memorial.

Our greatest challenge has been to ensure that construction is completed so that as many of the World War II generation as possible will live to see and be honored by the memorial. A construction permit was issued by the National Park Service in January 2001, but a small coalition of groups opposed to the site and design had filed a federal lawsuit to block the project. Construction, which could have begun in March 2001, was delayed by this legal action. Public Law 107–11, signed by President Bush on Memorial Day 2001, directed that the memorial be constructed expeditiously at the dedicated Rainbow Pool site. On the basis of this legislation, the federal lawsuit was dismissed, clearing the way for award of a construction contract in June 2001. Actual construction began in September 2001 and the memorial is expected to be completed in the spring of 2004 and will be dedicated on May 29, 2004.

Since 1923 the American Battle Monuments Commission's memorials and cemeteries have been held to a high standard in order to reflect America's continuing

commitment to its Honored War Dead, their families, and the U.S. national image. The Commission intends to continue to fulfill this sacred trust while ensuring the prudent expenditure of appropriated funds.

The American Battle Monuments Commission appropriation request for fiscal year 2004 is $32,400,000.

NEIGHBORHOOD REINVESTMENT CORPORATION

PREPARED STATEMENT OF ELLEN LAZAR, EXECUTIVE DIRECTOR

Neighborhood Reinvestment Corporation is pleased to submit its testimony for the record. This testimony is based on the experience and considerable successes of 226 community development organizations serving more than 2,300 urban, suburban, and rural communities. These nonprofit partnerships are collectively known as the NeighborWorks® network and operate in 49 states, the District of Columbia, and Puerto Rico.

The Neighborhood Reinvestment Corporation was created by Congress in 1978. Since that time, Neighborhood Reinvestment and its affiliated NeighborWorks® network have responded to communities in need, championed homeownership for Americans of modest means, and created a network of excellence in the housing and community development field. This could not have been accomplished without this Subcommittee's commitment of federal funds. In fiscal year 2002, the NeighborWorks® system generated nearly $1.7 billion in direct investment, helping nearly 70,000 families obtain and maintain safe and affordable rental and homeownership housing.

We thank the Subcommittee for supporting Neighborhood Reinvestment through the fiscal year 2003 budget appropriation of $105 million, and we look forward to briefing you on our outcomes next year. Neighborhood Reinvestment's fiscal year 2004 budget justification outlines proposed activities at a $115 million budget level, an increase of $10 million over the fiscal year 2003 budget justification. With this additional $10 million, the NeighborWorks® system will continue to increase our homeownership efforts, and meet rising personnel costs and health care expenditures to maintain the Corporation's committed professional staff.

This year Neighborhood Reinvestment celebrates its 25th anniversary. As the environment in which we work has changed dramatically, our mission has become even more relevant and our services are in high demand. Neighborhood Reinvestment is well respected in the housing and community development field, and the NeighborWorks® brand is seen as a sign of the highest quality. Since our founding, Congress and a long succession of administrations have consistently remained supportive of our activities. As we celebrate our past with immense pride, we want to look to the future and position the NeighborWorks® system to respond to the critical needs that our nation's communities face.

OVERVIEW OF THE NEIGHBORWORKS® SYSTEM

Created by an act of Congress in 1978 (Public Law 95–557), Neighborhood Reinvestment Corporation works with 226 local community development nonprofits, and Neighborhood Housing Services of America (NHSA) to accomplish its mission, as outlined by its authorizing statute. This coordinated effort is known as the NeighborWorks® system.

THE NEIGHBORHOOD REINVESTMENT CORPORATION

Neighborhood Reinvestment's partnership with local housing and community development organizations supports residents, businesses and local governments in their efforts to revitalize their communities. Neighborhood Reinvestment has five core activities:

—We assist existing NeighborWorks® organizations to expand their geographic and programmatic scope and help other organizations to become chartered members of the NeighborWorks® network. Currently, we work with 226 NeighborWorks® organizations nationwide in over 2,300 communities, and we expect to invite 12 additional organizations to join the network in fiscal year 2003.

—We fund NeighborWorks® organizations by supporting their capital projects and operations to enable them to create and develop their own community-revitalization initiatives from a solid asset base. In fiscal year 2002, this resulted in $1.7 billion of direct investment in America's communities, creating a powerful engine for revitalization.

—We provide sophisticated and specialized technical assistance to NeighborWorks® members to more effectively and efficiently reach underserved communities. In 2002, more than 35,000 lower income families and individuals were able to purchase, maintain or rehabilitate their home, over 72,000 families received pre- or post-purchase homebuyer education services, and more than 34,000 rental units for lower income households were owned or managed as a result of the work of the NeighborWorks® network.

—We conduct extensive review and oversight of NeighborWorks® organizations and NHSA, providing them with an objective appraisal of their strengths and weaknesses, which allows them to successfully manage their resources and programmatic risks. Using a rigorous and formalized organizational assessment process, each community development organization in our network is evaluated annually and given a report card covering performance in such areas as financial management, board governance, contract compliance, productivity, and resource development.

—We operate national Training Institutes open to anyone involved in affordable housing and community revitalization, particularly private- and public-sector practitioners and community leaders. In 2002, more than 11,000 housing and community development practitioners from every state received substantive training in key aspects of community and economic development activity, including real estate development, portfolio management, leadership development and financial management.

These activities individually and collectively build the productivity and strength of the NeighborWorks® network and the broader community development field.

THE NEIGHBORWORKS® NETWORK

Neighborhood Reinvestment is the founder of the NeighborWorks® network, a collaborative group of community-based nonprofits that has evolved to include 226 members active in more than 2,300 communities across the country today. Regardless of their target communities, NeighborWorks® organizations function as partnerships of local residents, lenders and other business leaders, and representatives from local government. To achieve the locally-identified goals, members of the NeighborWorks® network utilize the laboratory environment Congress intended to achieve creative strategies, collaborate on best practices, and develop flexible financing mechanisms.

Each organization is responsible for setting its own strategies, raising funds, and delivering services. Most NeighborWorks® organizations provide homebuyer counseling, rehabilitation monitoring, and targeted lending services that complement conventional lending activity. Most NeighborWorks® organizations also operate a revolving loan fund to meet community credit needs such as gap financing for home purchase loans, second mortgages for rehabilitation, small-business loans, and acquisition and development of residential and commercial real estate. The NeighborWorks® network is the only national community development nonprofit network with extensive expertise in designing, originating, and servicing small nonconventional loans to lower-income families. Clients often require individual counseling and personalized assistance; however, this concentrated effort pays off by creating new opportunities for first-time homebuyers and by permitting existing homeowners to make affordable improvements, all of which works to revitalize communities.

NEIGHBORHOOD HOUSING SERVICES OF AMERICA

NHSA works in partnership with the Neighborhood Reinvestment Corporation to meet special secondary market needs of NeighborWorks® organizations and their clients. The primary mission of NHSA is to operate a specialized secondary market created to replenish the revolving loan funds and capital pools of local NeighborWorks® organizations.

With administrative and capital support provided by Neighborhood Reinvestment, NHSA purchases community development loans at face value, thereby allowing NeighborWorks® organizations to originate loans with interest rates and terms based on the borrowers' ability to repay. NHSA's loan purchases provide a stream of capital into NeighborWorks® organizations' revolving loan funds, to meet additional needs within their target neighborhoods.

OUTCOMES OF FISCAL YEAR 2002

With your backing and confidence, fiscal year 2002 proved to be a groundbreaking year on many fronts. Congress provided Neighborhood Reinvestment with an appropriation of $105 million; of which, $10 million was set-aside to encourage partner-

ships and training in furtherance of the U.S. Department of Housing and Urban Development's Section 8 homeownership option, and $5 million was set-aside to promote the development of mixed-income rental properties that included families with incomes below 30 percent of area median income.

In fiscal year 2002, the NeighborWorks® network achieved new levels of production, including:

—Generated nearly $1.7 billion in direct investment to targeted communities;
—Made available affordable housing opportunities for nearly 70,000 families;
—Provided pre- and post-purchase homebuyer education and counseling services to over 68,000 families; and
—Leveraged $15.80 in other investments for each dollar Congress appropriated to Neighborhood Reinvestment.

Furthermore, the two set-asides allowed Neighborhood Reinvestment and the NeighborWorks® network to continue its role as laboratory for the community development field.

—Neighborhood Reinvestment partnered with 53 NeighborWorks® organizations and 70 Public Housing Authorities in implementing the Section 8 homeownership option. Over the past four years, the NeighborWorks® system has provided homebuyer education to 2,000 families, produced over 200 new homeowners, and educated 1,200 professionals on this new programmatic opportunity.
—The NeighborWorks® network developed 121 rental units affordable to families with incomes below 30 percent of area median income. These units were in 14 developments totaling over 1,300 units. Remarkably, many of these extremely low-income units will be affordable to families with incomes less than 30 percent of area median income without the need for a Section 8 voucher or certificate. Were it not for this special set-aside, these units would not have been developed.

Lastly, we continued to provide high quality services to NeighborWorks® organizations, aiding their continuing work of providing needed services in their communities. In fiscal year 2002, Neighborhood Reinvestment and NHSA:

—Conducted organizational assessments of each NeighborWorks® organization;
—Provided over 11,000 individuals with training, amounting to over 188,000 contact hours;
—Purchased over $60 million in loans from NeighborWorks® organizations; and
—Distributed 69 percent of Neighborhood Reinvestment's appropriation in the form of grants.

OUTCOMES FOR FISCAL YEAR 2004

For fiscal year 2004, we are requesting an appropriation of $115 million. At this funding level, Neighborhood Reinvestment will be able to expand its services in support of the White House's initiative on increasing minority homeownership and other homeownership activities, as well as continue to recruit and retain staff that will increase its service to the NeighborWorks® network.

A $115 million appropriation will assist the NeighborWorks® network to:

—Leverage nearly $2.2 billion in direct total investment in distressed communities;
—Use each dollar Congress appropriates to leverage $18 from other sources;
—Assist nearly 79,000 families obtain and maintain safe and affordable rental and homeownership housing; and
—Provide pre- and post-purchase homeownership counseling and financial literacy training to nearly 84,000 families.

To support and expand these significant accomplishments, the Neighborhood Reinvestment Corporation and NHSA will:

—Conduct 240 organizational assessments of member organizations;
—Provide 220,000 training contact hours to community development leaders and practitioners through the Neighborhood Reinvestment Training Institute and regional training venues;
—Disburse 69 percent of Neighborhood Reinvestment's congressional funding in the form of grants; and
—Purchase $65 million in loans from NeighborWorks® organizations.

The main purpose of the $10 million increase over the President's fiscal year 2003 budget will be used to help meet the aggressive goals Neighborhood Reinvestment has set in support of the White House's initiative to increase minority homeownership rates.

The added funding in fiscal year 2004 will also help Neighborhood Reinvestment address rising personnel and benefits costs. While Neighborhood Reinvestment staff has actually decreased since 1999, benefits costs for our staff have risen. The in-

crease in personnel and operating costs is attributed to higher gross salaries and costs of health care and other benefits. The increase in salaries includes a five percent merit pool and small bonuses; the Corporation does not provide a cost-of-living increase.

PRIORITIES FOR FISCAL YEAR 2004

In developing our fiscal year 2004 budget, we sought to continue our excellent work from prior years, while defining more aggressive expectations for the NeighborWorks® system. We have always worked to be good stewards of the funds that Congress has entrusted to us, and we continue to diligently work to maximize our efficiency and effectiveness. In order to meet these expectations, Neighborhood Reinvestment and the NeighborWorks® system will continue to respond to communities in need, champion homeownership for families of modest means, and create and sustain a network of excellence.

NETWORK OF EXCELLENCE

Regardless of their target communities, NeighborWorks® organizations function as partnerships of local residents, lenders and other business leaders, and local government representatives. They produce creative strategies, share best practices, and develop flexible financing mechanisms. In order to facilitate, encourage and promote this network of excellence, the Neighborhood Reinvestment Corporation provides guidance, assistance and oversight in the following areas:

Financial Support

Equity capital grants are a critically important financing vehicle that Neighborhood Reinvestment provides to NeighborWorks® organizations for capital and revolving loan funds. NeighborWorks® organizations use these grants to provide equity and gap financing necessary to make loans for home purchases, rehabilitation and small businesses, and provide financing for real estate development.

Neighborhood Reinvestment also provides expendable grants to NeighborWorks® organizations to strengthen and increase their organizational ability to develop and administer responsive products and services. Particular emphasis is placed on activities crucial to increasing production and efficiency, thereby generating sustained community impact and ensuring the long-term success of the organization.

Technical Assistance

In tandem with financial assistance, Neighborhood Reinvestment provides a wide range of technical assistance. NeighborWorks® organizations request practical, systems-based assistance in programmatic, organizational, administrative, financial or management areas of strategic importance to their organization. Neighborhood Reinvestment responds with a team of professionals familiar with each organization's local market, environmental challenges, structure and mission, and provides technical assistance in six key programmatic areas: organizational development; resource development and marketing; community revitalization, economic development and business planning; technology and financial management systems; single-family housing and lending; and real-estate development and management.

Organizational Assessment

As part of our responsibility to act as a good steward of federal funding, and to protect the investment of other partners as well as the high standards and the reputation of the NeighborWorks® network as a whole, Neighborhood Reinvestment Corporation is committed to promoting and maintaining a network of high-performing, well-managed, nonprofit housing and community development corporations that deliver high quality services responsive to local needs and have a measurable impact on their communities. One of the tools employed in doing this is a uniform program review and assessment system.

Through a system of continuous monitoring, each NeighborWorks® organization is subject to an annual risk assessment through either off-site or on-site program reviews. Off-site reviews involve the collection and analysis of data about the organization. These data are analyzed in eight risk areas on a quarterly basis. If a risk alert is identified, the degree to which the organization has the capacity to manage the risk is determined.

Training

A comprehensive, systematic program of training and informing powerfully augments on-site technical assistance. The Neighborhood Reinvestment Corporation is nationally recognized as the premier provider of training in the housing and community development field, having founded its Training Institute 15 years ago. Today,

the Neighborhood Reinvestment Training Institute offers more than 150 courses and reaches more than 5,000 people a year from more than 4,000 communities across America.

Neighborhood Reinvestment's Training Institutes are typically scheduled five times each year at various locations around the country. Approximately half of the attendees of the Institutes come from organizations within the NeighborWorks® network; the rest come from other communities and organizations around the country. This is one of the many ways that the support Congress provides Neighborhood Reinvestment Corporation reaches not only the 2,300 NeighborWorks®-assisted communities, but also the broader community development field.

Beginning in 2002, Neighborhood Reinvestment introduced a unique program for seasoned practitioners. The Advanced Practitioner Platform requires participants to shape and focus their efforts on challenges that can make a tangible difference for their organizations, and for the housing and community development field. Participants establish ambitious goals and hold themselves and each other accountable for achieving them. This self-motivated and disciplined approach is fully focused on ensuring the success of participants as they advance their own work in building strong community-based organizations.

Expansions, Organizational Mergers and New Affiliates

In today's community development industry, effective and efficient growth strategies do not necessarily mean creating or adding new organizations. In many underserved areas, the most sensible and cost-effective approach is to expand the reach or programmatic services of an existing network member, or to facilitate a merger of two organizations to create a more powerful organization with greater impact and efficiency. Neither of these approaches results in the addition of new organizations, yet both can result in productive outcomes, more efficient use of resources, and expanded coverage. Mergers are becoming an increasingly common practice. The combined efforts resulting from mergers can result in achieving greater impact at equal or less cost.

Neighborhood Reinvestment receives a far greater number of requests for new affiliations than it can hope to satisfy responsibly. To prioritize requests from new applicants, the Corporation seeks those environments where its resources and assistance are likely to add the greatest value to local efforts and produce the most pronounced impact. Through a careful affiliation process, Neighborhood Reinvestment works with interested existing community-based organizations to ensure that before any organization is chartered as a NeighborWorks® entity, it is: sound and productive; led by a responsible board of directors reflective of the community it serves; and, committed to a mission compatible with the focus and priorities of the NeighborWorks® network.

RESPONDING TO COMMUNITIES IN NEED

Twenty-five years ago, the Neighborhood Reinvestment Corporation was created because there was a noticeable void in the nation's lending system; namely, there were few opportunities for families of modest means to obtain mortgages and rehabilitation loans from the private lenders. Although the larger environment in which the NeighborWorks® system operates has changed dramatically over the years, the Corporation's role as a bridge between mainstream financial institutions and lower-income communities remains relevant and critical. Neighborhood Reinvestment and the NeighborWorks® network continue to operate in underserved communities that are home to people who lack access to decent affordable housing, financial products, services, and the kind of investments that sustain communities.

Revolving Loan Funds

Because of their flexibility and local control, revolving loan funds are central to the impact of the NeighborWorks® system. These loans are local pools of money administered by NeighborWorks® organizations to meet the lending needs of borrowers who do not qualify under conventional loan underwriting criteria and to serve as equity capital in support of major capital projects. Funding comes from private- and public-sector investors as well as from Neighborhood Reinvestment's equity capital grants. Most revolving loan fund capital comes from local sources—loans and grants made by banks, insurance companies, foundations, local governments and other local investors. In fiscal year 2002, nearly $95 million from NeighborWorks® revolving loan funds were invested in communities.

Loans are made at flexible rates and terms that fit the lower-income borrower's ability to repay, and are typically secured by a lien on the property, often a second or third lien to allow for investment by other public and private sector entities. Seventy-one percent of loans made through NeighborWorks® revolving loan funds are

made to very low- or low-income households, 53 percent to minority-headed households, and 45 percent to female-headed households. The liquidity of local revolving loan funds is maintained by selling loans to NHSA.

Supporting Rural Efforts

In 2002, 60 NeighborWorks® organizations identified their primary service areas as rural communities, which is 27 percent of the NeighborWorks® network and comprises the fastest growing segment of the network. Moreover, as our existing NeighborWorks® organizations expand their target areas, they begin to capture rural areas with their services. The network has proven its ability to address housing needs in rural communities, particularly through our partnership with Rural NeighborWorks® Alliance. With seed funding from Neighborhood Reinvestment and the Northwest Area Foundation, rural NeighborWorks® organizations have grown a shared revolving loan fund that provides bridge financing for local housing or economic development projects at below-market rates. With current loan assets of over $2.1 million, the Rural NeighborWorks® Alliance has made 40 loans totaling more than $4.5 million to 14 rural NeighborWorks® organizations. These loans have supported the production of 413 units of housing and 26 economic development projects, and leveraged $33 million in total project financing.

Using Multifamily Rental as an Asset

Understanding the importance of multifamily rental housing in a comprehensive neighborhood revitalization strategy, a group of NeighborWorks® organizations formed the NeighborWorks® Multifamily Initiative in 1999. Together, these organizations own more than 34,000 units of affordable and well-maintained rental housing. The members of the NeighborWorks® Multifamily Initiative make it their mission to provide sustainable multifamily homes, which are characterized over the long-term by:

—Affordability, as defined by local market conditions;
—Ongoing economic viability;
—High quality maintenance and management; and
—Access to on-site learning centers designed to advance the personal assets of residents—academic success of youth, employability of adults, financial savings, and homeownership.

With $5 million provided by Congress in fiscal year 2002, the Corporation embarked on an ambitious effort to create mixed-income multifamily properties serving families and individuals below 30 percent of area median income. With that funding, Neighborhood Reinvestment provided 14 grants, which funded the development of those units affordable to families with extremely low-incomes. The congressional funding produced 121 units affordable to extremely low-income families. These units accounted for nine percent of the total units in the properties in which they were located, while 79 percent of the units were affordable to families with incomes between 30 and 60 percent of area median income. The remaining 12 percent of the units were affordable to families with incomes greater than 60 percent of the area median. The $5 million congressional set-aside helped invest over $141 million in targeted communities. Further, these units were developed in a myriad of settings—urban, suburban, rural, large and small developments as well as scattered site. Most importantly, many of these units will be affordable to extremely low-income families without need for a Section 8 voucher or certificate or other form of on-going subsidy. The report summarizing preliminary findings of this effort can be found in the Corporations fiscal year 2004 Budget Justification.

CHAMPIONING HOMEOWNERSHIP FOR AMERICANS OF MODEST MEANS

Neighborhood Reinvestment and the NeighborWorks® network have been particularly active promoting homeownership. Over the past 10 years, the NeighborWorks® Campaign for Home Ownership has made significant headway. The combined efforts of the Campaign created more than 60,000 new homeowners and provided counseling to over 350,000 individuals. As a result, $5 billion was invested in many of America's distressed communities.

Supporting the President's Homeownership Goals

For years, the NeighborWorks® system has been a leader in bringing homeownership opportunities to all Americans. Among the families assisted by the NeighborWorks® Campaign for Home Ownership from 1998 through 2002, 54 percent are racial and/or ethnic minorities—compared to 19 percent minorities served by the conventional market (based on 2000 HMDA data).

In June 2002, President Bush announced a national goal of increasing the number of minority homeowners by at least 5.5 million by the end of this decade. The

NeighborWorks® system has been active partners in the development and unveiling of the White House's initiative on increasing minority homeownership. Rather than making changes in its basic strategies, the Corporation will expand the tools and efforts that have proven to be the most effective in addressing critical areas affecting homeownership opportunities, particularly for minorities and other underserved populations such as Spanish-speaking families who are not bilingual.

In support of the White House's initiative, over the next ten years the NeighborWorks® system will:

—Make available housing counseling assistance to more than 650,000 families, of which 59 percent will be minority households;

—Provide direct home-ownership assistance to more than 130,000 families, of which more than 59 percent are estimated to be minority families;

—Provide training, outreach, translation and other supports with an eye to increasing the minority homeownership rate; and

—Raise $750 million in private sector social investments for NHSA's secondary market activities.

NeighborWorks® Campaign for Home Ownership

The NeighborWorks® Campaign for Home Ownership is the largest initiative of its kind to bring families of modest means into the economic mainstream by helping them achieve homeownership. Neighborhood Reinvestment has coordinated this joint effort of banks, insurance companies, secondary markets, government, the real estate community and others, involving more than 140 local community-based NeighborWorks® organizations since the initial launch of the NeighborWorks® Campaign for Home Ownership in 1993.

Over the past 10 years, Neighborhood Reinvestment and the NeighborWorks® network have met challenging goals and accomplished significant outcomes through the NeighborWorks® Campaign for Home Ownership, including:

—Assisted more than 60,000 families to become homeowners, of which 54 percent are minority and 67 percent have incomes below 80 percent of area median income;

—Provided more than 350,000 individuals with pre-purchase homebuyer education and counseling services; and

—Invested more than $5 billion in America's distressed neighborhoods and communities.

The Campaign for Home Ownership, a partnership among Neighborhood Reinvestment and NeighborWorks® members, has focused on supporting NeighborWorks® organizations to help establish clear, aggressive goals, and define and abide by high quality standards. Innovative tools and ideas, such as Full Cycle Lending,℠ NeighborWorks HomeOwnership Centers,℠ Financial Fitness, and Section 8 homeownership, have also been developed and supported. More recently, Neighborhood Reinvestment and members of the NeighborWorks® network have begun to work with families even earlier in the process, through a financial education program called Financial Fitness. The Corporation has developed standards, adapted and created training materials, trained trainers through the Neighborhood Reinvestment Training Institute, and initiated a pilot Financial Fitness program at 39 NeighborWorks® sites nationwide. This program intends to give participants an understanding of basic finances and healthy financial relationships that benefit both the individual and the community.

By the end of calendar year 2002, NeighborWorks® organizations enrolled over 8,700 people in the training, and graduated more than 5,500 individuals. Of these, nearly 59 percent are minorities, 93 percent are renters, 65 percent are women, and 75 percent have incomes below 80 percent of the area median income.

The Campaign for Home Ownership has set new goals for the next five years, including

—Creating 50,000 new homeowners, including 30,000 minority homebuyers.

—Assisting 50,000 families to preserve homeownership and improve their homes through housing rehabilitation, maintenance, repairs, delinquency and foreclosure prevention, loss mitigation, and refinancing.

—Establishing a coordinated outreach, public information and counseling effort to reach 500,000 families through educational programs, such as Financial Fitness classes, anti-predatory lending efforts, pre- and post-purchase counseling, and expansion of NeighborWorks® HomeOwnership Centers.℠

—Working with up to 10 pilot NeighborWorks® organizations to establish geographically-targeted revitalization efforts, which will include homeownership promotion as well as single- and multi-family real estate development, resident leadership, and commercial and economic development.

—Promoting the growth of the homebuyer education industry through the development of up to 10 national alliances, establishing national standards for training and certifying homebuyer educators and counselors, and providing tools and best practices that can help the industry become more effective, efficient and sustainable.

Helping Section 8 Families Move to Homeownership

The NeighborWorks® system is dedicated to expanding homeownership opportunities across the country, particularly for families and individuals with low and moderate incomes. One of the most innovative programs used in this effort is the Section 8 homeownership option. Strong technical and financial support from the Neighborhood Reinvestment Corporation has enabled NeighborWorks® organizations to serve as a bridge between private lenders and public housing authorities to make homeownership a reality for qualified Section 8 voucher holders. Congress has propelled the NeighborWorks® network's efforts by providing funding specifically targeted to NeighborWorks® organizations partnering with Public Housing Authorities (PHAs).

In recognition of the early success of this effort, the Corporation's fiscal years 2001 and 2002 appropriation included a total of $15 million set-aside to develop capacity and effective partnerships. Most of the funds were used to capitalize NeighborWorks® organizations' revolving loan funds serving as a source for second mortgages, with a smaller portion being used for capacity-building grants. These grants helped some NeighborWorks® organizations tailor their pre- and post-purchase services to the specific needs of their Section 8 population, develop unique systems to work with a Section 8 voucher and the PHA, or defray a portion of the costs associated with hiring additional staff to implement the program. The appropriation set-asides also support a performance-monitoring component with assistance from a third-party consulting and research firm.

The set-asides helped fund 53 NeighborWorks® organizations develop partnerships with 70 PHAs, provide 2,000 families with pre-purchase homebuyer education, and resulted in over 200 new homeowners. The median income of these families was slightly over $24,000, compared to the median family income of the typical U.S. buyer of $48,991. These partnerships are built upon the NeighborWorks® network's solid experience in pre- and post-purchase counseling, innovative mortgage financing and in leveraging public resources and private investment.

Both the multifamily and Section 8 homeownership efforts of the NeighborWorks network exemplify Neighborhood Reinvestment's charter: to operate as a laboratory for the community development field in order to identify models and practices that keep America's communities strong and vital.

CONCLUSION

Let me close by thanking the Subcommittee for the wonderful opportunity you have given the NeighborWorks® system to serve America's communities, and to ask for your continued support. After 25 years, Neighborhood Reinvestment Corporation continues to strive for the maximum efficiency in the delivery of its services to America's communities. We are proud of the work that the NeighborWorks® system has accomplished over the last quarter century; we also know that more work is left to be done.

Our proposed priorities for fiscal year 2004 allow us to continue the balance between efficiency and creativity, between responsible stewardship and locally-controlled programmatic flexibility. This Subcommittee has been our most vocal supporter in productively maintaining this balance since 1978.

Neighborhood Reinvestment Corporation is committed to building healthy, strong and safe communities all across America. Your continued support is vital to us in accomplishing this goal.

SELECTIVE SERVICE SYSTEM

PREPARED STATEMENT OF LEWIS C. BRODSKY, ACTING DIRECTOR

PREFACE

For many years, I had the privilege of accompanying past Directors of the Selective Service System in their appearances before this Committee while serving in the capacity of the Agency's Director of Public and Congressional Affairs. Time and circumstances caused me to change roles early this year and today I am pleased to represent the Selective Service System as its Acting Director. Director Rascon re-

signed his position on January 2, 2003, because of health reasons; and I do not know how long it will take for the President to nominate and the Senate to confirm a new Director. But I can assure you that the Selective Service System continues to drive forward. We are improving registration compliance, shifting our focus in consonance with the most likely needs of the Department of Defense (DOD), and undergoing restructuring in line with the President's Management Agenda.

I welcome this opportunity to support the President's fiscal year 2004 appropriations request of $28,290,000 for the Selective Service System. This is a 6.8 percent increase over the current fiscal year. The proposed budget will cover the cost of current services, provide a small program increase for unavoidable information technology changes, and accommodate a 3.6 percent annual salary increase. By adjusting its operational priorities, reducing full-time military staffing, and employing state-of-the-art information technologies over time, the Agency has been able to accomplish its statutory responsibilities without interruption.

CAPABILITIES

The SSS stands ready to perform its mission. It can conduct a draft that is efficient, fair, equitable, and accepted by the public, should the President and the Congress authorize a return to a draft. It is also ready to administer a program of alternative community service for men who are classified as conscientiously opposed to military service. With its routine communication with all men in the U.S., 18 through 25 years old, and its ability to mobilize national manpower on a large scale, the Agency is also capable of performing additional human resource support missions related to national security or service, if so directed.

I am pleased to report that the men and women of Selective Service are making a good Agency even better. For example, the Agency continues its close partnership with the DOD by providing direct support to Armed Forces recruiting and accessions processing. Specifically, Selective Service provides the names of its registrants to the Secretary of Defense for recruiting purposes, in accordance with a provision in Military Selective Service Act. Additionally, we have taken this cooperation a step further since January 2000, by continuing an effective joint mailing program. As we reported previously to this Committee, information about Armed Forces opportunities and a business reply card are now enclosed with the registration acknowledgment that the SSS sends to each new registrant. Thus, the Defense Department benefits by "piggy-backing" on our routine mailings and it reimburses us for the additional costs.

Beyond these tangible services, Selective Service also promotes an intangible national benefit. For present and future generations of America's young men, it represents a very critical link between society-at-large and today's volunteer military. It is a reminder that, as Americans, every young man is personally responsible for "providing for the common defense" in the time-honored tradition of preceding generations.

PRIORITY AREAS

Since becoming Acting Director less than four months ago, I have focused Agency activities on complying with President Bush's Management Agenda. We are reexamining our processes and restructuring the SSS to meet the most likely manpower needs of the Department of Defense while finding improved ways of serving the public. Three initiatives are especially noteworthy because they are providing the largest return on investment while producing more effective and responsive customer service. Each satisfies the Administration and Congressional charges to Federal agencies to evolve into performance-based organizations.

1. Organizational Realignment.—Expanding upon our fiscal year 2002 Agency's Workforce Restructuring Plan, a complete "bottom-up review" is underway with contractor assistance. After several recent consultations with senior Defense manpower officials, it is apparent to me that the Agency's current organizational structure is not as responsive or relevant to the contemporary needs of the DOD as it might be. Consequently, we are shifting our programmatic emphasis from readiness to conscript of large numbers of untrained men within 193 days of activation to a draft of smaller numbers of critical skills personnel in shorter time frames. This necessary realignment can be accomplished within current resources and will probably result in less management overhead, merging of offices and programs, and increased potential for outsourcing some Agency functions. The benefits accrued from strategic management of human capital, competitive sourcing, improved financial performance, expanded e-Government, and better integration between budget and performance should substantially increase Agency efficiency. In this ongoing review, there are no "sacred cows." All functions and programs are on the table, and each struc-

tural change and staffing decision will be driven by practical, cost-conscious considerations.

2. Registration Compliance.—The SSS registration compliance rate for men 18 through 25 years old declined steadily from a high of over 98 percent in 1991 to a low point of 88 percent in 1999. This decrease was cause for serious concern because of our self-imposed "fairness" criteria. We believe a compliance rate of less than 90 percent would contribute to a lack of public confidence because the resulting draft would not be considered fair or equitable. The public would believe, rightly so, that not everyone who should be in the manpower pool is accounted for; and therefore those who are registered have an increased chance of being called for involuntary service. This is why SSS Directors since 1992 have placed a consistent priority on raising the registration rate. Our concentrated efforts to halt and reverse the downward spiral are achieving success. We held the line at 88 percent overall registration compliance in 2000 and, at the end of 2001, we had turned the corner and started an upward trend, achieving 89.1 percent compliance by 18- to 25-year old men. For 2002, Selective Service achieved 91 percent compliance. The other good news is that the statistics for fiscal year 2002 are indicating a 74 percent compliance rate for "on-time" registration of men turning 18. This is the highest compliance rate achieved for this year group since 1994. We will continue to use a combination of approaches and the attendant resources will be traded off among other programs, if necessary. To reinforce success, we:

—Are continuing to develop and distribute public service broadcast messages to low compliance markets, together with new printed materials. To support this effort, additional radio public service announcements (at no cost for air time) in English and Spanish are being distributed. These high-quality products have received laudatory comments from viewers around the country and are receiving no cost annual air play commercially valued at $7.2 million.

—Have just revamped the interactive Selective Service pages on the World Wide Web (http://www.sss.gov) where online registration, database verification, the ability to file changes of information, and a wealth of other Agency information are now available to anyone with access to the Internet. For fiscal year 2002, 69 percent of registrations reach the SSS through electronic means, or about 135,000 registrations per month, and we continue to expand our Website's capabilities. We are also placing links to our site with other Federal, state and local agencies and schools to enhance public education and facilitate customer responsiveness.

—Are benefitting from an increasing number of states which link obtaining a driver's license or state I.D. card to the Selective Service registration requirement. These state laws are currently providing the SSS with an average of 27,500 registrations per month. As of this month, 30 states, two territories, and the District of Columbia have legislation in place. They represent over 56 percent of the national 18-year-old male registrant population and we are working closely with additional states where such legislation is pending.

3. Information Technology (IT).—In concert with the President's Management Agenda, we are convinced that in an era of constrained resources, expanding workload, and performance-based organizations, one major strategy must be to continue to invest in IT. It has been the SSS' major approach to improving customer service and organizational productivity while conserving limited human and fiscal resources. We began modernization of the Agency's technology infrastructure fiscal year 1997 and plan to continue through fiscal year 2004 and beyond. Our Information Technology Architecture Plan focuses on adding new information technologies to the Agency's infrastructure. In fiscal year 2004 we must make additional refinements in hardware and software which are driven primarily by changing customer needs and revised government requirements. The goal of upgrading the Agency's IT platforms is based on re-engineering critical mainframe computer systems. Integrating the SSS mainframe computer systems into more user-friendly Web-based applications is our strategy over the next several years. By embracing change and applying technology, Agency activities are leading toward a paperless work environment and a more efficient means of doing business. These revamped systems are paying important dividends in end-user convenience and better service to our customers, as well as increasing the productivity of the Agency's workforce.

ADAPTABLE TO CHANGE

We are also ready to aid the Administration and the Congress with any future initiatives that could capitalize upon Selective Service's unique capabilities. There has been much dialogue among the public, private groups, academia, and the Administration concerning a draft, volunteerism, and national service. Selective Serv-

ice has a wealth of experience in managing volunteers (Board Members), and administering programs of alternative community-based service (for men classified as Conscientious Objectors) throughout its 63-years of existence. The Agency also has experience in conducting a fair and equitable classification procedure to determine who should serve when not all can serve. To ensure fairness and equity, each SSS Board is a melting pot of civic-minded men and women reflecting the racial, cultural and ethnic diversity of the young men within the communities it serves. Through these volunteers, a unique bond has been formed at the grass roots with young American men, society-at-large, and the U.S. Armed Forces. Through the Selective Service structure, every American community plays a positive role in providing for the common defense. In short, this Agency has extensive practical experience in identifying, contacting and classifying people to participate in a national security or service program. If called upon to support any new "service" initiatives of the Administration, Selective Service can lend its expertise and ample experience to the task.

CLOSING

Today, Mr. Chairman, thanks in very large measure to your personal interest in this Agency and the continuing support of the Subcommittee and its staff members, the Selective Service System stands prepared to perform its time-tested responsibilities, if so directed. The fiscal year 2004 appropriation request of $28,290,000 will be invested prudently in one of the Nation's important security assets. Its rationale for existence and its credentials are the same: to provide a compact, cost efficient structure capable of rapid expansion in a crisis; to provide manpower to our Armed Forces as required; and to do it fairly, equitably, and within the necessary time frames. The Selective Service System remains resolute in its organizational realignment and operational streamlining. It has improved service to its customers, reinforced its commitment to America, and stands ready to play a key role in our Nation's future.

Thank you, Mr. Chairman.

DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT, AND INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2004

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

NONDEPARTMENTAL WITNESSES

[CLERK'S NOTE.—The following testimonies were recieved by the Subcommittee on VA, HUD and Independent Agencies for inclusion in the record. The submitted materials relate to the fiscal year 2004 budget request.

The subcommittee requested that public witnesses provide written testimony because, given the Senate schedule and the number of subcommittee hearings with Department witnesses, there was not enough time to schedule hearings for non-departmental witnesses.]

PREPARED STATEMENT OF THE LAC DU FLAMBEAU BAND OF LAKE SUPERIOR CHIPPEWA INDIANS

The Lac du Flambeau Reservation is in the "North Woods Area" of Wisconsin and our homeland is called Waswagoning. The Lac du Flambeau tribal members always want to remind Congress about the special and unique relationship the Federal government has with Indian tribes. The Federal government is obligated by Treaty and Executive Order to provide for critically needed social, education, health and governmental services to the Band and its members in exchange for the land, water, natural resources and peace our forefathers provided. As Congress and the President work on the fiscal year 2004 Budget, the obligations and commitments to provide for these services must not be forgotten and should be given the highest priority. The Lac du Flambeau Band submits the following issues and concerns to the Subcommittee concerning veteran's affairs, housing and the environment.

VETERANS' ADMINISTRATION

The Lac du Flambeau Band would like to address how the system is failing our American Indian veterans with regard to accessing veterans' benefits. American Indians across the country have the highest record of military service per capita when compared with other ethnic groups. These men and women have put their lives at risk to ensure the survival of future generations and the freedom of all Americans, yet they consistently have problems accessing basic benefits and services. It is difficult and frustrating for our veterans to get to the County Veterans Service Office ("CVSO") located almost 50 miles away. According to a resolution prepared by the Great Lakes Inter Tribal Council in Lac du Flambeau, there are approximately 40,000 American Indian veterans in Wisconsin. It is estimated that only 5 percent of these veterans are aware of the benefits programs for veterans.

We urge the Committee to establish Tribal Veterans Service Office ("TVSO") on Indian Reservation to render services locally to American Indian veterans and their families. Currently, the Band is not a recipient for Federal or State grants in regards to securing tribal veterans' benefits. By Congress appropriating $150,000 as

a proposed budget, we can finance and secure office space for a TVSO at Lac du Flambeau. We ask that this TVSO have autonomy and the same benefits and opportunities as the CVSO. We respectfully request that Congress honor our warriors and ensure that these American Indian veterans can access veterans' benefits with fewer barriers by placing a TVSO on the Lac du Flambeau Reservation.

HOUSING

There is a shortage of housing on the Lac du Flambeau Reservation. Additionally, the housing that is in place is substandard and lending to an ever-increasing black mold problem. Four hundred and twenty five (425) homes were tested for mold with 85 percent testing positive for mold. In March 2000, the Bureau of Indian Affairs released a Labor Force Survey that shows the Lac du Flambeau enrolled membership population is 3,056 with a projected population growth of 4 percent by the year 2005. The Tribal Housing Authority's NAHASDA Block Grant is $1,639,625.00. The Band's housing stock is 191 rental units and 68 Mutual Help units—a total of 249 units and over half the units are considered to have overcrowded living conditions. The rental units are 17 to 38 years old and are in substandard condition, most of which require major rehabilitation and modernization. There are currently 300 Lac du Flambeau members on the waiting list for housing. Band members continue to move back to the reservation only to find overcrowded living conditions and no housing.

Lac du Flambeau's Chippewa Housing Authority continues to face the housing shortage and inadequate funds to renovate existing units. Toxic mold has been found in 85 percent of our housing units. Because of the shortfalls in funding, it becomes a balancing act to determine if you use the funding for housing development, rehabilitation of older units or toxic mold re-mediation. Housing development, renovation and modernization needs must be addressed simultaneously. Unfortunately, lack of funding is an obstacle in providing safe, healthy and affordable housing for the tribal membership.

President Bush's budget proposal for fiscal year 2004 is $641 million for the Indian Housing Block Grant (IHBG), the major Native American housing program authorized by the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA). This amount is identical to funding requested and enacted for the past three years. According to data from the National Association of Home Builders, the median cost of a new home has risen 34 percent over the past ten years and has increased almost 5 percent annually over the past four years. In order for the Committee to understand the funding shortfall, it is estimated that Lac du Flambeau's Housing Authority would require $2.5 million per year for maintenance and rehabilitation for existing NAHASDA units, $1.2 million annually for new housing development and $1.5 million for administrative costs. The Band urges Congress to increase the NAHASDA appropriations to a level that is responsive to the growing housing needs on the reservation.

It must be noted that the toxic mold is a very serious problem in Lac du Flambeau and we also urge Congress to hold hearing on this specific problem in Indian Country. The purpose of the hearing would be to determine the causes, extent of and cost to fix the problem. Toxic mold has been associated with numerous health related issues.

ENVIRONMENT

The Lac du Flambeau Reservation is rich with water bodies and forests with nearly 50 percent of the reservation is saturated with water. The total resource areas are as follows: Wetlands—24,000 acres (27.7 percent), Lakes & Rivers—17,897 (20.7 percent), Forested Uplands—41,733 (48.2 percent), and Other—3,000 (3.5 percent). Approximately 25 percent of the reservation area is owned by non-Band members and is considered fee land. The Band was blessed with a very diverse ecosystem and a huge responsibility to protect, enhance, and conserve the natural resources for present and future generations.

Based on the above the Lac du Flambeau Band is very concerned with the decrease in Section 106 funding in fiscal year 2004. It is estimate that Band, along with other Region V Tribes, will have their 106 funding reduced by $30,000–$32,000 in fiscal year 2004. The reasons for the funding shortfall are two-fold.

Starting this year EPA is using Census 2000 data. Through fiscal year 2002 EPA had used 1990 census data. Use of the Census 2000 data redistributes funds among the Regions. The updated numbers of eligible Tribes and the new census data caused Region 5's allocation of 106 funds to drop from approximately $4.14 million in fiscal year 2002 to $3.87 million in fiscal year 2003.

EPA is currently reworking their funding formula to address Oklahoma Tribes. The criteria being used to allocate 106 funds to date have not given credit to Region 6 for all of the land areas of these Tribes. When land areas and population data for the Oklahoma Tribes are built into the allocation formula, this has the effect of reducing the allocation to Region 5 (and other Regions, particularly Region 8). Although the numbers are still evolving, Region 5's allocation could go down to approximately $3.29 million in fiscal year 2004.

To off set the decrease in funding due to the combine factors mentioned above, the Band urges Congress to make additional funds available in EPA's 2004 budget for Section 106 grants to Tribes.

EPA has also helped the Band in developing underground storage tank, radon, and solid waste programs on the reservation. These programs have succeeded largely due to the General Assistance Program ("GAP"). The monies received since 1992 have allowed the Band to make significant progress, however $110,000 is not adequate to support the implementation of these federally mandated programs. Indian Tribes are required to comply with many environmental mandates. We need an increase to at least $135,000 for fiscal year 2004 to support additional staff, which is needed to assist the Band in protecting and conserving our natural resource.

In addition, the recently enacted Tribal Cooperative Agreement Authority, which allows the EPA to award cooperative agreements to Tribes to assist in implementing Federal environmental programs, should be renewed permanently or at least for an additional year. A specific tribal set aside for this new program would also be helpful to the Band in achieving necessary environmental goals. Currently this Cooperative Agreement Authority does not carry any additional funding allocation for Tribes. Tribes are precluded from obtaining any State dollars allocated for similar EPA/State Cooperative Agreement Authority.

WATERS OF THE UNITED STATES

The scope of federal jurisdiction under the Clean Water Act was severely limited by the U.S. Supreme Court decision in the case of the Solid Waste Association of North Cook County (SWANCC). Today many waters are treated as "jurisdictionally isolated waters" that are no longer subject to CWA regulation. Congress should redefine waters of the United States to cover these "jurisdictionally isolated waters" back within the scope of CWA jurisdiction. Many States are taking steps to close this loophole, which is resulting in a jurisdictional patchwork of water regulations, where there used to be uniformity. Wetlands are essential for clean water, flood control and fish and wildlife habitat.

PREPARED STATEMENT OF THE GREAT LAKES INDIAN FISH AND WILDLIFE COMMISSION (GLIFWC)

ENVIRONMENTAL PROTECTION AGENCY APPROPRIATIONS

GLIFWC seeks $311,000 from various EPA programs for its ceded territory treaty rights environmental protection program:

Lake Superior Bi-National Program and Lake Superior LaMP.—$80,000 for continued GLIFWC participation in the Bi-National Program, in the on-going work regarding the Lake Superior LaMP, and in IJC, SOLEC and other Great Lakes forums.

Ceded Territory Fish Consumption Mercury Advisory Program.—$141,000 to continue GLIFWC's long-standing program to collect and test fish for mercury content and to communicate up-to-date information to tribal communities and the public through health care providers and Geographic Information System (GIS) maps.

Lake Superior Habitat and Human Health Research.—$90,000 for research projects on contaminant levels in Lake Superior whitefish and on potentially contaminated whitefish and lake trout spawning grounds in Lake Superior.

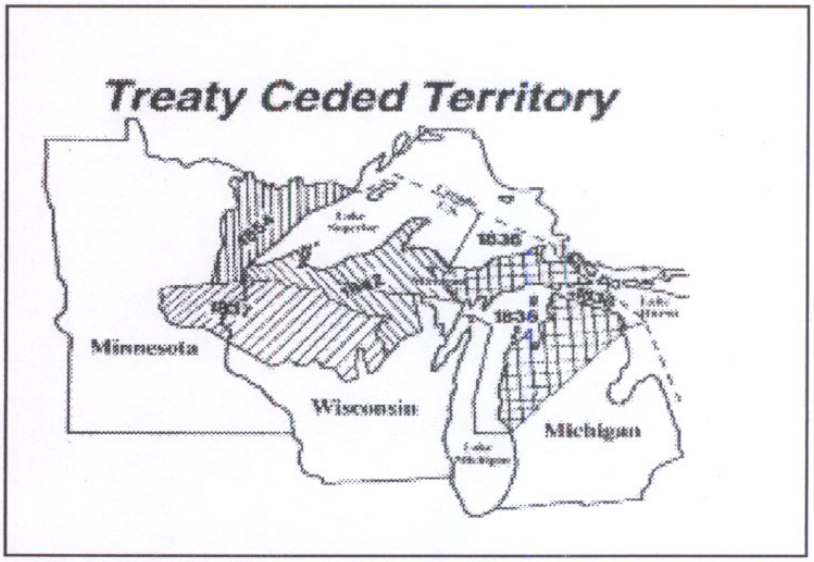
GLIFWC'S GOALS FOR EPA'S FISCAL YEAR 2004 BUDGET

GLIFWC asks Congress to provide adequate appropriations for EPA's programs that fund GLIFWC's work in these areas, and to instruct EPA to provide the funds to meet GLIFWC's needs. Over the past 8 years, Congress and EPA have funded GLIFWC's treaty rights environmental protection program under a variety of budget categories, including: wetlands (Section 104(b)(3) funds), coastal environmental management (CEM), the Great Lakes National Program Office (GLNPO), the Office

of Pollution Prevention and Toxics, and environmental justice grants.[1] The Clean Water Act (33 U.S.C. § 1268) requires the EPA and GLNPO to integrate tribal agencies in the development and implementation of action plans to carry out the United States' responsibilities under the Great Lakes Water Quality Agreement. In addition, GLIFWC and its member tribes are among the partners implementing the Great Lakes Strategy for 2002—A Plan for the New Millennium.

CEDED TERRITORY TREATY RIGHTS AND GLIFWC'S ROLE

Tribal members rely upon fish, wildlife, and plants for religious, cultural, medicinal, subsistence, and economic purposes. Their treaty rights mean little if contamination of these resources threatens the health, safety, and economy of tribal members, or if the habitats supporting these resources are degraded.



GLIFWC was established in 1984 as a "tribal organization" within the meaning of the Indian Self-Determination Act (Public Law 93–638). It exercises authority delegated by its member tribes to implement federal court orders and various interjurisdictional agreements related to their treaty rights. GLIFWC assists its member tribes in:

—securing and implementing treaty guaranteed rights to hunt, fish, and gather in Chippewa treaty ceded territories; and

—cooperatively managing and protecting ceded territory natural resources and their habitats.

The requested EPA funds would assist GLIFWC in achieving its broader conservation/habitat protection mission by maintaining partnerships with other resource managers and scientific/conservation organizations and by funding specific environmental research projects.

For the past 17 years, Congress and Administrations have funded GLIFWC through the BIA, EPA and other agencies to meet specific federal obligations under: a) a number of U.S./Chippewa treaties; b) the federal trust responsibility; c) the Indian Self-Determination Act, the Clean Water Act, and other legislation; and d) various court decisions, including a 1999 U.S. Supreme Court case, affirming the treaty rights of GLIFWC's member Tribes. GLIFWC serves as a cost efficient agency to conserve natural resources, to effectively regulate harvests of natural resources

[1] The Administration casts its proposed fiscal year 2004 budget in terms of the EPA strategic plan's goals. For GLIFWC's ceded territory purposes, the relevant goals and related funding categories appear to be: Goal 2: Clean and Safe Water; Goal 4: Preventing Pollution and Reducing Risk in Communities, Homes, Workplaces and Ecosystems; Goal 6: Reduction of Global and Cross-Border Environmental Risks; Goal 7: Quality Environmental Information; and Goal 8: Sound Science, Improved Understanding of Environmental Risk and Greater Innovation to Address Environmental Problems.

shared among treaty signatory tribes, to develop cooperative partnerships with other government agencies, educational institutions, and non-governmental organizations, and to work with its member tribes to protect and conserve ceded territory natural resources.

Under the direction of its member tribes, GLIFWC operates a ceded territory hunting, fishing, and gathering rights protection/implementation program through its staff of biologists, scientists, technicians, conservation enforcement officers, and public information specialists. Its activities include: natural resource population assessments and studies; harvest monitoring and reporting; enforcement of tribal conservation codes into tribal courts; funding for tribal courts and tribal registration/permit stations; development of natural resource management plans and tribal regulations; negotiation and implementation of agreements with state, federal and local agencies; invasive species eradication and control projects; biological and scientific research; and development and dissemination of public information materials.

GLIFWC PROGRAMS CURRENTLY FUNDED BY EPA

GLIFWC currently administers EPA funding for a variety of ceded territory environmental protection programs and studies.

1. Participation in the Lake Superior Bi-National Program.—Since fiscal year 1996, EPA has provided CEM funds for a 1 FTE equivalent to facilitate GLIFWC's participation in the Bi-National Program to Restore and Protect Lake Superior, including preparation of the Lake Superior LaMP and participation in various International Joint Commission (IJC) and State of the Lake Ecosystem Conference (SOLEC) forums. In fiscal year 2003, GLIFWC administered $77,000 in EPA CEM funds to facilitate participation in these forums as well as in the implementation of the Great Lakes Strategy for 2002—A Plan for the New Millennium.

2. Study of Proposed Crandon Mine in Wisconsin.—GLIFWC's work related to the proposed mine includes hydrological modeling, contaminant transport analysis, and baseline biomonitoring studies. In fiscal year 2002, GLIFWC administered $68,700 in EPA wetlands (Section 104(b)(3)) funds to continue its technical studies and assessments. In fiscal year 2003, Congress provided $144,000 for GLIFWC's review, analysis and GIS mapping related to the mine, particularly as to completion of an ongoing baseline biomonitoring project, participation as a "cooperating agency" in the preparation of the federal EIS, and maintenance of hydrological and contaminant transport expertise.

3. Research and Special Projects.—Since fiscal year 1997, EPA has provided a combination of CEM, GLNPO, and Environmental Justice funds for GLIFWC to conduct scientific research to produce data relevant to the Bi-National Program/Lake Superior LaMP and to human health. In fiscal year 2003, GLIFWC will continue to administer $82,000 from EPA's Pollution Prevention and Toxics program and Environmental Justice program to test several Lake Superior fish species for dioxin and persistent organic pollutants.

FISCAL YEAR 2004 FUNDING NEEDS/RATIONALE

GLIFWC would use fiscal year 2004 funds for:

1. Participation in the Lake Superior Bi-National Program.—$80,000 for continued funding of GLIFWC staff (1 FTE equivalent, and related travel and other expenses) who will participate in the Bi-National Program, in the on-going implementation of the Lake Superior LaMP, in IJC and SOLEC forums, and in the implementation of the Great Lakes Strategy for 2002—A Plan for the New Millennium.

Rationale.—GLIFWC has been actively involved in the Bi-National Program since 1993. However, it was not able to adequately participate until EPA first provided CEM funds for this purpose in fiscal year 1996. As a result, GLIFWC currently serves on the Bi-National Program's Task Force and Workgroup, and on the Workgroup's chemical, terrestrial and habitat committees. Its staff Co-Chairs the Workgroup's habitat committee and terrestrial committee. GLIFWC is participating in the on-going review and implementation of the Lake Superior LaMP. It also helps to liaison with other relevant Great Lakes institutions, such as the Great Lakes Fishery Commission, on issues of mutual concern between environmental and natural resource managers.

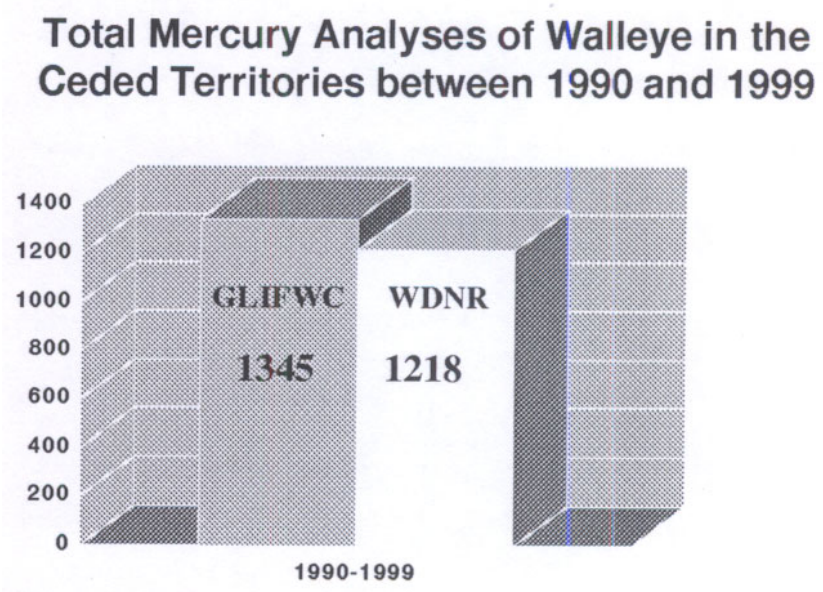
As for IJC forums, GLIFWC staff regularly attend the biennial IJC meetings and provide periodic comments when issues arise in the interim, such as on the matter of Great Lakes water diversions. As for SOLEC, GLIFWC staff has addressed plenary sessions on the topic of wild rice and has organized breakout sessions on wild rice.

This funding is necessary for GLIFWC to live up to its partnership responsibilities under the Great Lakes Strategy for 2002—A Plan for the New Millennium.

2. Ceded Territory Fish Consumption Mercury Advisory Program.—$141,000 to continue GLIFWC's long-standing program to collect and test fish for mercury content and to communicate testing results to tribal communities and the public through health care providers and Geographic Information System (GIS) maps.

Rationale.—Over the past seven years, GLIFWC has instituted an unprecedented lake-specific mercury advisory program to help tribal members and the general public consume fish as part of a healthy diet. The health benefits of eating fish are well known, but can be undermined if the fish are contaminated. GLIFWC has developed a system for sampling and testing walleye and muskellunge fillets, and then disseminating consumption advisories for specific lakes based upon the mercury contaminant data for that lake. This allows harvesters to make informed decisions about where they should fish and how much fish they should eat from a particular lake.

GLIFWC has sampled and analyzed 1,919 walleye fillets harvested from 137 previously un- or undersampled Wisconsin lakes. It has combined its data with that previously collected by the State, with a resulting mercury database of 4,951 walleye fillets. In addition, GLIFWC has collected 94 walleye samples from 7 Minnesota lakes and 181 walleye samples from 14 Michigan lakes.



Over the years, as of 1999, GLIFWC's mercury testing surpassed the State's in the Wisconsin ceded territories. Current state budget crunches will only exacerbate this trend. Moreover, GLIFWC's recent federal funding for its mercury testing program has subsided, most notably with the completion of the ATSDR-funded Ojibwe Health Study.

GLIFWC seeks EPA funding to continue this program for three more years, specifically for:

—*Collecting and testing walleye and musky for mercury content.*—GLIFWC will continue to test 22 long term study lakes on an alternating year basis. The goal is to provide a 10-year data set for researchers to assess mercury trends in northern Wisconsin waters. GLIFWC also will test an additional 42 lakes over a three year period. All samples will be tested at the University of Wisconsin-Superior's Environmental Health Laboratory, which was established cooperatively by the Tribes and University in 1990.

—*Communication of testing results through Geographic Information System (GIS) maps.*—GLIFWC will continue to produce lake-specific color-coded mercury advisory maps. Since 1995, these maps have been used by tribal members and the general public to identify lakes and sizes of ogaa (walleye) low in hazardous methyl mercury. They are distributed to tribal communities at registration sta-

tions, through GLIFWC's newspaper and other publications, and through GLIFWC's Website (www.glifwc.org).

—*Linkages with Health Care Networks.*—GLIFWC also will continue to provide this information to health care providers (Indian Health Service and others). Since 1999, GLIFWC has provided its maps and data to clinics, to tribal health care providers serving the WIC program, and at local and regional nursing conferences.

—*Support the Memorandum of Understanding with the Wisconsin Department of Natural Resources.*—GLIFWC will continue to meet its obligations under a 1996 agreement with the Wisconsin DNR to share fish contaminant testing results. The DNR integrates GLIFWC and state data to publish the State's annual fish advisory document.

3. Continuing Research and Special Projects.—$90,000 for Lake Superior habitat and human health research projects related to the Bi-National Program and the Great Lakes Strategy for 2002—A Plan for the New Millennium.

Rationale.—GLIFWC has undertaken a number of studies over the years related to the Lake Superior ecosystem. For example, with GLNPO and CEM funds, GLIFWC is preparing a report on the threat of wetland and terrestrial exotic plants to Lake Superior, has studied sturgeon in the Lake Superior basin, and has prepared GIS maps of fish spawning and nursery locations for both native and exotic species. In addition, as part of its ongoing natural resource contaminant/human health research, GLIFWC used Environmental Justice grants to update its fish consumption advisory database and to undertake wild rice contaminant research for heavy metals.

For fiscal year 2004, GLIFWC would explore EPA funding for two projects:

—*Keweenaw Peninsula Mining Waste Assessment.*—Assess impacts from mining waste (stamp sands) dumped into Lake Superior near Michigan's Keweenaw Peninsula during the late 1800s, map an important whitefish and lake trout spawning reef in Keweenaw Bay, and determine the distribution of stamp sands in relation to the spawning reef.

—*Lake Superior Whitefish Contaminant Assessment.*—Assess mercury, PCB and organochlorine levels in whitefish harvested by tribes in western Lake Superior waters, and evaluate the new data in relation to current fish consumption advisories.

PREPARED STATEMENT OF THE CITY OF ST. HELENA, CALIFORNIA

CITY OF ST. HELENA

The City of St. Helena is located in the center of the wine growing Napa Valley, 65 miles north of San Francisco. The area was settled in 1834 as part of General Vallejo's land grant. The City of St. Helena was incorporated as a City on March 24, 1876 and reincorporated on May 14, 1889.

The City from its inception has served as a rural agricultural center. Over the years, with the growth and development of the wine industry, the City has become an important business and banking center for the wine industry. The City also receives many tourists as a result of the wine industry. While, the main goal of the City is to maintain a small-town atmosphere and to provide quality services to its citizens, this is becoming increasingly difficult. Regulatory, administrative and resource requirements placed on the City through the listing of threatened and endangered species under the Endangered Species Act on the Napa River, as well as significant Clean Water Act requirements require the City with a small population base to face significant financial costs.

The City of St. Helena is a General Law City and operates under the Council-City Manager form of government. The City Council is the governing body and has the power to make and enforce all laws and set policy related to municipal affairs. The official population of the City of St. Helena as of January 1, 2002 is 6,019. St. Helena is a full service City and encompasses an area of 4 square miles. Because of its size and its rural nature, St. Helena has serious infrastructure, as well as, flood protection and environmental needs that far exceed its financial capabilities.

The Napa River flows along the north boundary of the City of St. Helena in northern Napa County. The overall Napa River Watershed historically supported a dense riparian forest and significant wetland habitat. Over the last 200 years, approximately 6,500 acres of valley floor wetlands have been filled in and 45,700 acres of overall watershed have been converted to urban and agricultural uses. This degradation of natural habitats has had a significant effect on water quality, vegetation and wildlife, and aquatic resources within the Napa River Watershed.

Surface water quality of the Napa River is dependent upon the time of year, runoff from York and Sulphur Creeks, and urban area discharges. During the winter months when streamflow is high, pollutants are diluted; however, sedimentation and turbidity is high as well. During the summer months when streamflow is low, pollutants are concentrated and oxygen levels are low, thereby decreasing water quality. Agricultural runoff adds pesticides, fertilizer residue, and sometimes sediment. Discharges from urban areas can include contaminated stormwater runoff and treated city wastewater. The Napa River has been placed on the Clean Water Act 303(d) List and TMDL Priority Schedule due to unacceptable levels of bacteria, sedimentation, and nutrients. It is against this backdrop that the City of St. Helena faces its biggest challenges.

PROJECT NEED

While much of the City's character is tied to its location along the Napa River, since 1853, it has been a continual battle defending St. Helena and its residents from the flooding Napa River. The City of Napa has suffered from 27 floods between 1862 and 1997, with the largest flood occurring on February 18, 1986. Between 1961 and 1997, Napa County residents suffered $542 million in property damage. In 1995 and 1997, the Napa River overflowed its banks, turning most towns along the Napa River into churning tributaries, and forcing people to abandon their homes and businesses (FEMA, 2001). In an effort to address not only its significant flood management issues, but to improve the land, habitat and water quality in the Napa River, the City has developed an integrated plan.

The St. Helena flood protection and corridor restoration project is a multi-objective project which will provide flood damage reduction through restoration and reestablishment of the natural floodplain along the project reach, setting back of levees and the re-creation and restoration of a natural floodway corridor providing over 22-acres of high value riparian forest. This forested area will improve both terrestrial and fish habitat on the Napa River, which is listed by the EPA as an impaired waterway. Steelhead and salmon recovery will be improved by the project and passive recreation will provide Napa River viewing and interpretive opportunities for local residents who now have no access to this reach of the Napa River. The project will also provide all-weather cross-Napa Valley access for the residents of the City to its nearest hospital, which is presently inaccessible during flood events greater than the 50-year probability storm.

The St. Helena Habitat Terraces, a portion of the overall St. Helena plan, are critically needed to address water quality, habitat and flood management issues. Given the Napa River's status by EPA as an impaired waterway, immediate measures are necessary to improve water quality. Storm water discharge from the City's urban area is a significant water quality problem. The filtering of non-point source storm water runoff provided by the habitat terraces is critical to meet the City's TMDL and NPDES needs. This is an innovative non-structural water pollution control approach which will have positive implications for other communities across the country.

In addition, the Napa River and its riparian corridor are considered Critical Habitat for Steelhead and Salmon Recovery, as well as a significant migratory corridor for a number of birds that use the Pacific Flyway. Without an integrated program to address the water quality and the Endangered Species Act (ESA) habitat issues, both water quality and key habitat issues will undermine the Napa River condition. Therefore, the St. Helena Habitat Terraces are necessary to address the key environmental issues for the Napa River.

PROJECT BENEFIT

The St. Helena Habitat Terraces would be developed to serve as low velocity runout zone in which sediments may be trapped during intermediate and lower river flows. Any contaminants found in the City's storm water system which will be discharged through the newly vegetated terraced area to the west of the Napa River, may be retained in the area during the first flush of the system each winter. The Adaptive Management Plan being formulated by the City will address the accumulation of these deposits and their impact on flood protection and enhancement benefits.

The Habitat Terraces are part of a multi-purpose plan St. Helena is developing to manage the flood and environmental issues along the Napa River by re-creating and restoring the natural floodplain corridor through the one mile project reach and re-connecting the Napa River to its historic floodplain. Creation of flood and habitat terraces on the east bank of the Napa River and flood terraces set at geomorphically

appropriate discharge elevations will be excavated and planted with native habitat allowing for restoration of the natural floodplain terraces.

Over 20 acres of rich floodplain riparian habitat will be re-established and restored through re-vegetation of native communities of willow/alder, vine/ash, Oak/Snowberry and Buckeye/Walnut in the newly created overflow channels. Aquatic habitat will be improved through the project reach through these plantings providing new Shaded Riverine Habitat as well as through installation of large logs and woody debris providing improved fish passage habitat. There is presently little varied down wood in the existing river corridor due to demands for regular river clearing to maximize floodwater conveyance. The St. Helena project will rectify this situation providing a resting placed for migrating salmonids.

Because of the critical storm water management and water quality issues within the Napa River and its riparian corridor, which are considered a critical habitat for the threatened steelhead, innovative efforts like the St. Helena Habitat Terraces are important to address the complexity of environmental issues facing St. Helena and are an innovative approach to addressing local issues stemming from federal statutes. This effort could be used as a model for other waterway and riparian corridors across the country.

The City of St. Helena, therefore, respectively requests the Committee's support of $2,000,000 in appropriations in fiscal year 2004 within the Environmental Protection Agency's Environmental Programs and Management account, so that St. Helena may proceed with this unique water quality and environmental restoration effort, the St. Helena Habitat Terraces.

PREPARED STATEMENT OF THE UPPER MISSISSIPPI RIVER BASIN ASSOCIATION

The Upper Mississippi River Basin Association (UMRBA) is the organization created in 1981 by the Governors of Illinois, Iowa, Minnesota, Missouri, and Wisconsin to serve as a forum for coordinating the five states' river-related programs and policies and for collaborating with federal agencies on regional water resource issues. As such, the UMRBA has an interest in the budget for the water programs of the U.S. Environmental Protection Agency (EPA).

STATE POLLUTION CONTROL GRANTS (SECTION 106)

UMRBA supports the Administration's proposed 4 percent increase in funding for Section 106 State Pollution Control Grants. Federal Section 106 funds, in combination with the states' matching dollars, support the core state water quality programs, including water quality assessment and monitoring, water quality planning and standard setting, total maximum daily load (TMDL) development, point source permitting, and training and public information. Adequate funds are particularly critical to supporting the states' development and implementation of total maximum daily loads. The tasks associated with developing TMDLs for impaired waters include watershed characterization, computer modeling and related analyses, allocation of permissible loads, development of TMDL reports and plans, and public outreach and stakeholder development. These responsibilities have the potential to overwhelm state agency resources that are in many cases already strained. Under the fiscal year 2004 budget proposal of $200 million, the five states in the Upper Mississippi River Basin would be allocated a total of $20 million in Section 106 funding. This funding is fundamentally important to the states' ability to carry out their responsibilities under the Clean Water Act.

TMDLS, WATER QUALITY CRITERIA & STANDARDS, AND WATER QUALITY MONITORING & ASSESSMENT

EPA's fiscal year 2004 proposed budget for Environmental Programs and Management (EPM) includes $25 million for TMDLs, $24 million for Water Quality Criteria and Standards, and $14 million for Water Quality Monitoring and Assessment. All of these amounts reflect modest, but important, increases over the Agency's fiscal year 2003 request. The TMDL funding will help support EPA's TMDL-related responsibilities, such as developing guidance and technical support for states and approving/disapproving TMDLs in a timely fashion. Funding for water quality criteria and standards will support EPA's standards-related efforts, such as development of criteria and helping states link standards to TMDLs. The funding for water quality monitoring and assessment will enable EPA to help states and local watershed groups enhance their monitoring programs, including increased use of a probabilistic approach to support water quality decision-making. UMRBA supports funding for

these three key EPM programs which, coupled with the Section 106 grants, will help states fulfill their basic Clean Water Act responsibilities.

CLEAN WATER STATE REVOLVING FUNDS

The UMRBA is deeply concerned about the lack of support in the Administration's fiscal year 2004 budget proposal for the Clean Water State Revolving Fund (CWSRF), which helps address wastewater infrastructure needs. The CWSRF has made tremendous contributions to improving the nation's water quality. In fiscal year 2002, the five Upper Mississippi River Basin states received a total of $177 million in CWSRF funding. However, the CWSRF is proposed to be cut by 63 percent in fiscal year 2004. This would mean $850 million for the CWSRF, rather than its authorized and historical level of $1.35 billion. Given the flexibility to redirect wastewater funds to the Drinking Water State Revolving Fund (DWSRF), even less than $850 million might well be available for the wastewater SRFs. While the flexibility to shift between these two programs can help the states address their most pressing needs, it is no substitute for adequate funding. Estimates of the nation's wastewater infrastructure needs certainly vary, as evidenced in the Congressional deliberations on new water infrastructure financing legislation. However, there is absolutely no doubt there are substantial unmet needs. The high demand for these funds underscores the need to reauthorize CWSRF funding and increase annual federal appropriations to $2 billion.

STATE NONPOINT SOURCE GRANTS (SECTION 319)

The Administration has requested $238.5 million for the Section 319 state nonpoint source grant program, slightly less than the $240 million provided in fiscal year 2003. Nonpoint sources are one of the major causes of water pollution in the Upper Mississippi River Basin, which drains the nation's agricultural heartland. For each of the past three years, the five states in the Upper Mississippi River Basin have been allocated a total of $34 million in nonpoint source grants. Adequate funding for Section 319 and complementary efforts, including the USDA's conservation programs, is essential to meeting the region's major water quality challenges. With the expansion of USDA conservation programs, it is especially important to fund the Section 319 program as well, given that it supports a variety of efforts unrelated to agriculture, such as Phase II stormwater work. Thus, at a minimum, UMRBA urges Congress to maintain funding for state nonpoint source grants at the fiscal year 2003 level of $240 million, recognizing that continued progress in addressing nonpoint pollution will require significantly increased resources.

ENVIRONMENTAL MONITORING AND ASSESSMENT

EPA's fiscal year 2004 budget includes $38.87 million for its Environmental Monitoring and Assessment Program (EMAP). EMAP is of particular interest to the UMRBA because it includes the Central Basin Integrated Assessment, as well as research related to environmental indicators. The Central Basin assessment focuses on large rivers in the Mississippi Basin, which are challenged by long term loadings of nutrients, sediments, and toxic chemicals, as well as extensive habitat alternatives. This Central Basin EMAP initiative is intended to fill the scientific gaps (e.g., indicators, sampling design, and sampling methodology) that currently limit our ability to assess baseline conditions and measure the performance of environmental protection activities. The resulting advancements in monitoring technology and approaches could be potentially useful in guiding the development of TMDLs on major rivers such as the Missouri and Mississippi Rivers. In addition, the states bordering the Upper Mississippi River are hopeful that EMAP will help in the development of "indicators of impairment." Such indicators are critically needed for large border rivers to improve the states' ability to meet their Clean Water Act responsibilities on these rivers. Fiscal year 2003 marked the beginning of the Central Basin EMAP. In fiscal year 2004, EPA will begin the first full year of monitoring to measure the conditions of these large rivers. UMRBA thus supports proposed funding for the Central Basin EMAP.

HYPOXIA ACTION PLAN AND WATERSHED GRANTS

The UMRBA is disappointed that the Administration's fiscal year 2004 budget proposal does not include additional new resources to address the recommendations in the Hypoxia Action Plan, submitted by the Mississippi River/Gulf of Mexico Watershed Nutrient Task Force in January 2001. The states in the Upper Mississippi River Basin have consistently said that reductions in nutrient inputs to the Gulf of Mexico and monitoring to evaluate the effectiveness of these efforts will only be pos-

sible if significant new budgetary resources are provided by the federal government. While the states continue to support the goals and strategies set forth in the Action Plan, little progress will be made to reduce the Gulf hypoxic zone and improve water quality conditions throughout the basin without a major federal financial commitment.

EPA's fiscal year 2004 budget documentation indicates that the agency intends to focus a portion of the Targeted Watershed Grants to support implementation of the Hypoxia Action Plan. Although UMRBA is pleased that the unique needs of the Mississippi River Basin are being recognized, the watershed grant program established just last year, does not, in fact, represent additional new funding. The $20 million recommended by the Administration for Targeted Watershed Grants in fiscal year 2004 comes at the expense of water quality cooperative agreements (Section 104(b)(3) grants), which are recommended to be reduced by $20 million in fiscal year 2004. Although UMRBA supports funding for watershed planning and management, it should not come at the expense of other well-established programs.

PREPARED STATEMENT OF THE SANTA CLARA VALLEY WATER DISTRICT, SAN JOSE, CALIFORNIA

PERCHLORATE CLEANUP PROJECT, SANTA CLARA COUNTY, CALIFORNIA—SUMMARY

This statement urges the Committee's support for an appropriation add-on of $1 million, for technical and logistical assistance to the San Martin Community and local and state agencies regarding the cleanup of a 7½ mile groundwater plume of perchlorate that has affected several hundred water supply wells.

STATEMENT OF SUPPORT

Background.—The Central Coast Regional Water Quality Control Board (Regional Board) is providing regulatory oversight of the Olin Corporation led investigation and cleanup for perchlorate contamination in the San Martin Area associated with their former highway flare manufacturing plant. The Regional Board currently does not have adequate resources to address the magnitude of the perchlorate contamination which has affected several hundred drinking water supply wells. Groundwater is currently the only source of drinking water in this area and over 1,500 families have been provided with bottled water. Significant concerns remain regarding this community's exposure to perchlorate in their drinking water and perchlorate accumulation in agricultural crops and livestock. To address these concerns and ensure that the groundwater basin in this area is aggressively restored and cleaned up the Santa Clara Valley Water District (District) is requesting Federal assistance. We respectfully request funding to facilitate a prompt and complete cleanup of groundwater resources in the San Martin area of Santa Clara County.

Demographics.—

—Established residential community to Silicon Valley.

—Important agricultural resource area.

—Community provides housing to Silicon Valley workers.

Perchlorate Investigation and Cleanup Status.—The source of the perchlorate is attributed to a former safety flare manufacturing plant owned by Olin Corporation that opened in 1955. Potassium perchlorate is a component of these flares. Perchlorate contamination in groundwater was initially detected at low concentrations in shallow groundwater samples collected at the site of the facility in August 2000, as part of due diligence investigation by a prospective purchaser of the site. The Regional Board directed an investigation of the site that led to sampling of nearby domestic wells in the fall of 2002. After the detection of perchlorate in domestic wells immediately downgradient of the site, the District became concerned that significant contamination could exist over a larger area. Additional sampling of domestic wells performed in December 2002 by the District confirmed that suspicion. San Martin does not have a municipal water system and the water supply comes from over 2,000 domestic and small water system wells in the area. Groundwater is the sole source of their water. Working with the Regional Board, the District acted swiftly to notify private well owners of the potential problem in the affected area and assured that their wells would be sampled. The District has also offered to provide free bottled water to those in the affected area while investigation of the contamination continues. To date the District has sampled over 1000 domestic wells in the San Martin Area. Results to date for 700 wells show 450 wells with no detectable concentrations (<4 ppb) and over 250 wells with detectable perchlorate above 4 ppb. In addition Olin Corporation is also sampling over 300 domestic wells. Bottled water is being delivered to over 1,865 families and businesses in the area. The District

is currently funding bottled water at 1,100 locations while Olin Corporation is providing bottled water to an estimated 765 locations.

The full extent of perchlorate contamination is not expected to be known until the end of 2003 at which time an interim cleanup plans may have been developed. There are currently no firm estimates to how long it will take to develop a long-term solution for cleanup of groundwater.

Fiscal Year 2004 Funding Recommendation.—It is requested that the Congressional Committee support an appropriation add-on of $1 million, to determine the best long-term solution and to initiate clean up efforts.

PREPARED STATEMENT OF THE METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO

TUNNEL AND RESERVOIR PROJECT

I am Terrence J. O'Brien, President of the Metropolitan Water Reclamation District of Greater Chicago, and on behalf of the Water Reclamation District, I want to thank the Subcommittee for this opportunity to present our priority for fiscal year 2004, and express our appreciation for your support of our requests over the years. The Metropolitan Water Reclamation District (District) is the sponsor for the federally approved combined sewer overflow (CSO) project, the Tunnel and Reservoir Plan (TARP), in Chicago, Illinois. Specifically, we are asking that $5 million be included to continue construction of this project in the Subcommittee's VA, HUD and Independent Agencies Appropriations Bill for fiscal year 2004. The following outlines the project and the need for the requested funding.

INTRODUCTION

The District was established in 1889 and has the responsibility for sewage treatment, and is also the lead agency in providing sponsorship for flood control and stormwater management in Cook County, Illinois. In fact, the District was established in response to an epidemic of waterborne diseases caused by drinking polluted Lake Michigan water, which killed 90,000 people in 1885. By 1900, the District had reversed the flows of the Chicago and Calumet Rivers to carry combined sewage away from Lake Michigan, the area's main water supply. The District has been involved with major engineering feats since its inception.

In an effort to meet the water quality goals of the Clean Water Act, to prevent backflows into Lake Michigan, and to provide an outlet for floodwaters, the District designed the innovative TARP. The TARP tunnels, which were judged by the Environmental Protection Agency (EPA) on two occasions as the most cost-effective plan available to meet the enforceable provisions of the Clean Water Act, are a combined sewer overflow elimination system. The TARP reservoirs, also under construction, will provide flood control relief to hundreds of thousands of residents and businesses in the Chicagoland area.

TUNNEL AND RESERVOIR PLAN

The TARP is an intricate system of drop shafts, tunnels and pumping stations which will capture combined sewer overflows from a service area of 375 square miles. Chicago will remove three times the amount of CSO pollution as Boston's projected removal—for approximately the same cost. The remaining Calumet tunnel system will provide 4.1 million pounds of biological oxygen demand (BOD) removal versus Boston's one million pounds of BOD removal per year. In fact, Chicago's CSO pollution problems are worse than the combination of Boston, New York, and San Francisco's pollution problems. The Chicago Metropolitan Area's annual BOD loading from CSO pollution is 43 million pounds per year. This contrasts with the combination of Boston, New York and San Francisco's combined annual BOD loading of 35 million pounds.

A good portion of the remainder of the TARP system is to be built in the southeast side of Chicago and the southern suburbs (Calumet system), a low-income, highly neglected and highly polluted area. This community suffers from tremendous land, air and water pollution—literally a dumping ground for multi-media pollution ranging from chemical waste to serious water pollution.

Due to the enormous risk to the community, the District as the local sponsor cannot afford to leave the citizens vulnerable. Therefore, it is imperative that this work must continue. Because we have awarded construction contracts in the area, the climate is favorable for continuing with this work at this time, producing significant cost savings. What we are seeking, then, is funding to advance federal work.

We have a proven and cost-effective program. In fact, we have estimated that TARP's cost is about a quarter of the cost of separating the area's existing combined sewer systems into separate sewage and stormwater systems. Upon reanalysis, the EPA has consistently found the TARP program to be the most cost-effective solution that will reduce the impacts by the greatest degree to meet the enforceable requirements of the Clean Water Act, with the least amount of dollars. The project, while relating most specifically to the 52 tributary municipalities in northeastern Illinois, is also beneficial to our downstream communities such as Joliet and Peoria. These benefits occur because of the capture of wastewater in the tunnels during the storm periods and by treatment of the discharge before being released into the waterways.

Since its inception, TARP has not only abated flooding and pollution in the Chicagoland area, but has helped to preserve the integrity of Lake Michigan. In the years prior to TARP, a major storm in the area would cause local sewers and interceptors to surcharge resulting in CSO spills into the Chicagoland waterways and during major storms into Lake Michigan, the source of drinking water for the region. Since these waterways have a limited capacity, major storms have caused them to reach dangerously high levels resulting in massive sewer backups into basements and causing multi-million dollar damage to property.

Since implementation of TARP, 734 billion gallons of CSOs have been captured by TARP, that otherwise would have reached waterways. Area waterways are once again abundant with many species of aquatic life and the riverfront has been reclaimed as a natural resource for recreation and development. Closure of Lake Michigan beaches due to pollution has become a rarity. After the completion of both phases of TARP, 99 percent of the CSO pollution will be eliminated. The elimination of CSOs will reduce the quantity of discretionary dilution water needed for flushing of Chicago's waterway system, making it available as drinking water to communities in Cook, DuPage, Lake, and Will counties, which have been on a waiting list. Specifically, since 1977, these counties received an additional 162 million gallons of Lake Michigan water per day, partially as a result of the reduction in the District's discretionary diversion in 1980. Additional allotments of Lake Michigan water will be made to these communities, as more water becomes available from sources like discretionary diversion.

With new allocations of lake water, more than 20 communities that previously did not get to share lake water are in the process of building, or have already built, water mains to accommodate their new source of drinking water. The new source of drinking water will be a substitute for the poorer quality well water previously used by these communities. Partly due to TARP, it is estimated by IDOT that between 1981 and 2020, 283 million gallons per day of Lake Michigan water would be added to domestic consumption. This translates into approximately 2 million additional people that would be able to enjoy Lake Michigan water. This new source of water supply will not only benefit its immediate receivers but will also result in an economic stimulus to the entire Chicagoland area, by providing a reliable source of good quality water supply.

TARP was designed to give the Chicago metropolitan area the optimal environmental protection that could possibly be provided. More importantly, no other project was found to be as cost-effective. In addition, the beneficial use of the project is being enhanced by the addition of the flood control reservoirs now being designed and constructed by the Corps of Engineers, which will be connected to the tunnels for additional capture and storage of combined sewage during flood events. We believe TARP stands as a tribute to our nation's Clean Water goals and one that is being accomplished within the most economical constraints.

REQUESTED ACTION

The $5 million we are seeking in fiscal year 2004 funding in the Subcommittee's bill will help keep the local sponsor whole for the advance construction it plans to accomplish on the Little Calumet Leg for the Calumet System of the congressionally-authorized TARP project. While the TARP project was originally authorized at 75 percent federal funding, the District as local sponsor has been contributing at least 50 percent of the total project cost. We greatly appreciate the Subcommittee's endorsement of our request over the years to advance the construction of this work. This fiscal year 2004 work will go a long way to address serious water quality, stormwater and safety problems. It will have a tremendously beneficial impact on a community which suffers from water pollution and significant flooding problems. The EPA has approved the facilities plan for the overall TARP project and design has been completed. The EPA has identified this particular segment of work as the next critical section of the plan to be constructed based on significant water quality benefits.

Once on-line, the Little Calumet Leg of the Calumet System will capture 1.5 billion gallons of CSOs per year and will protect 14.9 square miles of the City of Chicago from raw sewage backup and flooding.

We urgently request that this funding be included in the Subcommittee's bill for the construction of the Calumet System of the TARP project. We thank you in advance for your consideration of our request.

PREPARED STATEMENT OF THE CALAVERAS COUNTY WATER DISTRICT

Calaveras County is located on the eastside of the Central Valley of California and encompasses approximately 1,028 square miles of land, stretching across more than 50 miles of valleys, foothills, and mountain peaks. The topography ranges from approximately 200 feet above mean sea level (ft–msl) in the northwestern region of the County, to a peak height of 8,170 ft–msl near Alpine County.

The communities of West Point, Wilseyville and Bummerville are located in the northeastern portion of the county in the sparsely populated higher foothills. The topography ranges from approximately 2,500 feet in Wilseyville to 3,200 feet in Bummerville. Mild summers and cold winters characterize the region, with temperatures ranging from the low 20's to the middle 80's. Snow accounts for a large percentage of the precipitation in the watersheds supplying the study area.

In the fall of 1946, the Calaveras County Water District (CCWD) was organized under the laws of the State of California as a public agency for the purpose of developing and administering the water resources in Calaveras County. Therefore, CCWD is a political subdivision of the State of California and is governed by the California Constitution and the California Government and Water Codes. CCWD is not a part of or under the control of the County of Calaveras. CCWD was formed to preserve and develop water resources and to provide water and sewer service to the citizens of Calaveras County.

Under state law, CCWD, through its Board of Directors, has general powers over the use of water within its boundaries. These powers include but are not limited to: the right of eminent domain, authority to acquire, control, distribute, store, spread, sink, treat, purify, reclaim, process and salvage any water for beneficial use, to provide sewer service, to sell treated or untreated water, to acquire or construct hydroelectric facilities and sell the power and energy produced to public agencies or public utilities engaged in the distribution of power, to contract with the United States, other political subdivisions, public utilities, or other persons, and subject to the California State Constitution, levy taxes and improvements.

CCWD provides water service to over 10,000 connections throughout Calaveras County. CCWD operates five independent treatment facilities with a combined treatment capacity of over 13 million gallons per day. The water facilities include approximately 290 total miles of transmission and distribution pipelines ranging from 4 to 20 inches in diameter and 31 storage tanks with capacity of over 14.5 million gallons. CCWD provides water and/or sewer service to 65 percent of the residents of Calaveras County.

WEST POINT, WILSEYVILLE AND BUMMERVILLE SYSTEM HISTORY

CCVD owns and operates the domestic water system in the rural communities of West Point, Wilseyville, Bummerville and part of Sandy Gulch. This water system is located in the District's West Point Service area, located in the Mokelumne River Watershed, Calaveras County, Central California, in the foothills of the Sierra Nevada Mountains. Population growth in the service area has generally averaged less than one percent annually over the last 15 years. This low growth rate may be attributed in part to the reduction in industry within the service area. Presently, the economic base of the community is principally related to retirement living with some of the population commuting to larger nearby communities for employment opportunities.

The communities of West Point and Wilseyville developed over the last 150 years, initially as mining companies and later as logging communities. Originally, these areas were served water through a series of mining ditches associated with these activities. The decline of these industries, which were critical to the area economy, brought about CCWD's purchase of the water and conveyance systems.

The West Point water system was purchased in 1954 by CCWD from the West Point Ditch Company. The predecessor to Sierra Pacific Logging Company owned and built the Wilseyville system and sold it to CCWD in 1964. The Bummerville system was connected to the West Point system in 1959. Between 1964 and 1974 the system was brought into compliance with state and federal regulations for operation by CCWD.

The existing water system serves 520 connections, a total population of 1,298, including a local Native American Reservation. The current facilities include two raw water reservoirs (Wilson Lake and the Regulating Reservoir); two raw water diversion facilities (Bear Creek gravity and Middle Fork Mokelumne pumped); one water treatment plant (West Point); two treated water pump stations (Bummerville and Upper Wilseyville); and the associated distribution and storage systems.

The two main sources for water supply for the West Point water treatment plant are the Bear Creek diversion, which is a gravity source, and the pumped source from the Mokelumne River. Both raw sources are generally of good quality and are very easily treated to potable standards. Water rights for the West Point/Wilseyville water system are derived from existing water rights agreements for diversion of flow from Bear Creek and from the Middle Fork of the Mokelumne River. These agreements provide for adequate water to serve the present water customers, as well as future full buildout of the adjacent areas. In the case of drought, the Bear Creek supply can be supplemented with water from the Middle Fork of the Mokelumne River. In addition, the District maintains the 50 acre-foot Regulating Reservoir (also referred to as the West Point Reservoir), which may be called upon to supplement and augment supply during dry periods.

The West Point/Wilseyville water system and related facilities were primarily constructed before 1960 and many system components are either inadequate or in need of replacement. Several changes have been made to the systems in response to more stringent regulations, which allowed the abandonment of the Wilseyville plant. In addition, the West Point water treatment plant and pump stations have been upgraded and an intertie has been installed between West Point and Wilseyville.

Distribution system deficiencies are evident when evaluated against current water industry standards for publicly owned and operated systems. The 1996 Master Plan was completed to address these deficiencies. Specific recommendations were presented to bring the system into compliance with current and anticipated water industry standards. In 1998, a Master Plan Supplement provided additional analysis for improvements to the West Point Wilseyville, and Bummerville systems.

West Point, Wilseyville and Bummerville have infrastructure requirements that far exceed their financial capabilities. However, the infrastructure is crucial to the health, safety, and existence of these small, rural communities. In addition, rising water and sewer rates have been necessary due to new regulatory requirements and these rising rates have been difficult for the community to face. The closing of lumber mills in Calaveras and neighboring Amador County (over the last ten years) has also made a difficult situation worse for those dependent on that industry for employment, especially in this current climate of high unemployment rates. In an effort to begin addressing these needs at the state and local level, a $500,000 feasibility study state grant and a $1.9 million Bear Creek state construction grant have recently been provided. In order to build on these state and local efforts and to meet the critical infrastructure needs and the needs of the community, we respectfully request assistance for the following project components:

WATER SUPPLY INFRASTRUCTURE REHABILITATION PROJECT REQUEST

The small rural communities of West Point, Wilseyville, and Bummerville are faced with unaffordable water system replacement costs for aging supply and distribution systems. Water pressure and fire flow are inadequate in much of the service area. The raw water storage and transmission facilities are in need of immediate repairs.

Seven projects have been identified to provide the West Point water system with a safer and more reliable level of service. These projects include:

—*West Point Clearwell Replacement.*—The upgraded West Point Water Treatment Plant is operational; however, the current clearwell will not provide sufficient contact time for compliance with disinfection regulations. This project will demolish and replace the old 500,000 gallon tank with a new 600,000 gallon steel tank.

—*Bummerville Treated Water Storage Tank Replacement.*—Replacement of small redwood tanks with a single 150,000 gallon steel tank.

—*Wilson Lake Embankment.*—Assessment and reconstruction of a primary storage reservoir that is no longer functional.

—*West Point-Wilseyville Distribution System.*—Replace the aging "backbone" transmission and distribution piping and provide a second intertie between West Point and Wilseyville service areas to improve fire flow and system reliability.

—*Bummerville Treated Water Distribution System*—Replacement of old, leaking, small-diameter piping to improve flow and fire protection.

—*Mokelumne River Intake and Pump Station.*—Relocation of the pump station out of the flood plain, replacement of the raw water line to the treatment plant, and modification of the existing river diversion structure.

—*Regulating Reservoir.*—Remediation projects to improve water quality problems at a primary storage reservoir.

This funding we are requesting here is necessary to assist in the upgrade, reconstruction, and repair of water system infrastructure critical for basic water pressure and fire flow. The District, therefore, respectfully requests the Committee's support for a $2,500,000 appropriation in fiscal year 2004 under the Environmental Protection Agency's State and Tribal Grant Assistance Program, so that efforts to initiate construction in the much-needed West Point Drinking Water System can proceed.

PREPARED STATEMENT OF THE WASHINGTON SUBURBAN SANITARY COMMISSION

The Washington Suburban Sanitary Commission (Commission or WSSC), established in 1918, is a public, bi-county agency providing water and wastewater services to Montgomery and Prince George's Counties in the Washington Capital region. WSSC is governed by six Commissioners with equal representation from each county and has developed its systems to the point where it is a national leader in the water and sewerage industry. The Commission is the among the ten largest water and wastewater utilities in the country, serving approximately 1.6 million people in a 1,000 square mile service area. In addition, the Commission provides services to 26 key federal installations and facilities in the Washington area, including such important military facilities as Andrews Air Force Base; the National Imagery and Mapping Agency; the National Naval Medical Center; the Naval Surface Warfare Center; the U.S. Army Research Center. Numerous other state and local security-related installations and offices also receive service from the Commission.

Water treatment and distribution facilities operated by the Commission include three water supply reservoirs; two water filtration plants; fourteen water pumping stations; 5,100 miles of water mains; and 54 treated-water storage facilities. Water production at Commission facilities is 166 million gallons per day. In terms of wastewater facilities, the Commission operates six wastewater treatment plants; 41 wastewater pumping stations; and approximately 4,900 miles of sewer mains.

WASTEWATER DISINFECTION SYSTEM UPGRADE

Since September 11, 2001, the Commission has worked with security consultants to aggressively assess the vulnerability of our key facilities to terrorist attack. As a result of that effort, the Commission has identified and implemented numerous enhancements to our security programs to prevent and/or provide early detection of physical, chemical or biological attack on our systems. Aspects of these improvements range from monitoring programs to detect chemical or biological irregularities to the physical "hardening" of several of our key facilities.

These vulnerability assessments revealed a particular concern regarding the storage and use of gaseous chlorine at WSSC wastewater treatment facilities. The high risk from using and storing chlorine can be eliminated by switching to a system using ultraviolet disinfection methods. In addition to eliminating the need to use and store a hazardous chemical, switching to ultraviolet disinfection also has other environmental benefits because it does not form other potentially harmful byproducts in effluent.

Due to the immediate and critical importance of reducing this high risk factor, WSSC has budgeted funds in its fiscal year 2004 budget to begin this switchover. In order to implement the switch from chlorine disinfection to UV disinfection, $2 million in federal EPA STAG funds is needed immediately so that this critical regional safety issue can be accomplished as quickly as possible. Three wastewater treatment plants: the Western Branch; Seneca; and Piscataway must all be switched over to UV disinfection systems. The total cost for this switchover is $13.5 million. WSSC is working closely with the Montgomery and Prince George's County governments and the Maryland Department of the Environment in order to carry out these projects.

PATUXENT WATER TREATMENT PLANT EXPANSION

The vulnerability assessments also indicated that the Potomac River watershed, due to its size, could be vulnerable to tampering and contamination. Thus, additional water supply capacity for the region is needed in the event that the Potomac River cannot be used as a source of water. Thus in order to ensure adequate water supply to the region, other sources of water must be secured or expanded. WSSC

believes that the Patuxent River can be used in emergency situations to help supply water to the region.

The Patuxent River Water Treatment Plant is unique from several perspectives. The Plant's watershed is rather small and is easier to protect than the Potomac River watershed. Its raw water is also of better general quality than the Potomac River. Finally, it is located at a higher elevation than the Potomac and needs far less energy to provide water to WSSC. As such, this plant is easily and cost-effectively amenable to reliability enhancements for both quantity and quality aspects. The Commission seeks to increase the capacity of the Patuxent River plant to nominal 72 million gallons per day (MGD)/120 MGD emergency capacity. This additional capacity will allow WSSC to continue services during any emergency that might adversely affect the operation of the Potomac Plant.

This project was previously identified and has been broken into two phases. Phase I will rehabilitate this plant to provide 40 MGD of capacity. Phase I will be completed shortly and is being implemented with local resources. Phase II would see the plant expanded to 72 MGD. Specifically, the updgrade and expansion will consist of the addition of a sixth treatment train (flocculators, sedimentation basins, disinfectant contact chamber, and filters); a new fourth raw water main from the T. Howard Duckett Dam and Rocky Gorge Pumping Station to the Plant; and the modification and expansion of the Rocky Gorge Raw Water Pumping Station.

The estimated cost of Phase II of this regional security measure is $33 million, and WSSC requests $2 million in fiscal year 2004 to begin implementing these needed improvements. In order to carry out this project, WSSC is working closely with the Montgomery County government; the Prince George's County government; the Maryland National Capital Park and Planning Commission, the Maryland Department of the Environment, and the Interstate Commission on the Potomac River Basin.

PREPARED STATEMENT OF THE AMERICAN ASTRONOMICAL SOCIETY

The astronomical research enterprise in the United States is supported in large part by the National Science Foundation (NSF) and the National Aeronautics and Space Administration (NASA). Federal support of astronomy research has been the foundation of our success in the last five decades, enabling fundamental discoveries about the nature of universe and its history, including the existence of dark matter and dark energy, and the discoveries of planets around other stars. The U.S. research community leads the world in astronomical discovery, and federal support of basic research is key to maintaining the preeminent role of American astronomical research.

Beyond the excitement of new discoveries in astronomy, basic research in the physical sciences in the United States contributes to the national economy and helps to maintain our robust economic competitiveness in the world market. Astronomy attracts students to careers science and engineering and motivates students to achieve a high level of competence in technical fields. Federal funding for missions and telescopes provides the infrastructure for astronomical research. The importance of federal funding extends beyond support for missions and facilities, however; it is federal support for research that allows us to produce our basic and most important products: new discoveries and scientifically literate and trained personnel.

Each decade, the astronomical community reaches consensus on the most important large, medium, and small research projects for the next ten years, ranked in a priority manner based on their scientific benefit. This consensus, called the Decadal Survey of Astronomy and Astrophysics, is created under the auspices of the National Research Council as a National Academy Report. The most recent report, "Astronomy and Astrophysics in the New Millennium" represents the fifth such decadal survey. During the subsequent decade, the NRC Committee on Astronomy and Astrophysics reviews the progress of the ranked projects and suggests any necessary augmentations or changes. Decadal Surveys are now also available for two related fields, Planetary Science and Solar Physics.

The value of the Decadal Surveys to policy makers is quite clear. Usually, the projects listed require federal support. With a list of projects, prioritized by the scientific community itself, appropriators may confidently allocate funds, knowing that they are supporting the best possible science.

The American Astronomical Society, which represents nearly 6,500 professional astronomers, almost all of whom live and work in the United States, has endorsed these reports and I have included the text of those endorsements below. The complete reports are available in print and online (for free) from the National Academy Press (www.nap.edu).

The Society thanks the members of the Senate VA–HUD–IA appropriations subcommittee for their support of basic science and urges the subcommittee to utilize the Decadal Survey Reports for Astronomy and Astrophysics, for Planetary Science, and for Solar Physics in making funding decisions this year and throughout the decade.

ENDORSEMENT OF THE DECADAL ASTRONOMY AND ASTROPHYSICS REPORT

Adopted 7 January 2001, San Diego, CA

Astronomy and Astrophysics in the New Millennium

A report of the Astronomy and Astrophysics Survey Committee, Board on Physics and Astronomy, Space Studies Board, Commission on Physical Sciences, Mathematics and Applications, and National Research Council

"Whereas, the National Research Council has recently completed and published the report Astronomy and Astrophysics in the New Millennium and,

Whereas, the report represents a consensus of the astronomy and astrophysics community as to the priorities for federal investment in astronomy and astrophysics research for the coming decade and,

Whereas, the process by which the report was produced was carried out in a fully open manner and included many opportunities for input from the astronomy and astrophysics community as well as open public sessions in several locations and at meetings of the American Astronomical Society and,

Whereas, the report will be presented to Congress as an important and useful document for establishing federal investment in astronomical and astrophysical research in the coming decade,

The American Astronomical Society hereby endorses the report as presenting a valid and balanced set of priorities for the coming decade for investment in astronomy and astrophysical research.

Further, the American Astronomical Society encourages its members, other astronomy, astrophysics and related researchers, astronomy and astrophysics enthusiasts, the public and especially members of Congress and the Administration to fully embrace the report and use it when making policy decisions regarding federal investment in astronomical and astrophysical research during the coming decade."

ENDORSEMENT OF THE NRC REPORT "NEW FRONTIERS IN THE SOLAR SYSTEM: AN INTEGRATED EXPLORATION STRATEGY"

Adopted 30 September 2002

The American Astronomical Society hereby endorses the National Research Council Report "New Frontiers in the Solar System: An Integrated Exploration Strategy" as a balanced set of priorities for Federal expenditure in solar system studies for the coming decade.

This report was completed by the National Research Council after substantial input from the planetary sciences community with the support of the Division for Planetary Sciences of the American Astronomical Society. The report represents a community consensus as to the priorities for federal investment in solar system exploration for the period 2003–2013.

The key overall recommendations include maintenance of NASA's Discovery program of low-cost missions, a Kuiper-Belt/Pluto medium class mission and the large-cost category Europa Geophysical Explorer. There are also a separate set of prioritized recommendations for the Mars Exploration Program.

The survey endorses several ground-based facilities recommended by the recent Astronomy and Astrophysics decadal survey, including the Giant Segmented Mirror Telescope and the Large-Aperture Synoptic Survey Telescope with operating modes supportive of solar system studies. It also points out the important role planetary astronomy plays in support of NASA missions.

The AAS encourages its members, other astronomy, astrophysics and related researchers, astronomy and astrophysics enthusiasts, the public and especially members of Congress and the Administration to fully embrace the report and use it when making policy decisions regarding federal investment in solar system exploration during the coming decade.

PREPARED STATEMENT OF THE AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM

This statement focuses on three areas: Department of Housing and Urban Development, National Science Foundation, and National Aeronautics and Space Administration.

Mr. Chairman and Members of the Subcommittee, on behalf of this nation's 34 American Indian Tribal Colleges and Universities (TCUs), which comprise the American Indian Higher Education Consortium (AIHEC), thank you for the opportunity to express our views and requests for fiscal year 2004.

SUMMARY OF REQUESTS

Department of Housing and Urban Development (HUD)

Since fiscal year 2001, a modest TCU initiative has been funded within the Community Development Block Grant program. This competitive program supports efforts by the TCUs to assist their communities by addressing dire community-based facilities and infrastructure needs. We strongly urge the Subcommittee to support this program at a minimum $5 million, an increase of $2 million over the President's fiscal year 2004 budget request.

National Science Foundation (NSF) Programs

Tribal Colleges and Universities Program (TCUP).—Over the past few years, this program has provided important assistance to TCUs as they build their capacity to provide strong science, technology, engineering, and mathematics (STEM) teaching and learning programs for American Indians. In three years, 19 of the 32 eligible TCUs have begun participating in the program, along with seven Alaska Native and Native Hawaiian serving institutions. We request that Congress expand this vital program to $15 million, $5 million above the President's budget request, to help support funding of Alaska Native and Native Hawaiian serving institutions, which NSF includes in the TCU program and funds to a significant extent.

Tribal College Linkages with K–12 Schools

Rural Systemic Initiative (TC–RSI) and the Math Science Partnership Program (MSP).—In the mid-1990s, NSF established a program to assist TCUs and other rural higher education institutions in promoting systemic change in STEM education in rural K–12 schools. This program has proven to be remarkably successful, yet NSF plans to terminate the program as current grants expire. In fiscal year 2002, the President established a similar, but significantly expanded new program, the Math Science Partnership program. In the first year, none of the 24 programs funded included minority serving institutions (MSIs) or specifically targeted American Indian children. We strongly urge the Subcommittee to support the ESR division budget and to establish American Indian and Rural Schools programs within the MSP program or to include report language reaffirming Congressional support for the TC–RSI program beyond the current grant period.

Advanced Networking with Minority Serving Institutions.—In fiscal year 1999, NSF funded a project to help MSIs develop the campus infrastructure and national connections necessary to participate in the Internet-based Information Age. The project involves a historic and successful collaboration between three minority communities and mainstream institutions, which had little or no prior experience working together. AN–MSI has developed a successful model for providing support and technical assistance and is working with tribal colleges on collaborative education and research projects. AN–MSI's funding expires at the end of fiscal year 2003, and if new funding is not secured, the project's work will cease. We request that the Subcommittee include funding within NSF's CISE directorate to continue and expand the AN–MSI program at $3 million in fiscal year 2004.

National Aeronautics and Space Administration (NASA)

In fiscal year 2001, the tribal colleges established a formal cooperative agreement with NASA for a project designed to increase access, participation, and success of American Indians in high quality K–16 mathematics, science, engineering, and technology programs. The agreement includes a TCU liaison between AIHEC and NASA to oversee implementation of the project and provides modest program enrichment grants to the colleges. However, as NASA implements a major reorganization of its education programs, it is unclear whether and how it will support partnerships with the tribal colleges and universities. We urge Congress to include report language to encourage NASA to extend its successful cooperative agreement on behalf of TCUs; ensure that the modest existing initiatives for TCUs are not eliminated in the reorganization of NASA's education programs; and encourage NASA faculty exchange programs and IPA contracts with TCUs to provide needed on-site expertise and partnerships. Additionally, we ask for report language to encourage the development of new initiatives to address the technology infrastructure needs at the TCUs.

BACKGROUND

As a group, Tribal Colleges and Universities are this nation's youngest institutions of higher education. The first tribal college—Navajo Community College (now Diné College) in Tsaile, Arizona—was established in 1968. Over the next few years, a succession of tribal colleges followed, primarily in the Northern Plains. In 1972, the first six tribally controlled colleges established AIHEC to provide a support network for member institutions. Today, AIHEC represents 34 TCUs located in 12 states. Collectively, these institutions serve 30,000 full- and part-time American Indian students from more than 250 federally recognized tribes. Yet in comparison with other institutions, TCUs benefit from only a handful of dedicated programs and receive only a very small portion of overall Federal higher education funding.

The vast majority of TCUs is accredited by independent, regional accreditation agencies and like all institutions of higher education, must undergo stringent performance reviews on a periodic basis. In addition to associate, bachelor, and master's degree programs, TCUs provide much needed high school completion (GED), basic remediation, job training, adult education, and vitally needed community-based continuing education programs. Tribal colleges function as community centers; libraries; tribal archives; career and business centers; economic development centers; public meeting places; and child care centers. Each TCU is committed to improving the lives of students through higher education and to moving American Indians toward self-sufficiency.

TCUs provide access to higher education for American Indians and others living in some of this nation's most rural and economically depressed areas. These institutions, chartered by their respective tribal governments, combine traditional teachings with conventional postsecondary courses and curricula. They have developed innovative means to address the needs of tribal populations and are successful in overcoming long-standing barriers to higher education for American Indians. Over the past three decades, these vital institutions have come to represent the most significant development in the history of American Indian education, providing access to under-represented students and promoting achievement among students who may otherwise never have known postsecondary education success.

Despite their remarkable accomplishments, TCUs are the most poorly funded institutions of higher education in the country. Chronically inadequate operations funding remains the most significant barrier to their success. Funding for basic institutional operations of 24 reservation-based TCUs is provided through Title I of the Tribally Controlled College or University Assistance Act (Public Law 95–471). Funding under the Act was first appropriated in 1981 and is still, over 20 years later, less than two-thirds of its authorized level of $6,000 per full-time Indian student (ISC). Despite a nearly $2 million increase in basic operations funding in fiscal year 2003, Title I colleges are receiving $3,908 per full-time equivalent Indian student, an $8 decrease per ISC from the fiscal year 2002 funding level, due to enrollment increases and an unclear method for allocating operations funding. While mainstream institutions have a foundation of stable state tax support, TCUs must rely on annual appropriations from the Federal government for their basic institutional operating funds. Because TCUs are located on Federal trust territories, states have no obligation to fund them even for the non-Indian state-resident students who account for approximately 20 percent of TCU enrollments. Yet, if these same students attended any other public institution in the state, the state would provide basic operating funds to the institution.

As a result of more than 200 years of Federal Indian policy—including policies of termination, assimilation and relocation—many reservation residents live in abject poverty comparable to that found in Third World nations. Through the efforts of TCUs, American Indian communities receive services they need to reestablish themselves as responsible, productive, and self-reliant.

JUSTIFICATIONS

Department of Housing and Urban Development

We are pleased that the President's fiscal year 2004 budget request includes $3 million for HUD–TCU program funded under the Community Development Block Grant program. This competitive grants program enables tribal colleges to expand their roles and effectiveness in addressing development and revitalization needs in their respective communities. No academic or student support programs are funded through this program; rather, funding is available only for community-based outreach and service programs at TCUs. Over the past few years, a handful of tribal colleges have been able to build or enhance child care centers, social service offices; help rehabilitate tribal housing; establish and expand small business development; and enhance vitally-needed library services.

The number of TCUs is continuing to grow. Two additional colleges have joined our ranks, Saginaw Chippewa Tribal College, in Mt. Pleasant, Michigan and Tohono O'odham Community College in Sells, Arizona. We strongly urge Congress to continue to fund this program at a minimum of $3 million, included in the President's budget request, to help ensure that much needed community services and programs are expanded and continued.

National Science Foundation Programs

Tribal Colleges and Universities Technology Initiative.—In fiscal year 2001, NSF launched a new TCU initiative designed to enhance the quality of science, technology, engineering and mathematics (STEM) instruction and outreach programs, with an emphasis on the leveraged use of information technologies at TCUs. The program enables colleges to implement comprehensive institutional approaches to strengthen teaching and learning in ways that improve access, retention, and completion of STEM programs, particularly those that have a strong technological foundation. Through this program, colleges gain support their efforts to bridge the "digital divide" and prepare students for careers in information technology, science, mathematics, and engineering fields. The overall goals of the program are to improve access, retention, and graduation rates among American Indian students and to increase the number of American Indians in the information technology, science, mathematics and engineering workforce. In three years, 19 of the 32 eligible TCUs are participating in the program, along with seven Alaska Native and Native Hawaiian serving institutions. We request that Congress expand this vital program to $15 million, $5 million above the President's budget request. This level more accurately reflects the true needs of the eligible pool, which NSF significantly expanded when it included Alaska Native and Native Hawaiian serving institutions, in the TCU program.

Tribal College Linkages with K–12 Schools: Rural Systemic Initiative (TC–RSI) and the Math Science Partnership Program (MSP).—In the mid-1990s, NSF established a program to assist tribal colleges and other rural institutions of higher education in promoting systemic, standards-based change in STEM education in rural K–12 schools. Since 1995, this program has proven to be remarkably successful in terms of standards-based testing, professional development of teachers, and enhanced learning strategies. Fourteen TCUs currently participate in the program. Despite its success, NSF has decided to terminate the program as current grants expire.

In fiscal year 2002, the President established a similar, but significantly expanded new program, the Math Science Partnership program (MSP). MSP seeks to strengthen K–12 science and mathematics education through partnerships involving K–12 schools, institutions of higher education and community stakeholders. In the first year, NSF funded 24 programs. None included minority serving institutions or specifically targeted American Indian children. We strongly urge the Subcommittee to support the ESR division budget and to establish American Indian and Rural Schools programs within the Math Science Partnership program or to include report language reaffirming Congressional support for the TC–RSI program beyond the current grant period.

Advanced Networking with Minority Serving Institutions (AN–MSI).—Four years ago, NSF funded a project within its Computer and Information Science and Engineering (CISE) Directorate to help minority-serving institutions (MSIs) develop the campus infrastructure and national connections necessary to participate in the emerging Internet-based Information Age. The project involves an historic and successful collaboration between three minority communities and mainstream institutions, which had little or no prior experience working together. AN–MSI has developed a successful model for providing TCUs and other MSIs with technical assistance, education, and training programs to improve campus-based information and communications systems and strengthen IT staff. While much has been accomplished, TCUs are at the beginning stages of technology use, particularly for collaborative education and research. AN–MSI's funding expires at the end of fiscal year 2003, and if new funding is not secured, the project's work will cease. We request that the Subcommittee include funding within NSF's CISE Directorate to continue and expand the AN–MSI program at $3 million in fiscal year 2004.

National Aeronautics and Space Administration (NASA)

In fiscal year 2001, TCUs established a formal cooperative agreement with NASA for a project designed to increase access, participation, and success of American Indians in high quality K–16 mathematics, science, engineering, and technology programs. The agreement includes a TCU liaison between AIHEC and NASA to oversee implementation of the project and provides modest program enrichment grants to

the colleges. However, as NASA implements a major reorganization of its education programs, it is unclear whether and how it will support partnerships with tribal colleges. We urge Congress to include report language to encourage NASA to extend its successful cooperative agreement on behalf of TCUs; ensure that the modest existing initiatives for TCUs are not eliminated in the reorganization of NASA's education programs; and encourage NASA faculty exchange programs and IPA contracts with TCUs to provide needed on-site expertise and partnerships. Additionally, we ask for report language to encourage the development of new initiatives to address the technology infrastructure needs at TCUs.

CONCLUSION

In light of the justifications presented in this statement and the overwhelming evidence of inequitable access to technology in rural America, we respectfully request Congress increase funding for Tribal College and University programs to help bring economic self-sufficiency to Indian Country. Fulfillment of AIHEC's fiscal year 2004 request will strengthen the missions of TCUs and the enormous, positive impact they have on their respective communities. Your support will help ensure that they are able to educate and prepare thousands of American Indians for the workforce of the 21st Century. TCUs have proven to be very responsible with the Federal support they have received over the past three decades. It is important that the Federal government now capitalize on its investment. We respectfully request your continued support of tribal colleges and full consideration of our fiscal year 2004 appropriations requests.

PREPARED STATEMENT OF THE AMERICAN SOCIETY FOR MICROBIOLOGY

The American Society for Microbiology (ASM), the largest single life science organization in the world, comprising more than 40,000 members, appreciates the opportunity to provide written testimony on the fiscal year fiscal year 2004 appropriation for the National Science Foundation (NSF).

The ASM represents scientists who work in academic, industrial, medical and governmental institutions worldwide. Microbiologists are involved in research to improve human health and the environment. The ASM's mission is to enhance the science of microbiology, to gain a better understanding of basic life processes, and to promote the application of this knowledge for improved health, and for economic and environmental well being.

The following testimony will outline the ASM's funding recommendations for the NSF for fiscal year 2004.

NATIONAL SCIENCE FOUNDATION

The ASM endorses the level of funding approved by Congress in the NSF Authorization Act of 2002 (Public Law 107–368) to provide $6.39 billion, a 20 percent increase, for the NSF in fiscal year 2004. This would raise the NSF budget by $1.1 billion from its current $5.3 billion level of funding for fiscal year 2003. The ASM strongly supports Congress's bipartisan commitment to strengthen scientific research and education. The NSF budget is one of the nation's most important investment opportunities because it funds research in new frontiers of scientific inquiry and contributes to creating a highly skilled, competitive workforce in science and engineering. Although NSF accounts for only 4 percent of federal R&D spending, it supports nearly 50 percent of the non-medical basic research at our colleges and universities. A 20 percent increase will fund additional excellent rated research projects in pursuit of important discoveries and innovations. In addition, increasing NSF's budget beyond the Administration's proposed $5.5 billion budget will allow the NSF to continue making increases in the size and duration of NSF grants, graduate student stipends and investments in priority areas, such as Biocomplexity in the Environment and Nanoscale Science and Engineering. Increases in these areas will ensure high productivity among researchers and will improve the attractiveness and viability of the science and engineering fields to future students. Achieving these goals requires public investment that reflects the importance of science and engineering to the social and economic foundation of the nation.

The NSF's mission is to promote and advance scientific, mathematical, and engineering research and education in the United States. It is a key agency for supporting research that uses genomic information in new and creative ways through interagency partnerships that advance all the sciences. The NSF has launched several grants that seek to bring multidisciplinary approaches to ecology, human health, and genomic sequencing. These efforts are supported by promising partner-

ships with the National Institutes of Health (NIH), the U.S. Department of Agriculture (USDA), the U.S. Geological Survey (USGS), and the Department of Energy (DOE). Other NSF initiatives will result in increased understanding of environmental and human microbial interactions, which have particular relevance to global environmental change as well as infectious diseases and represent a new frontier in scientific research.

Continued research concerned with the impact of microorganisms on the well being of humans, animals, plants and the environment is critical. The ASM supports NSF's continued focus on microbial biology and the diversity of microorganisms. Microorganisms play key roles in processing our wastes, recycling the nutrients that support our agriculture, forests and fisheries, yield new pharmaceuticals, provide key tools for biotechnology, affect the quality of our food and water, control some pests, and cause disease. The NSF recognizes the important role microorganisms play in our well-being and funds programs that advance our understanding of the microbial world. This effort has led to new programs such as the Microbial Observatories program, which focuses on the discovery of important but uncultured microorganisms. It also provided the foundation for NSF's participation in the interagency effort, "The Microbe Project."

BIOCOMPLEXITY IN THE ENVIRONMENT

The ASM supports the proposed $100 million budget for fiscal year 2004 for Biocomplexity in the Environment (BE) research. BE is an integrative program that utilizes all of the NSF science directorates to address some of the worlds most pressing scientific and societal challenges, such as, climate change and the complicated question of long-term environmental security. This intradirectorate initiative seeks to better understand the complexity of interactions between local, regional and global ecosystems that is inextricably linked to human well being. Advances in molecular biology, ecology, the geosciences, mathematics and the computational sciences have made it feasible to begin to understand these complex interactions. Microorganisms are key components of the soil, water, plant, and animal environments and therefore are dominant factors in understanding these interactions. Furthermore, only a small percentage of the microbial species on earth are known, leaving their functional role unknown. These unknown organisms are the largest untapped source of biodiversity and a potential source of new pharmaceuticals, enzymes, biocontrol agents, and tools for nanotechnologies.

The ASM also endorses the program's emphasis on microbial genomic sequencing as a major new tool in furthering our understanding of the microbial world. In 2004, BE will focus on a number of priorities that will enhance our fundamental understanding of microorganisms important in nature and to humans (e.g., Microbial Genome Sequencing (MGS) activity). The MGS activity will focus on microorganisms chosen for their fundamental biological interest through the peer-reviewed process and for their importance in agriculture and forestry, relevance to the safety and quality of the food and water supply, and as potential bioterrorism agents. The ASM is also pleased with the Tree of Life Project. The NSF expects this program to capitalize on new and powerful computational and genomic technologies, which biologists' will then use to construct a universal genealogy for all 1.7 million named species of living organisms on Earth. Genome sequencing will provide the basis of efforts to better manage these organisms. The ASM is equally pleased to see joint efforts with NIH, USDA, NSF, USGS, USDA, and the National Aeronautics and Space Administration (NASA) continue in the Ecology of Infectious Disease activity. Research will focus on ecological determinants of disease transmission, possible health effects from environmental change, and improved tracking of outbreaks, which should be useful in following the West Nile virus. BE's research (Coupled Biogeochemical Cycles activity) in the biological, geochemical, geological, and physical processes is promoting new multidisciplinary approaches to traditional biological and geochemical science and should be continued.

ASM applauds NSF's continued leadership in expanding multidisciplinary research opportunities and urges Congress to fully support BE.

NANOSCALE SCIENCE AND ENGINEERING

The NSF is the lead agency in the National Nanotechnology Initiative, which allows scientific disciplines an opportunity to focus information technology, biology, engineering, physics, chemistry, and material and computer sciences into a unified research effort to make discoveries in materials and manufacturing, medicine, environment and energy and national security. The ASM supports the Administration's proposed level of funding of $249 billion for this program. The Biological Direc-

torate's (BIO) portion of the fiscal year 2004 initiative is $5 million, which represents a $2 million increase from fiscal year 2003.

The ASM supports the Biosystems at the Nanoscale program ($21 million). This program will study biologically based systems that have potential applications in biocompatible nanostructured materials, new devices for research in genomics, proteomics and cell biology, and nanoscale sensory systems. Nanoscale research could be particularly beneficial to understanding cellular communication and detection of environmentally important signals.

The NSF is a pioneer among federal agencies involved with nanotechnology research and the ASM supports additional interagency cooperation between the NSF and the Department of Energy.

NATIONAL ECOLOGICAL OBSERVATORY NETWORK

The National Ecological Observatory Network (NEON) is a continental-scale initiative composed of 10 distinct geographically distributed, networked observatories that will serve as a platform for integrated research across the sciences. NEON will allow for the first time, teams of scientists to monitor the environment as it changes, providing new insights into regional and national ecological health and sensitivity. NEON will require new technologies, approaches and methodologies and will provide an opportunity for scientists to break new ground on innovative equipment and instrumentation that is so crucial to move science forward. NEON sites will also provide opportunities for other agency scientists to work in partnership with NSF grantees on multidisciplinary projects that will enhance all of the sciences.

The Administration has proposed $12 million for the initiative in fiscal year 2004. The ASM is encouraged by the Administration's support; however, the ASM recommends that the Subcommittee build upon the President's request and fund NEON at $20 million for fiscal year 2004. This level of funding would allow the construction of one complete observatory and a more rapid realization of NEON.

The ASM recommends that Congress give high priority to increasing the NSF's funding as it considers its fiscal year 2004 appropriation. Many of today's scientific achievements leading to the development of biotechnology, antifreeze proteins, improved crops and plant-based products, and DNA fingerprinting have their roots in basic research supported by the NSF. The many future health and environmental challenges the United States will face can only be overcome through the potential of basic research to generate crucial new scientific knowledge and advancements that lead to new technologies for the future.

The following testimony will outline the ASM's funding recommendations for EPA's research and development programs for fiscal year 2004.

ENVIRONMENTAL PROTECTION AGENCY

The EPA's scientific research and development programs are critical to researchers in the fields of applied and environmental microbiology. Research on environmental microbiology is essential for improving air, water, and soil quality; for assuring the safety of potable water supplies; for protecting public water systems from biological threats; for providing safe means for waste disposal; and for cleanups of environmental contaminants. The ASM believes that sound public policy for environmental protection depends on adequately funded programs of intramural and extramural research based on a system of peer review to assure that support is awarded to research programs having both quality and relevance. The EPA has begun its own peer review system based upon the National Science Foundation model. Critical peer review of both the intramural and extramural research programs of the EPA are necessary for ensuring the quality and scientific validity of studies that are funded.

SAFE WATER AND WATER RESEARCH

The ASM strongly recommends increasing the Administration's request of $49.2 million for Safe Drinking Water Research. The ASM also believes the total funding level for Clean and Safe Water programs at $2.9 billion is very inadequate and should be restored to fiscal year 2003 levels. The ASM is very concerned that the Administration continues to cut the budgets of EPA's water programs that help to ensure the quality of the nation's water system. The ASM requests that Congress restore critical funding across EPA's water programs that ensure the Clean Water Act and the Safe Drinking Water Act are properly maintained. Maintaining a strong infrastructure for water quality is the foundation of EPA's Area-Wide Optimization

Program (AWOP), which is designed to reduce consumers' exposure to microbial contaminants by improving the performance of filtering technology. This program is particularly important in maintaining the viability of drinking water systems ability to comply with drinking water regulations, especially the arsenic and microbial, disinfectant and disinfection by-products rules.

The ASM applauds the EPA's continuing support of program initiatives such as drinking water safety standards (e.g., Contaminant Candidate List (CCL)), cost-effective water treatment technologies focusing on microbes, improved water safety guidelines and pollution indicators, and a federal database of beach advisories and closings across the United States. It is essential that EPA's water quality programs continue to focus on reducing the uncertainties surrounding the exposure to biological and chemical contaminants by improving analytical methods and risk assessments. ASM encourage these and other efforts to improve drinking water implementation programs that strengthen coordination between local, state, and federal authorities.

SCIENCE TO ACHIEVE RESULTS PROGRAM (STAR)

The ASM is concerned that the Administration is funding the STAR program at the fiscal year 2000 level of $100 million. The flat funding of this program over the past four fiscal cycles has lead to a reduction in the program's ability to attract new researchers. Therefore, the ASM believes the program would be better served if funded at $110 million for fiscal year 2004. The STAR program is an important mission-driven, extramural research initiative. This program funds important environmental research proposals from scientists outside the federal government and is a valuable resource for the EPA in finding solutions to many complex environmental problems. Grants made under the STAR program last from two to three years and provide about $150,000 of scientific support per grant year. The STAR program funds projects in specific focal areas including global warming, drinking water, ecology of harmful algal blooms, water and watersheds, ecological indicators, and pollution prevention (e.g., mercury), which have significant microbiological components. For instance, in 1999, STAR program grantees developed a model to better understand mercury's terrestrial and aquatic fate and transformation processes that influence environmental exposure and toxicity. This study is particularly important in understanding ecosystem responses to changes in mercury inputs and its affect on water quality, wildlife, and humans.

The ASM is pleased to see that the EPA continues to expand the bounds of STAR research by developing multi-year plans (e.g., for Particulate Matter) that will relate STAR and intramural research products to the Agency's strategic goals for different program areas. These plans will help provide a framework for the Agency to consider, and to explain the balance of R&D performers in individual research areas. The ASM also recommends that 20 percent of the STAR budget remain open for exploring broader issues not covered by targeted RFA's. This mechanism captures the creativity of the scientific community to foresee EPA relevant needs and solutions.

GRADUATE ENVIRONMENTAL FELLOWSHIP PROGRAM

The EPA's Graduate STAR Environmental Fellowship Program has been an outstanding success in attracting some of the best young talent to environmental research. Examples of research conducted in the STAR program include new methods of classifying biologically impaired watersheds and the human health effects of particulate matter. This type of research is generally unique to the EPA and is integral to its role as steward of the environment. Unfortunately, the Administration is cutting the program funding in half ($4.9 million) in its fiscal year 2004 budget. Therefore, the ASM highly recommends that the Subcommittee allocate the necessary funds ($10 million) to keep the STAR fellowship program competitive for the nation's best students.

The ASM believes the Fellowship program is one of the many initiatives the federal government must fully support to ensure that the nation is prepared to answer the complex scientific questions of the future. Both the public and private sectors will benefit from a steady stream of well-trained environmental specialists. The proposed elimination of the program will hinder further research in such areas as bioremediation, global warming, and water safety. The ASM also shares the concern raised by the EPA's Science Advisory Board (SAB) that without the Fellowship program, the EPA may be unable to replace many of the EPA scientists nearing retirement with top-level scientists. The ASM is also concerned that the quality and regard for EPA science will suffer in the short and long-term if the program is abolished. The EPA would not only lose valuable graduate research, but the partnerships developed between industry environmental labs and the EPA.

During this year's appropriations process, the ASM urges Congress to consider these needs and provide the necessary incremental funding. The ASM appreciates the opportunity to comment and would be pleased to provide additional information.

PREPARED STATEMENT OF THE NORTHWEST INDIAN FISHERIES COMMISSION

Mr. Chairman, and Honorable Members of the Committee, I am Billy Frank, Jr., Chairman of the Northwest Indian Fisheries Commission (NWIFC). On behalf of all the tribes in the State of Washington I would like to thank you for the opportunity to provide testimony concerning the Environmental Protection Agency's (EPA) fiscal year 2004 appropriations.

We are specifically requesting that you identify $700,000 within EPA's 104(b)(3) program for the tribes in Washington State, through the Northwest Indian Fisheries Commission, for the purpose of maintaining the existing and successful Coordinated Tribal Water Quality Program (CTWQP). The purpose of our request is to continue implementation of this inter-governmental mechanism for twenty-six participating tribes and tribal organizations in the State of Washington for fiscal year 2004. We thank you for your support this past fiscal year when the Committee provided us $630,000 for our needs. This program, has provided a forum for continuous and meaningful communication between tribal, state and federal agencies for more than a decade. Strong congressional support for implementation of this tribal initiative which began in 1990, and is still present today.

In recent years Congress has been very responsive to tribal environmental protection issues through unprecedented increases in the Environmental Protection Agency's General Assistance Program (GAP) for tribes. Paradoxically, during this same time, this important tribal/EPA water initiative is losing funding. The urgency of this request is a result of significant erosion of base level funding for the CTWQP potentially jeopardizing the long-term investment of federal and tribal government's within this efficient and effective water resources protection and management program.

The intent of this testimony and funding request is to maintain this important and successful tribal initiative by:

—Providing implementation funding to further tribal objectives relative to water resource management and protection of the twenty-six participating tribes; and,
—Maintaining centralized program coordination at the Northwest Indian Fisheries Commission.

Support for this model tribal initiative is timely, as it complements and supports federal initiatives aimed at maintaining healthy waterways. Further, as an existing program that centers around watershed-based water quality protection by building partnerships, and fostering inter-jurisdictional cooperation, it maximizes and leverages the efficiency of available resource dollars. Additionally, it is a critical component in the protection and restoration of our northwest salmon and shellfish.

Justification for this funding request is based on:

—Legal rights and obligations of the federal government to protect the treaty-reserved rights of the tribes;
—The United States' trust responsibility to protect the health and environment of the tribes on a government-to-government basis;
—Cost effective use of a cooperative intergovernmental strategy to accomplish national clean water goals; and,
—The minimization of conflict between multiple jurisdictions who manage water resources.

To assist the Committee members, I would like to summarize background information relevant to our request.

BACKGROUND

The NWIFC request is made on behalf of our nineteen (19) member treaty fishing tribes, the Hoh, Chehalis, and Shoalwater Bay tribes in western Washington, and the Yakama Indian Nation, Colville Confederated, Spokane, and Kalispel Tribes in eastern Washington. The funding request is to continue implementing the model Coordinated Tribal Water Quality Program that began in 1990.

The State of Washington has been blessed with bountiful rivers and streams. Five species of Pacific salmon and three species of anadromous trout use streams in the State of Washington during the fresh water stages of their life cycles. Historically, there were ample supplies of fish for ceremonial, subsistence, commercial and recreation purposes. Old growth conifer removal, riparian zone impacts, farming activities, and channelization of the streams has reduced the productive capacity of these

streams to extremely low levels. Currently, there are Puget Sound salmon stocks listed under the Endangered Species Act.

In 1979, the United States Supreme Court re-affirmed the treaty tribes right to catch half of the harvestable number of anadromous fish passing through tribal usual and accustomed areas. In 1980, the Federal District Court held that the United States and the State of Washington must not permit degradation of fish habitat which would diminish the treaty harvest right. This decision specifically included degradation by point and non-point pollution. The federal courts have recognized that protection of water quality and other attributes of fish habitat are necessary to secure the Constitutionally-protected rights of the tribes to harvest fish.

The sovereign authorities of the Tribes and the legal principles enunciated in United States v. Washington and other federal court decisions support tribal involvement with both on and off-reservation environmental issues. The federal court decisions recognized the tribes as co-managers of the fish resource and water quality in our state. As co-managers in Washington, the tribes must have the resources to adequately participate in environmental protection programs.

The EPA Indian policy (1984) of working with federally recognized tribes on a government-to-government basis concerns more than 375 Indian tribes in the lower 48 states which control more than 52 million acres of land base. In our state, tribal reservations make up approximately six percent (6 percent) of the State of Washington. Our tribes have also retained usual and accustomed fishing grounds that include most of the State of Washington.

The combined area of Indian reservations nationally is larger than all of New England, yet EPA now devotes only a tiny fraction of its personnel and funds to environmental protection for the tribes. This is clearly a discriminatory prioritization of federal funds. On a national level, tribal reservations represent three percent (3 percent) of the land base of this nation. Although the EPA has worked closely with the states to implement adequate environmental programs, little has been done, until recently, to accomplish the same for the tribal governments. Indian tribes are over two decades behind the states both in resources received from the EPA and in technical assistance provided by the EPA in developing tribal water program offices. A front end investment will promote cooperation and increased tribal involvement in environmental protection, as has been the case between the EPA and state governments for the past 20 years. The Coordinated Tribal Water Quality Program enables and fosters cooperative inter-jurisdictional partnerships.

We recognize, support, and appreciate the successful efforts that have been made to improve EPA Indian Programs and tribal funding. Our request for additional funding is intended to stabilize existing program implementation activities. Clearly, a means must be found to support the long term funding of tribal programs that seek to protect tribal treaty rights, their waters, and their peoples, or, the efforts being made by EPA will not continue to be successful.

TRIBAL/STATE ROLES

Beginning in 1990, the State of Washington has supported tribal involvement in environmental protection, both off and on-reservation. The state is committed to work with the tribes on a government-to-government basis as co-managers of the water resource in the implementation of this program. The federally recognized Indian tribes in our region have a long legacy of working cooperatively with the State of Washington. The intent to foster that kind of relationship was articulated in the Centennial Accord with Governor Gardner in 1989 and was re-affirmed with Governor Locke in the 1999 Leavenworh Agreement. The water quality protection efforts supported by EPA funding are part of sustaining that kind of inter-governmental cooperation.

The Coordinated Tribal Water Quality Program, an EPA/Tribal partnership, has generated successful models of state/tribal inter-jurisdictional cooperation. Examples of these models are:

—the Tribal Water Quality Standards Template, which encourages inter-governmental uniformity and coordination of water quality management;

—the Clean Water Act § 303(d) Cooperative Management Program, which provides a forum for state/tribal government-to-government relations throughout the CWA § 303(d) listing and implementation process; and,

—the Coordinated Tribal Data Management System for Water Quality, design to promote efficiency, accuracy and cooperation in utilizing water quality data.

The tribes must be part of the solutions to prevent and control water pollution in the State of Washington. The tribes must participate in these activities to protect their governmental interests and treaty-protected fishing rights. In this time of existing and pending listings of salmon stocks under the Endangered Species Act, nei-

ther we, nor the resource, can afford to lose programs integral to our inter-governmental cooperative watershed program. The Coordinated Tribal Water Quality Program is part of protecting our nation's environmental heritage.

CONCLUSION

For thirteen years, Congress has recognized and supported the Coordinated Tribal Water Quality Program by appropriating funding to maintain its operation. Even with the increased EPA General Assistance Program tribal set aside, tribes in the State of Washington are in danger of losing this successful tribal water quality initiative. This model program demonstrates how tribes can develop environmental programs and work with EPA to realize its long-range objective of including tribal governments as partners in decision-making and program management of tribal lands and resources.

We appreciate the difficulty Congress is facing in making decisions for this next fiscal year. In the case of the EPA, Congress and the Administration will probably direct their resources to address those areas of highest risk to human health, public safety, and the environment. Therefore, we want to reiterate that tribal reservations and protection of their treaty resources have not been adequately addressed for the past twenty years and thus represent the highest of risks to this nation.

Sufficient and permanent funding is necessary to continue the tribal cooperative program. Certainty of funding is necessary for the tribes to hire permanent and professional staff to implement this program. Without an ongoing investment by Congress much of the good that has been accomplished to date will be lost.

Please consider our request for $700,000 for the Washington State Tribal Water Quality Initiative. Once again, thank you for the opportunity to provide testimony. Thank you also for your support in developing a national model, which demonstrates the ability of tribal governments to address environmental protection priorities through cooperative watershed processes with state and local governments.

Thanks to this Committee, we are making significant progress, and this water quality initiative is being supported at all levels. We hope you and the Committee will continue to look favorably on our request.

PREPARED STATEMENT OF THE QUINAULT HOUSING AUTHORITY, QUINAULT INDIAN RESERVATION

Thank you Chairman Walsh and other distinguished Members of this Subcommittee for accepting this written testimony. The Quinault Indian Nation and Quinault Housing Authority (QHA) Board of Commissioners appreciate this opportunity to present our housing priority requests, on the fiscal year 2004 Budget for the Department of Housing and Urban Development, Indian Housing, Office of Native American Programs, to this Subcommittee.

I would also like to take this opportunity to express my sincere appreciation to the military personnel who are away from home and their loved ones. On behalf of my People, I pray that they will have a safe and expedient return to their families and to their Homeland.

NATIONAL INDIAN HOUSING NEEDS

$1 Billion.—For Native American Housing Assistance and Self-Determination Act (NAHASDA)

$150 Million.—For Community Development Block Grants (CDBG)

$20 Billion.—For Indian Health Service Sanitation Facilities Construction

$26 Million.—For USDA Indian Set-Aside for Utilities

$35 Million.—For Supplemental Housing Efforts

$4.8 Million.—For Technical Assistance to Indian Housing Authorities by the Native American Indian Housing Council

JUSTIFICATION OF REQUESTS

For 32 years I have worked to improve living conditions on the Quinault Indian Reservation, located on the Olympic Peninsula, in Coastal Washington State. As an employee and Executive Director for the Quinault Housing Authority, I am disappointed, to say the least, with the President's budget proposal for Indian Housing for fiscal year 2004.

Today, we have the same concerns as other Americans about terrorist attacks, chemical warfare, and how Homeland Security will protect our Nation during this time of war. But, for American Indians and Alaskan Natives (AI/AN), our concerns are heightened during these times because of our basic human needs, which are

often taken for granted by people who do not live in rural remote areas such as reservations. Shelter for our tribal members is a high priority for the Quinault Tribal Government and the Quinault Housing Authority.

Many factors complicate and make costly the development and maintenance of affordable housing for AI/AN. Noted studies, reports and testimony on this subject have documented many of the obstacles and challenges Indian Housing Authorities (IHAS) are confronted with in just trying to provide housing to Indian people on reservations. While the list may be extensive, the challenges identified most frequently are (1) the remoteness of the reservations limit infrastructure and the availability of human resources; (2) land-use restrictions and the unfavorable land conditions on most reservations complicate the development and maintenance of low-income housing; and (3) the cost of the projects spiral upward because of the aforementioned challenges.

While there will always be hurdles to scale over and barriers to remove, I find my job more benefiting than ever; not only to the people I serve, but to myself as well. And, the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) is largely responsible for this new attitude.

The reauthorization of NAHASDA last fall opens the regulations up to review and revisions. The negotiated rulemaking committee will need the support of the Quinault Housing Authority, as well as the other IHAS, to improve upon how NAHASDA works for us all. Each area will have a representative and an alternate on the committee and it is our responsibility to maintain a line of communication with these representatives to know what is going on throughout the negotiated rulemaking process and to provide an advisory role to our area representatives.

If Congress supports our requests for increased funding, on behalf of the Quinault Housing Authority, I would like to offer my support to the negotiated rulemaking committee to support the formula they design to distribute all new monies. I encourage my colleagues who operate Indian Housing Authorities to support this committee in their efforts to make NAHASDA an even better mechanism to improve housing on Indian land.

Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA)—$1 Billion

The Indian Housing Block Grant line item has been flat-lined since 1998 but tribal housing needs have continued to increase with births, marriages, extended life cycles of our Tribal Elders and tribal members returning to the reservations. Many reports indicate that Indian Housing is the worse in the United States, with an immediate need for 200,000 homes. One may ask how and why, but it is quite simple: we have never received enough funding to eliminate the worse case conditions.

NAHASDA allows Tribes to develop and utilize their grants to fit the needs of each Tribe. One thing we know is that we cannot develop homes without an infrastructure. The Quinault Housing Authority has been successful with NAHASDA. The flexibility of the Block Grant has allowed us to assist our Tribal Elders by providing them with a home in which they could age without the threat of eviction and homelessness. Tribal youth activities have been accessible and have offered our youth positive choices as alternatives to illegal drug and alcohol use. We have acquired homes that families have out-grown and, in some cases, where families have downsized and are no longer in need of the larger homes they once occupied, we have also intervened.

The Quinault Housing Authority has been utilizing a USDA utilities grant along with NAHASDA grants to develop the water/sewer, water storage tank, power, telephone and streets for an eighty-unit (80) development (Phases I and II). We are nearing the completion of the USDA grant and we are moving forward and powering up the water/sewer treatment facilities. We can now begin the development of homes.

Community Development Block Grant—$150 Million

This is a valuable grant utilized by Tribes to assist them in the development of Community buildings, health clinics, youth facilities, economic development, and infrastructure. As we continue to strive to build healthy communities for our Tribal members we request an Indian Set-Aside at a minimum of $150 Million.

Indian Health Service Sanitation Facilities Construction Funds—$20 Million

Presently, appropriation report language precludes Tribes from utilizing IHS Sanitation Facilities Construction funds for HUD-funded housing projects. With this restrictive language, Tribes are forced to utilize NAHASDA funds to develop infrastructure rather than houses. Removing the language will allow for Tribal flexibility for sanitation construction, but will place additional stress on limited funding. We support Health & Humans Services Secretary Tommy Thompson's request for an

additional $20 Million to improve sanitation and infrastructure needs on Indian Reservations, with the removal of restrictive appropriations language.

USDA Indian Set-Aside for Utilities—$26 Million

This program is vital to Tribal Housing Infrastructure needs. While $13 Million is greatly appreciated, because of the cost of developing utilities on a remote Indian Reservation, this amount would assist little more that 13 Tribes. Increasing this amount to $26 million would allow for NAHASDA funds to build houses.

The Quinault Housing Authority has developed the infrastructure for a forty-unit housing development, Phase I, with streets, electricity, telephone lines, water wells, water treatment, water storage tanks and a sewer treatment facility. We have invested $6 million dollars into this development. Engineering and construction estimates have projected that housing will cost $3.2 million. We will extend the development to include an additional forty (40) homes, Phase II, when funding is available.

Bureau of Indian Affairs Housing Improvement Program—$35 Million

The Quinault Housing Authority administers this program for the Quinault Indian Nation. Although the funding is minimal at $70,000 annually, it is vital to our Elders. Each year we are able to rehabilitate two houses or construct one. This program allows for our Indian Elders to live their declining years in comfort. We request $35 Million a year to supplement other housing efforts.

Technical Assistance—$4.8 Million

While the Quinault Housing Authority has not utilized the National American Indian Housing Council's technical assistance, we are aware of tribes who have. Most of these tribes are small and either lack experience or knowledge in construction, administration, or grant application preparation. Keep in mind the remoteness of many of these Tribes. In order for grant dollars to get to the people identified and most in need, and to get houses built, it is imperative that technical assistance be provided. The National American Housing Council has a vehicle in place to provide this expertise that is so desperately needed by so many tribes. We support NAIHC's request of $4.8 Million for fiscal year 2004.

Performance Concerns and Performance Based-Budgeting

HUD Assistant Secretary Michael Liu recently reported that 40 percent of NAHASDA funds remain unspent. We request that HUD be required to provide an accurate accounting of IHBG funds and 1937 Housing Act funds alleged to be in the pipeline because we feel this is an inaccurate estimation of the performance of NAHASDA.

We also request that the A–133 Audit supplemental be expanded to accurately account for the performance of Indian Housing Block Grants. Presently Indian Housing Plans and Annual Performance Reports are NOT adequate to provide an accurate accounting of Tribal performance. Both of these documents are extremely time consuming and repetitive. HUD conducts their Audits, Reviews and Monitoring with the "GOTCHA" mentality. The Seattle HUD Office of Native American Programs has four Certified Public Accountants (CPA's) on staff to conduct the reviews or audits. We have the Federal Government conducting Financial Audits in addition to the Independent Auditors; this is excessive. In some cases we have had the Inspector General's Office also conducting audits.

Tribal Independent Financial Auditors are required to audit not only the financial records, but verify that Current Assisted Stock funding from the grant formula is being spent on the 1937 Housing Act units as required. They also test the financial expenditures against the Indian Housing Plans and verify the Annual Performance Reports' accuracy. Again, we feel that this is over zealous auditing and oversight.

Our opinion is that HUD needs to provide some hands-on technical assistance to struggling Tribes, rather than having four CPA's come in afterwards to criticize what they could have prevented. An Architect or Engineer on staff would better serve Tribes. The CPA's would be better utilized providing technical assistance in bookkeeping and accounting focusing on those auditable areas for reporting.

CONCLUSION

We ask that you inquire into HUD's inaccurate accountability for the Indian Housing Block Grant funding and further investigate the Infrastructure funding for Tribes.

Mr. Chairman, and Honorable Committee members, I thank you for this opportunity to be heard today. My thoughts and prayers are with you in the difficult days ahead.

We appreciate and thank you for your hard work and attention to Indian Housing issues and concerns.

PREPARED STATEMENT OF THE FLEET RESERVE ASSOCIATION

Mr. Chairman, members of the Subcommittee, the membership is again pleased that the Fleet Reserve Association (FRA) has been invited by the Subcommittee to present our legislative goals for the year 2004. On behalf of more than 134,000 shipmates, I extend gratitude for the concern, active interest and progress to date generated by the Committees in protecting, improving, and enhancing benefits that are richly deserved by our Nation's veterans.

FRA was established in 1924 and its name is derived from the Navy's program for personnel transferring to the Fleet Reserve or Fleet Marine Reserve for the Marine Corps after 20 or more years of active duty but not 30 years to fully retire. During the required period of service in the Fleet Reserve, assigned personnel earn retainer pay and are subject to recall by the Secretary of the Navy.

FRA is the oldest and largest professional military enlisted association exclusively serving and representing men and women of the three Sea Services. It continues to seek protection and equity for those who serve in or have retired from the United States Navy, Marine Corps, Coast Guard and those veterans requesting assistance. The Association has been active over the past 77 years in pursuing Congressional and the respective Administration's support for quality of life and veterans' programs for enlisted Sea Services personnel.

LEGISLATIVE GOALS IN BRIEF

FRA's membership has an average age of 68 years, all veterans of as many as three wars, mostly retired from the Sea Services. Our members have tasked us with the following Legislative priorities and to work with Congress to obtain appropriate funding for each.

—Expand Military Retiree Access to the VA Health Care System.
—Explore possibilities for alternative Managed Health Care Programs in VA.
—Expand Health Care Options for Retired Military Veterans under Age 65.
—Funding for the construction and leasing of additional nursing and long-term care facilities.
—Amend Title 38 USC to authorize concurrent receipt of military retired pay and veterans' compensation.
—Support statute requiring the repayment of separation pay if the service member reenlists in the Reserve component, subsequently is entitled to retired pay, or becomes entitled to VA compensation.
—Support H.R. 1111 that amends the Uniformed Services Former Spouse Protection Act to deter state courts from dividing VA or DOD disability pay as property in divorce proceedings.
—Enhance educational programs and provide voluntary open enrollment in the Montgomery GI Bill for all current active duty military personnel, including military personnel who never enrolled in VEAP or MGIB.

DEPARTMENT OF VETERANS AFFAIRS FISCAL YEAR 2004 BUDGET

Fiscal Year 2004 Budget

FRA continues its quest for a realistic DVA budget that will provide adequate funding to care for all of the Nation's veterans, their families and survivors. Although the fiscal year 2004 budget has the largest percentage increase for any Government department, we believe that in real funds no substantial increase has been noted and that the increases are based on optimistic goals of collections and other monetary reimbursements that we hope can be met. FRA has listed the following veterans' programs it believes should be authorized and funded in full. The Association urges your consideration and adoption of these programs to assure America's veterans that they will be fully compensated for their sacrifices while in the uniform of the Armed Forces of the United States, and that their families and survivors will be cared for as prescribed in the mission of the Department of Veterans Affairs. Currently the Veterans Benefits Administration (VBA) part of the DVA budget is funded as mandatory spending. FRA concurs with and endorses the House Veterans Affairs Committee recommendation to convert the veterans health care account from discretionary to mandatory. This will ensure that the Veterans Healthcare Administration (VHA) has sufficient funding without the necessity for annual hearings.

VETERANS HEALTH ADMINISTRATION

Suspension and Realignment of Veterans Categories

In January, citing mounting deficits and difficulties of operating on funding based on Continuing Resolutions, Secretary Principi suspended enrollments in Priority 8 for the remainder of this year. We applaud the effort it took to make this decision to concentrate on the VA core values of providing care for Service Connected veterans, indigent and homeless veterans and those that need specialized services such as blind rehabilitation and prosthetic services. The Secretary promised that he will monitor the situation and if warranted may possibly re-open enrollment sooner. We hope that with adequate funding this suspension will be terminated in the near term.

The VA's proposal of a $250 yearly enrollment fee for non-service connected Priority 7 and Priority 8 veterans is totally unacceptable. All veterans, regardless of their financial status should be afforded an opportunity to enroll in VA health care programs. We understand the need for re-imbursement of monies utilized in treatment of veterans, but believe it would make more sense for those veterans that are Medicare eligible, and choose to have their health care at VA facilities, be covered by subvention which is reimbursement of fees directly to the VA by the Department of Health and Human Services. This proposed new enrollment fee combined with new drug co-pay proposals for Priority 7 & 8 veterans would have the effect of driving away many veterans who just cannot afford the increased costs.

A second initiative announced by the Secretary will be the establishment of a VA+Choice Medicare plan for Priority 8 veterans aged 65 or older who are denied enrollment in the VA system. Although this is a good idea that will assist in providing medical coverage for veterans unable to qualify for VA healthcare, we question the ability of VA to provide adequate and accredited services for treatment within a 30 day Medicare-mandated period and not somehow shortchange many veterans who are waiting many months for appointments. We do not see any excess capacity for treatment in most VA facilities especially in areas where the majority of veterans live. At the press conference announcing the VA's fiscal year 2004 budget, the Assistant Deputy Secretary for Finance William H. Campbell was asked what would be done if capacity was insufficient or the required Medicare standards could not be met. He answered that the obvious response would be to contract out the necessary services. It would seem that any outsourcing of services would defeat the stated purpose of providing VA healthcare services to those veterans unable to join the VA health care system. FRA believes contracting out the necessary services would only anger and confuse many older veterans who would be torn between remaining in the VA system to continue on waiting lists or disenroll from the VA Health Care System and then enroll in the VA+Choice in order to gain access to health care in a more timely manner. A final consideration for this proposal is the state of all Medicare+Choice programs. There are problems with these programs and it is becoming more difficult for Medicare-eligible people to locate plans and doctors willing to accept new Medicare insured patients. FRA believes this could very well happen with a VA+Choice plan as well.

Now that the war with Iraq has started, FRA notes with encouragement the letter from Senator Specter and Senator Graham which was sent to the Pentagon on February 14, 2003 requesting a formal report on the "military's preparedness to protect forces in southwest Asia" and a second letter from VA Secretary Principi on the same day which requested information on the current health of the deploying forces. Further this letter requested information on "record-keeping of medical treatment during deployment; information-gathering mechanisms; and the Pentagon's preparedness to share data with the Department of Veterans Affairs". We believe the proactive actions by the members of these two committees and Secretary Principi's foresight should help in resolving any healthcare issues from a possible conflict in the area and will hopefully prevent or at least mitigate any problems such as what happened with the so called Gulf War Syndrome. We trust that continued pressure from Congress will ensure the Pentagon maintains its improved record keeping and will share their information in a timely manner to aid the DVA in its mission.

FRA understands the VHA is undergoing major changes and that one of its stated goals is to drastically reduce the waiting times for primary care. We hope that this goal includes dental care. In December FRA received a call from one of its members who lives in the Phoenix area. He is 100 percent service connected disabled and entitled to dental care which he desperately needs as one of his prescriptions has badly deteriorated his teeth. When he called to make an appointment he was told the earliest he could be seen was two years and three months. We hope this is not wide-spread throughout the VA system, if so, FRA believes that expanded recruiting efforts and increased pay levels for dentists as briefed to VSO's at the January

meeting of the National Leadership Board will help ease the long waiting times for dental care.

Nursing Homes, Long Term Care, and Other Health Care Programs

Public Law 106–117, Section 101, The Veterans Millennium Health Care Act made great strides in providing long-term care for our veterans. However, this program is only authorized for a four-year period, and only for veterans who need care for a service-connected disability, and/or those with service-connected disability ratings of 70 percent or more. This program should be extended, expanded and funded to include veterans with service-connected disability ratings of 50 percent.

World War II and Korean veterans are in their 60s and older, as are some Viet Nam veterans, and many require a greater level of long-term care. No one can argue that as veterans grow older, more and more of them will become dependent upon the VA to provide the necessary care in nursing homes, domiciles, state home facilities, and its underused hospital beds. The Nation can ill afford to wait for out-year funds before it expands nursing or long-term care.

FRA disagrees with the methodology used in collecting funds for the Millennium Act and transferring that money to the Treasury. VA's rationale for this is to allow more discretionary VA spending under the current caps set in the Balanced Budget Act. The Association views this a slight of hand rather than a reliable business practice and firmly believes any money collected from veterans for veterans' health care should stay within the VHA.

Tobacco-related Illnesses

In 1998, Congress changed the law prohibiting service-connection for disabilities related to smoking. Many veterans began using tobacco during their military service. It was a way of life and information detailing the health risks associated with tobacco use and nicotine addiction was nonexistent. In earlier years there were many who believed the Armed Services facilitated smoking by including cigarettes in meal rations, and cigarettes were sold at discounted prices in military exchanges. FRA recommends that Congress revisit and repeal its 1998 decision, and provide the appropriate funds.

Medical and Prosthetic Research

Dollar for dollar, VA is widely recognized for its effective research program. FRA continues to support adequate funding for medical research and for the needs of the disabled veteran. The value of both programs within the veterans' community cannot be overstated.

VETERANS BENEFITS ADMINISTRATION

Separation Pays

Under current law, service members released from active duty who fail to qualify for veterans' disability payments, and are not accepted by the National Guard or Reserve, never have to repay any portion of separation pay. If, however, qualified for either, it's time for pay-back. FRA has difficulty understanding why the individual willing to further serve the Nation in uniform, or is awarded service-connected disability compensation, should have to repay the Federal government for that privilege.

FRA is opposed to the repayment requirement. The Association recommends the repeal or the necessary technical language revision to amend the applicable provisions in Chapters 51 and 53, 38 USC, to terminate the requirement to repay the subject benefits. (Also requires an amendment to 1704(h)(2), 10 USC.)

Court-Ordered Division of Veterans Compensation

The intent of service-connected disability payments is to financially assist a veteran whose disability may restrict his or her physical or mental capacity to earn a greater income from employment. FRA believes this payment is exclusively that of the veteran and should not be a concern in the states' Civil Courts. If a Civil Court finds the veteran must contribute financially to the support of his or her family, let the court set the amount allowing the veteran to choose the method of contribution. FRA has no problem with child support payments coming from any source. However VA disability should be exempt from garnishment for alimony. If the veteran chooses to make payments from the VA compensation award, then so be it. The Federal government should not be involved in enforcing collections ordered by the states. Let the states bear the costs of their own decisions. FRA recommends the adoption of stronger language offsetting the provisions in 42 USC, now permitting Federal enforcement of state court-ordered divisions of veterans' compensation payments.

Montgomery GI Bill (GI Bill)

The GI Bill is one of the major enticements for enlisting in the United States Armed Forces. FRA believes that continued improvements to the GI Bill are necessary in order to continuously attract new recruits per Congressionally mandated recruitment levels each year.

The Association is grateful that the 107th Congress passed enhanced MGIB benefits. We are also very encouraged and heartily endorse the House Veterans Affairs Committee recommendation to increase the MGIB payment to $1,200 effective October 1, 2004. FRA believes Congress should increase MGIB benefits annually based on a current average cost of a four-year state run college education.

In the past, would be participants in the MGIB were not permitted to enroll because they never enrolled in the Veterans Educational Assistance Program (VEAP). During the VEAP era, that program was considered to be insufficient in providing adequate funding for a college education. Therefore, current active duty military members who have never enrolled in VEAP or MGIB should be given an opportunity to participate. It is somewhat puzzling to know that an individual may enlist to enroll in the MGIB, but cannot enroll if he or she reenlists. The question is, WHY NOT?

Meanwhile the Association continues to subscribe to the belief once offered by the Treasury Department, that veterans who take advantage of their GI bill will eventually return more money to the U.S. Treasury than was spent by the Federal government for their education.

Disability Compensation Claims Processing

FRA believes VA's efforts in decreasing the backlog of initial disability claims are commendable and are continuing at a very good rate.

However there appears to be an impediment at the Board of Veterans Appeals (BVA) that is growing daily. In February 2002, the BVA started a process that allows them to be responsible for gathering all available information to assist their efforts in processing veterans' claims and appeals. Currently there are over 9,000 cases in various stages of development. Since last year they have only cleared a little over 600 cases. The 26 employees doing this work are overwhelmed. During a recent visit to the BVA, a member of the FRA staff was told there are no plans in the immediate future to expand the workforce dealing with these claims. It appears that strides made in initial claims processing may be negated by this current and growing backlog of cases on appeal. FRA urges the VBA to expeditiously expand the workforce dealing these cases.

NATIONAL CEMETERY ADMINISTRATION

Cemetery Systems

The National Cemetery Administration (NCA) has undergone many changes since its inception in 1862. Currently, the administration maintains almost 2.5 million gravesites at 124 national cemeteries in 39 states, the District of Columbia and Puerto Rico.

One quarter of the nation's 26 million veterans alive today is over the age of 65. Rapidly aging veteran populations coupled with the death rate of World War I and World War II veterans create resource challenges within the NCA. It was estimated that the number of deaths in 2002 were over 680,000 veterans, and by 2006 that number will increase to 687,000 annually, or an average of 1,900 funerals a day. During this time period, the interment rate will continue to rise thereby placing even greater strain on NCA's workforce and equipment.

FRA is grateful to Congress for its increased funding for new cemetery sites in Atlanta, Detroit, Southern Florida, Oklahoma City, Pittsburgh and Sacramento. The NCA is doing much to meet resource challenges and the demand for burial spaces for aging veterans. With additional resources, the NCA will hopefully be able to meet the demand. FRA urges increased funding, structured so the NCA has exclusive use for the purchase of land, preparation, construction and operation of new cemeteries, the maintenance of existing cemeteries, and the expansion of grants to States to construct and operate their own cemeteries.

CONCLUSION

Mr. Chairman. In closing, allow me to again express the sincere appreciation of the Association's membership for all that you, the Veterans Affairs Committees, have done for our Nation's veterans over these many years.

FRA is grateful to address its recommendation for funding of the Department of Veterans affairs. Granted, not all veterans' issues are cited in this statement; how-

ever, the Subcommittees do have the Association's support for the improvement or enhancement of any veterans programs not addressed herein.

PREPARED STATEMENT OF THE UNIVERSITY CORPORATION FOR ATMOSPHERIC RESEARCH (UCAR)

On behalf of the University Corporation for Atmospheric Research (UCAR) and the university community involved in weather and climate research and related education, training and support activities, I submit this testimony for the record of the U.S. Senate Committee on Appropriations, Subcommittee on VA, HUD and Independent Agencies. UCAR is a consortium of 66 universities that manages and operates the National Center for Atmospheric Research (NCAR) and additional research, education, training, and research applications programs. In addition to its member universities, UCAR has formal relationships with approximately 100 additional undergraduate and graduate schools including historically black and minority-serving institutions, and 40 international universities and laboratories. UCAR is supported by the National Science Foundation (NSF) and other federal agencies including the National Aeronautics and Space Administration (NASA).

NATIONAL SCIENCE FOUNDATION (NSF)

The science community was encouraged last year when Congress passed, and the President signed, the National Science Foundation Authorization Act of 2002 authorizing the doubling of NSF's budget over the next several years. Doubling the NSF budget would allow for the long overdue enhancement of the research directorates, enable funding of several critical large facility projects that have already been approved by the National Science Board, and strengthen NSF's K–12 education projects including those targeting populations of students who are underrepresented in this nation's scientific endeavors. While last year's support from Congress and the White House looked promising, the NSF fiscal year 2004 Request recommends $5.48 billion overall, a flat budget at best when compared to fiscal year 2003 final funding plus inflation. I urge the Committee to appropriate for NSF a budget of $6.39 billion (a 19 percent increase over the fiscal year 2003 final appropriation), as authorized by Congress, in order to bring this country's physical sciences and engineering programs into parity with those of the life sciences.

NSF Research and Related Activities (R&RA)

The peer-reviewed work supported by the directorates and programs of NSF's Research and Related Activities represent a major portion of this nation's scientific research achievement and technological progress. The fiscal year 2004 request for RR&A is $4.1 billion, a completely inadequate 0.6 percent increase over the fiscal year 2003 final budget. I urge the Committee to appropriate for Research and Related Activities an amount commensurate with the doubling of the NSF budget as authorized by Congress.

Geosciences (GEO) Directorate.—This NSF Directorate is the principal source of federal funding for university-based research in the geosciences. The GEO section of the fiscal year 2004 NSF Request states that, "Breakthroughs in observing, modeling, and understanding complex Earth systems are coming just at the time when society is in critical need of sound scientific advice on how to mitigate or adapt to changes in the habitability of the planet. The geosciences stand poised to make tremendous contributions to improve the quality of life by providing useful information to decision makers about the key planetary processes, their complex interactions, and, where possible, their future implications." This tremendous potential cannot be achieved with diminished resources as suggested by the fiscal year 2004 request of $687.9 million, a 0.19 percent decrease when compared with the fiscal year 2003 final appropriation. I urge the Committee to appropriate for the Geosciences Directorate an amount commensurate with the doubling of the NSF budget as authorized by Congress.

Atmospheric Sciences (ATM).—Within the GEO Directorate, the Division of Atmospheric Sciences supports research that contributes new understanding of the behavior of the Earth's atmosphere and its interactions with the sun in addition to supporting the operation and maintenance of large, complex facilities required for such research. ATM programs are of direct importance to the physical safety of our citizens, our economic health, and global issues of national security relevance, such as severe weather, climate change, the security of our communications infrastructure, and the environmental health of the planet. I urge the Committee to appropriate for the Atmospheric Sciences within the Geosciences Directorate an amount commensurate with the doubling of the NSF budget as authorized by Congress.

National Center for Atmospheric Research (NCAR).—Funded within ATM, the world-class National Center for Atmospheric Research supports the country's entire atmospheric and related sciences community through observational and computer facilities, instrumented research aircraft, and an extensive visiting scientist program. The work of NCAR is critical to our understanding of weather phenomena, space weather, climate change, the chemical composition and behavior of the Earth's atmosphere, and the societal impacts of environmental change. In addition, NCAR's research products are applied to create technologies that mitigate the impacts of hazardous weather on air and surface transportation and that provide support for the prediction and control of wildland fire. I urge the Committee to appropriate for the National Center for Atmospheric Research an amount commensurate with the doubling of the NSF budget as authorized by Congress.

Major Research Equipment and Facilities Construction (MREFC) Programs

Support for unique national facilities, as provided through NSF's MREFC account, is necessary to advance U.S. capabilities required for world-class research. While requested fiscal year 2004 funding exceeds that of the fiscal year 2003 final by 35 percent, this amount will still not allow the tremendous progress that this country is capable of making in developing MREFC projects that have already been approved by the National Science Board and that could serve this nation well. I urge the Committee to appropriate for the Major Research Equipment and Facilities Construction (MREFC) Programs, an amount commensurate with the doubling of the NSF budget as authorized by Congress.

HIAPER.—When the Budget Request was prepared, the fiscal year 2003 final budget for NSF had not been completed. Since HIAPER development funding was completed in the fiscal year 2003 Omnibus Bill, HIAPER, funded in the fiscal year 2004 Request at $25.5 million, does not need to be included in the final budget. This gives the Committee a tremendous opportunity to apply this $25.5 million to another project in the extensive list of those approved by the National Science Board. On behalf of the atmospheric sciences community, I want to thank the Committee for the crucial role it played in seeing that funding for HIAPER, the nation's newest high-altitude research aircraft, was appropriated over the past several years.

Earthscope.—This multi-purpose geophysical instrument array will allow scientists to make major advances in our knowledge and understanding of the structure and dynamics of the North American continent. The initial Earthscope activity, deployment of high-capability seismometers throughout the United States, will improve our resolution of the subsurface structure, lead to advances in understanding fault conditions and the rupture processes of earthquakes, and make contributions to the atmospheric sciences. I urge the Committee to support the fiscal year 2004 request of $45.0 million for Earthscope.

Education and Human Resources (EHR)

Nothing is more important for the future of our nation than the education of the next generation of leaders. I applaud the EHR request for increased stipends to $30,000 annually to attract our best graduates for research and teaching fellowships and ask the Committee to ensure that this is included in the final budget bill.

National STEM Digital Library (NSDL).—I would like to draw the Committee's attention to a bold, new NSF effort to provide the nation with a comprehensive digital library for the sciences. NSDL will provide innovative infrastructure to support teaching and learning across scientific fields. Such a massive effort needs strong backing, particularly during the initial development-into-operations phase. I urge the Committee to support the NSDL effort, the budget for which appears to be eroding (down $5 million in the Request from the fiscal year 2003 appropriation of $25 million), even in this early, critical stage of its development.

Climate Change Research Initiative (CCRI)

NSF has played a key role in the U.S. Global Change Research Program (USGCRP) and now, as part of the Administration's multi-agency Climate Change Research Initiative, the agency will support research to reduce uncertainty and provide timely information to facilitate policy decisions. The Request states that, "These investigations will complement NSF's ongoing programs in climate change science." In my opinion, the Administration could take far more advantage of NSF's strengths in achieving the nation's climate research goals. Therefore, I urge the Committee to support, at the very least, the fiscal year 2004 request for $25 million for CCRI, ask that you ensure that these activities truly complement and not diminish the critical research activities that have existed in the past under USGCRP, and ask that you investigate expanding NSF's climate change research responsibilities in fiscal year 2004 in order to tap NSF's extraordinary potential to advance the research agenda.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA)

Following the space shuttle disaster, we understand that NASA has the enormous and unfortunate task of examining and possibly revamping the Space Flight account. As this task is performed, I urge the Committee to protect NASA's strong and vibrant science accounts and not allow them to be harmed by fund transfers. I would like to comment on the following NASA Science Aeronautics and Exploration programs that contribute to the health and well being of the nation, in part through the achievements of the atmospheric and related sciences community:

Space Science Enterprise

The extraordinary mission of the Space Science Enterprise is to chart the evolution of the universe and understand its galaxies, stars, planetary bodies, and life; to discover planets around other stars; and to understand the behavior of the sun and its interaction with Earth. I urge the Committee to support the Administration's fiscal year 2004 request for the Space Science Enterprise of $4.0 billion.

Sun Earth Connections (SEC).—The SEC program within the Space Science Enterprise formulates missions to investigate the effects of solar phenomena on Earth and on the space environment. Its overall goal is to understand the changing sun and its effects on the Solar System, life, and society. I urge the Committee to support the Administration's fiscal year 2004 request for Sun Earth Connections by appropriating the request of $769.6 million. SEC contains several missions that promise great benefit to society, and are of particular importance to our community, including the following:

Thermosphere, Ionosphere, Mesosphere, Energetics and Dynamics (TIMED), the first science mission of Solar Terrestrial Probes within SEC, was successfully launched in 2001. The mission provided the first ever data on the composition of the Mesosphere and Lower Thermosphere/Ionosphere (MLTI) region of the Earth's atmosphere, and is investigating the influences of the sun and humans on this altitude (60–180 km) in order to understand MLTI variability and the potential impact of these changes on satellite tracking, spacecraft lifetimes, degradation of spacecraft materials, and re-entry of piloted vehicles. I urge the Committee to continue to support TIMED operations and data analysis at a level at least equal to the fiscal year 2003 appropriation.

Solar-B is a U.S./Japan collaboration to investigate the interaction between the Sun's magnetic field and its corona. The mission will provide space weather data to help understand events such as solar mass ejections that can endanger astronauts in orbit and impact Earth's atmosphere occasionally causing expensive communications disruptions. The Solar-B launch, originally scheduled for 2005, has been delayed in Japan until 2006. This unavoidable shift in schedule will add to the cost of the program. I urge the Committee to support the fiscal year 2004 request for $12.5 million for the continued NASA development of the Solar B mission's instrument subsystems, and to support, with new funding so as not to adversely affect the mission, additional costs that are incurred as a result of launch delay.

Earth Science Enterprise (ESE)

The purpose of ESE missions is to provide data sets that hold the key to answering one of the most important questions for the future of this planet: "How is the Earth changing, and what are the consequences for life on Earth?" Even so, the fiscal year 2004 Request gives ESE the only decrease of any NASA Enterprise. In addition to its ongoing programs that have important practical applications for watershed management, flood remediation, ecosystem management, and wildland fire assessment and response, ESE will play an increasingly important role in the Administration's Climate Change Research Initiative by providing state-of-the-art remote sensing measurements critical to understanding climate change processes. While the fiscal year 2004 Request states that the ESE decrease reflects the fact the several large programs are past their peak development phases, the funding level allows for no growth. I urge the Committee to keep the investment in NASA balanced by providing an increase for the Earth Science Enterprise that is consistent with increases for other NASA Enterprises such as Space Science and Biological and Physical Research. Such support would provide ESE with an approximate 10 percent increase over the fiscal year 2003 appropriated amount.

Earth System Science.—Within ESE, Earth System Science employs a constellation of more than 15 Earth observing satellites collecting global data used to analyze, model, and improve our understanding of the Earth system. Application of these data will enable improved predictions of climate, weather, and natural hazards. I urge the Committee to support the fiscal year 2004 budget request of $1.47 billion for the Earth System Science Theme. This Theme area contains several pro-

grams that are of great benefit to society, and are of particular importance to the atmospheric sciences community, including the following:

Climate Change Research Initiative (CCRI) Acceleration.—New in this year's ESE request is the CCRI Acceleration program that advances several climate change data collection and evaluation programs that are of great importance to society. I urge the Committee to support the CCRI Acceleration activities as long as the request of $26.0 million is not drawn from and thereby diminishing other critical research programs.

Earth Observing System Data and Information System (EOSDIS) Development.—EOS satellites collect data on the major interactions of the land, oceans, atmosphere, ice, and life that comprise the Earth system in order to answer questions about how the Earth is changing and what the consequences of those changes are for life. EOSDIS development supports new Earth Science Enterprise missions and the data sets are used broadly in a number of scientific fields. I urge the Committee to support the fiscal year 2004 request of $98.3 million for EOSDIS.

AURA.—Scheduled to launch next year, this EOS mission will provide data to answer such critical questions as whether the Earth's ozone layer is recovering and whether air quality is deteriorating around the globe. These are issues that affect environmental policies and international agreements. I urge the Committee to support the fiscal year 2004 budget request of $52.5 million for AURA development.

Missions in Formulation.—As the first cycle of EOS missions comes to a close, future missions are being planned to continue to meet the scientific needs of the NASA Earth System Science projects. I urge the Committee to support the Administration's fiscal year 2004 request of $274.4 million for EOS Missions in Formulation.

U.S. Global Change Research Program (USGCRP).—While the interagency USGCRP is not called out specifically in the Request, I would like to acknowledge the crucial role NASA has played in this program in the past and the critical role it plays and will play in the Administration's Climate Change Research Initiative. NASA research efforts in global change involve space-based, satellite studies of the Earth as an integrated system. These activities, concentrated within the ESE, represent a critical investment for the future of this country, its economy, and the health and safety of its citizens. I urge the Committee not to lose sight of critical U.S. Global Change Research Program activities as the Climate Change Research Initiative continues to provide important new structure to this nation's climate research efforts.

Earth Science Applications

Within NASA's Earth Science Applications Theme, we are pleased to note the increased request for Earth Science Education and the continuation of the GLOBE Program. I urge the Committee to support the fiscal year 2004 request of $20.8 million for Earth Science Education.

Office of Aeronautics Technology

Within the Office of Aeronautics Technology, The Aviation Safety and Security Program encompasses four areas, one of which is Weather Safety Technologies. In partnership with the FAA, the Department of Defense and the aviation industry, this program develops and supports the implementation of technologies to reduce fatal aviation accidents and delays caused by weather hazards. I urge the Committee to support the fiscal year 2004 request for the Weather Safety Technologies program of $42.3 million.

On behalf of the UCAR community, I want to thank the Committee for the important work you do for U.S. scientific research, education, and training. We understand and appreciate that the nation is undergoing significant budget pressures at this time, but a strong nation in the future depends on the investments we make in science and technology today. We appreciate your attention to the recommendations of our community concerning the fiscal year 2004 budget of NSF and NASA.

PREPARED STATEMENT OF THE DORIS DAY ANIMAL LEAGUE

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to present testimony relevant to the fiscal year 2004 budget request for the U.S. Environmental Protection Agency's (EPA) Office of Research and Development (ORD) and Science and Technology Account. I hope the Subcommittee will consider the concerns of the 350,000 members and supporters of the Doris Day Animal League and take steps to ensure the EPA recognizes the necessity of sound science approaches in its research, development and validation of non-animal, alternative toxicological test methods. These methods can significantly reduce the numbers of, and ultimately replace, animals in its testing programs.

RESEARCH, DEVELOPMENT AND VALIDATION OF NON-ANIMAL, ALTERNATIVE TEST METHODS

In recent fiscal years, the enacted budget for the ORD has hovered at approximately $500 million, comprising just 9 percent of EPA's total budget. In a report filed by the agency's own Science Advisory Board, fiscal year 2002 Presidential Science and Technology Budget Request for the Environmental Protection Agency: An SAB Review, the SAB urged Congress to increase the proportion to 12 percent by 2004. However, within these appropriations, we have found it difficult, if not impossible, to track funding by ORD for specific non-animal, alternative test methods to meet the EPA's needs in new testing programs. It is our contention that many emerging technologies, which often prove to be faster to run, less expensive and at least as predictive as current animal tests used for hazard and risk assessment, would benefit from research and development dollars.

Thanks to the leadership of Chairman James Walsh, House Subcommittee on VA, HUD and Independent Agencies Appropriations, the House inserted a $4 million directive for the EPA to research, develop and validate non-animal, alternative test methods in the fiscal year 2002 bill. Ultimately, the conference committee for the VA, HUD and Independent Agencies fiscal year 2002 bill agreed to the following language:

"The conferees have agreed to provide $4,000,000 from within available funds throughout the Science and Technology account, for the research, development, and validation of non-animal, alternative chemical screening and prioritization methods, such as rapid, non-animal screens and Quantitative Structure Activity Relationships (QSAR), for potential inclusion in EPA's current and future relevant chemical evaluation programs. Activities funded in this regard should be designed in consultation with the Office of Pollution Prevention and Toxic Substances."

The animal advocacy community is greatly appreciative of this first-ever directive to the EPA. However, the House report language for fiscal year 2002 also included a directive for a report to Congress on the specifics of the EPA's expenditures. It is truly unfortunate that this language was deleted from the final conference report as we have had significant difficulty in obtaining concrete information from the agency on the expenditure of funds to date. And, in fact, communications from the EPA which have been shared with Chairman Walsh clearly delineate an agency preference for "basic research" into long range potential methods versus "applied research" that may yield immediate results with existing promising methods. In addition, to our current knowledge, the EPA did not of its own volition direct additional resources to these efforts in fiscal year 2003.

We request that $5 million, from the current budget request, be set aside for research, development and validation for regulatory acceptance of non-animal, alternative test methods. Activities funded by these allocations shall be designed in consultation with the Office of Pollution Prevention and Toxic Substances. It is our preference that these test methods have direct relevance to new EPA testing programs, including the High Production Volume chemical testing program, Endocrine Disruptor Screening Program (EDSP) and Children's Health initiative. A case in point is the lack of strategy by the agency to research, develop, validate and integrate in vitro systems for thyroid disruption and metabolism, which would greatly reduce the numbers of animals slated for death under the EDSP. Our request for $5 million represents just 1 percent of the total ORD budget and would be perceived by all stakeholders as a genuine commitment by EPA to new non-animal, alternative test methods.

I also request that the Subcommittee require the EPA report to the Subcommittee by April 30, 2004 regarding expenditures and plans for additional expenditures for fiscal year 2004 funds.

CONTINUED RELIANCE ON ANIMAL TEST METHODS

As you may know, the EPA requires substances such as pesticides, industrial chemicals, and others to be tested for their rates of skin corrosion, skin absorption, and skin irritation. Traditionally, these tests cause grave pain, distress and death to great numbers of animals—including literally chemical burns through the skin and organs of rabbits.

Fortunately, there are non-animal test methods that are just as predictive, if not more so. Human skin equivalent tests such as EpiDerm™ and EpiSkin™ have been scientifically validated and accepted in Canada, the European Union, and by the Organization for Economic Cooperation and Development (OECD), of which the United States is a key member, as complete replacements for animal-based skin corrosion studies. Another non-animal method, Corrositex™, has been assessed as scientif-

ically valid by the U.S. Interagency Coordinating Committee on the Validation of Alternative Methods and data generated from the non-animal test is accepted by the relevant federal agencies. Various tissue-based methods have been accepted in Europe as total replacements for skin absorption studies in living animals. Government regulators in Canada accept the use of a skin-patch test in human volunteers as a replacement for animal-based skin irritation studies (for non-corrosive substances free of other harmful properties).

I therefore respectfully urge that you also include language in the report accompanying the fiscal year 2004 VA, HUD and Independent Agencies Appropriations bill stating that: No funds for the EPA (including salaries or expenses of personnel) may be used for the purpose of assessing data from an animal-based test method when a non-animal test for the desired endpoint has been validated and/or accepted by the OECD or its member countries.

CONCLUSION

I respectfully request that the Subcommittee direct the EPA provide $5 million for the ORD to research, develop and validate non-animal, alternative toxicological test April 24, 2003 Page 4 methods for regulatory acceptance and that the agency be required to provide a timely, detailed report on the expenditure of these funds.

I also respectfully request that the Subcommittee direct that no funds be used to assess data from an animal-based method when a scientifically valid non-animal test is widely accepted.

PREPARED STATEMENT OF THE MICKEY LELAND NATIONAL URBAN AIR TOXICS RESEARCH CENTER

The Mickey Leland National Urban Air Toxics Research Center (NUATRC or Leland Center) is requesting a $2.5 million appropriation for fiscal year 2004 to continue the air quality public health research on air toxics in urban areas as directed by the U.S. Congress. The NUATRC is a 501(c)(3) institution, which was authorized by Congress in the Clean Air Act Amendments of 1990 (Title III, Section 301 (p)).

The NUATRC has been operational for over ten years as a unique public/private research partnership. Active research has been performed for eight years. The NUATRC receives EPA Assistance Awards based upon Congressional appropriations. We leverage these federal funds with non-federal funds contributed from a variety of government and non-government sources. Our 2003 non-federal contributor's commitments included major U.S. companies, local government, and a local privately funded ambient monitoring network; with industrial firms being the major private contributors. To further leverage our funding, NUATRC utilizes an administrative services agreement with The University of Texas-Houston Health Science Center in the Texas Medical Center complex. This arrangement lowers the NUATRC's overall costs and allows the NUATRC to take advantage of the world-renowned scientific community at The University of Texas and the Texas Medical Center, as directed by Congress, while still remaining an independent entity.

The NUATRC's mission is to sponsor and direct sound, peer-reviewed scientific research on the human health effects of air toxics in urban populations. The NUATRC's goal is research on these topics driven by scientific questions requiring answers by policy and decision makers in government, industry and academia to improve the scientific basis of regulatory decisions. It is an integral part of the air toxics strategy established by Congress to assess the risks posed by air toxics to individuals living in areas where air quality concerns have been expressed by both medical and scientific experts and urban community leaders.

The NUATRC is governed by a nine-member Board of Directors, appointed pro rata by the Speaker of the U.S. House of Representatives, the Majority Leader of the U.S. Senate, and the President of the United States. The current membership of the Board of Directors is shown in Attachment 1. We are grateful for the recent appointments of Wilma Delaney, Monica Samuels, and Mary Gade by the President to our Board. We are awaiting action on the appointment of two additional Board Members. One is a House appointment; one is a Senate appointment. Amongst its duties, the NUATRC Board appoints a 13-member Scientific Advisory Panel, selected from national research institutions, academic centers, government agencies, and the private sector. The current membership of the Scientific Advisory Panel is shown in Attachment 2.

ACHIEVEMENTS

We have established the following major scientific achievements over the last several years that are in keeping with our Congressional charge in the Clean Air Act Amendments of 1990:

—Establishment of the importance of personal exposure (e.g. what people breathe) to the evaluation of possible public health effects. These findings are stimulating a reevaluation of the national emphasis on outdoor levels and sources.

—Development of inexpensive and accurate personal monitoring technology to allow measurements of individual exposures to air toxics. This provides a new and, for the first time, direct view of the possible public health risks of personal exposure to air toxics. To our knowledge, this is a unique contribution by the NUATRC. See the supplemental material for photos and further descriptions of this technology (Attachment 3).

—Results that support a new focus on those air toxics that exist on particles and may be a factor in the claims of increased mortality from these exposures.

—Initiation of community-based studies that involve participation by those citizens directly exposed to urban levels of air toxics. This includes early data from NUATRC's involvement in the National Health and Nutrition Examination Survey (NHANES).

We owe these advances in large part to the work of our Scientific Advisory Panel, made up of world class scientists from the public (EPA), private and academic sectors, who have spent considerable time and effort to develop and refine these studies in a collegial and efficient manner. We also are fortunate to have had the encouragement of this body, which has consistently supported the NUATRC with annual appropriations in the EPA budget, without which we would not be able to continue.

We continue to work closely with the EPA, through which we access the Congressionally-appropriated funds. We have an excellent working relationship with the EPA scientists that serve on our research panels, and we are continuing to interact with their administrative counterparts to establish a firmer base for our EPA financial support.

CURRENT ACTIVITIES

The NUATRC has been very active on its air toxics research initiatives. One of these initiatives addresses the national concerns about asthma. The NUATRC's initiative seeks to determine whether air toxics play a major role in the exacerbation of asthma, which is a multi-faceted, complex, and increasing public health issue especially among the minority and underserved populations. The NUATRC has had several discussions with the scientific staff at the National Institutes of Environmental Health Sciences (NIEHS) to understand how we can best leverage our experience in personal exposure assessment with the NIEHS' well known expertise in public health effects. We are hopeful of developing considerable support in 2003–2004 for joint NUATRC-NIEHS programs on urban air toxics and asthma exacerbation.

To further understand asthma the NUATRC has begun receiving preliminary results from the NUATRC sponsored research program on children's asthma and the effects, if any, that result from exposures to air toxics. The pilot study is entitled "Oxygenated Urban Air Toxics and Asthma Variability in Middle School Children: A Panel Study" or Air Toxics and Asthma in Children (ATAC). We expect that this study will be completed in 2004. Aside from generating important health data in Houston, it will help define the cost and scope of any national study of this kind, similar to what we are discussing with NIEHS. Our ability to discern specific personal exposures to those air toxics that are thought to play a role in asthma exacerbation will allow us to pinpoint and separate those effects from the many urban confounders that often mask the important factors in the spread of this disease. We have relied on scientific input from our expert Panel and submit all proposals to external peer-review. This process has led us to select a team of physician/scientists from major medical research institutions at the Texas Medical Center. Specifically, NUATRC has selected an excellent interdisciplinary research team whose members represent Baylor College of Medicine, The University of Texas School of Public Health and Texas Children's Hospital to carry out this work with asthmatic middle school children in the Houston area. This research is supported by EPA funding, funding from local government, and private sector contributions. We are hopeful that the success of this program will lead to NIEHS involvement in a wider ranging study of asthma and air toxics with a national focus, and part of our appropriations request is for leveraging the NIEHS support.

In addition to funding research, publication of research findings is a NUATRC goal. Our priority is to support research leading to peer-reviewed publications. A list

of the NUATRC's publications is presented in Attachment 4. Another NUATRC goal is the participation in or hosting of an annual Workshop or Symposia. In 2004, NUATRC will sponsor a workshop or symposium on "Association Between Microenvironments and Levels of Air Toxics from Personal and Biological Monitoring".

RESEARCH FINDINGS TO DATE

In 2004, NUATRC will continue research efforts to better understand the personal exposures of people living in urban areas to a number of the 188 air toxics defined in the Clean Air Act. However, NUATRC is also beginning to receive data from our new health effects studies, an emphasis area on which we will continue to focus in 2004.

From our earlier exposure studies we have achieved pioneering accomplishments in measuring levels of personal exposures to toxic air pollutants. These studies in New York, New Jersey, Los Angeles and Houston have ended. We anticipate the final report shortly and that the information generated will be reported at a number of major scientific meetings, and published, during the next 12 months. The investigators at Columbia University, EOHSI in New Jersey and The University of Texas have obtained massive amount of important data which will be the subject of many analyses and publications over the next several years. These data point conclusively to the importance of personal exposures in terms of assessing the actual public health risk from air toxics.

In Attachment 5 to this submission, we provide examples of the kind of information we are obtaining, which suggests that the nation's environmental resources need to be focused on personal situations, as opposed to a continuing emphasis on fixed site urban air monitors.

These fixed site monitors, which play a key role in determining overall urban air quality and air quality standard attainment, are not numerous enough or precise enough to address public health risks. The support we have received from this Subcommittee has been instrumental in creating a new scientific emphasis on personal exposure measurement. The EPA has now accepted the importance of such approaches and is instituting its own program in this area.

The NUATRC research programs at Harvard and Washington State University are focused on the air toxic component of fine particles, notably metals, in terms of possible effects on peoples' heart rate and pulmonary functions when exposed to fine particles. These epidemiological studies also allow us to better define future research, which will combine personal exposure measurements, the apportionment of source contributions and the health effects end points, as are being developed in this work at Harvard and Washington State. Of course, the NUATRC's pilot asthma studies will be a major advance in the public health science area.

We have also expanded our involvement in community-based environmental health research, which is an important element in our charge, as air toxics health effects can be expected to disproportionately impact the economically and medically underserved people in our urban populations. Through our Small Grants Program we have recently completed research underway in Baltimore under a Johns Hopkins University research grant to address exposures to air toxics in a residential community in close proximity to an industrial complex. This research also has met the goal of keeping the community informed as to the results of our studies, which is all too often ignored or neglected in our haste to complete studies and submit them for publication. We have a somewhat similarly-intentioned program in progress at the University of Illinois at Chicago, which deals with the levels of polycyclic aromatic hydrocarbons (PAH) in indoor environments.

ADMINISTRATION

The NUATRC operates with an efficient administrative staff of five full-time and one part-time equivalent staff, one consultant, and important administrative support from The University of Texas Health Science Center at Houston (UTHSC). Our staff is employed by UTHSC, which obviates the need for considerable personnel support services and allows us the benefit of residence a world class health science center, while remaining an independent institution. This provides important scientific and administrative benefits, including access to the Medical School and School of Public Health faculty. We are extremely conscious of and pleased to call attention to our ratio of monies spent directly on research compared to administrative costs, and we will continue to leverage of our research funds.

2004 BUDGET RATIONALIZATION

For 2004 the NUATRC will support several categories for individual research studies. The research category budgets are shown in the budget table below. First,

the NUATRC will continue to fund asthma and air toxics research in 2004. NUATRC's pilot asthma work (ATAC) is planned to be expanded to a national study with NIEHS, which we will cost share with NIEHS and/or other interested participants. NUATRC has recently completed several data rich urban air toxics research studies. For 2004 NUATRC plans to offer additional data analysis and interpretation RFA's to the scientific community to "mine" this rich, complex, and deep data base. The particle personal cascade impactor and pump development has been completed. Funding in this category for 2004 will also be used to fund the use of both in research studies. We also would continue our involvement with the NHANES program run by the National Center for Health Statistics, in which our participation is highly leveraged. The evaluation of Perinatal Health Effects of Air Toxics is an emerging and important area of research. For 2004, at the direction of NUATRC's SAP, NUATRC plans the development and release of an RFA to assess the status, scope, and direction of this research area. Current NUATRC sponsored Health Effects Research has shown results on the effects of air toxic exposures on human respiratory functions and is planned to continue with new studies for 2004. The Small Grants Program has been a successful, cost effective program for NUATRC in terms of identification of emerging research areas and publications in the peer-reviewed literature. We will continue this program in 2004. The emphasis we place on having Workshops and/or Symposia every year has proven cost-effective in advancing the understanding of air toxics health effects. With 2004 funding we will continue to support an annual Workshop or Symposium. The Research Support category is essential to provide funds for scientific peer-review, publications, reports, additional scientific research, quality assurance and other activities recommended by the SAP and approved by the Board. This budget also serves an important strategic research function for the entire NUATRC program. The total budget shown below is an effort recognizing current budget pressures. However; the budget presented below also capitalizes on the legacy investment in research already made by providing resources to fully analyze and capture the knowledge inherent in the study results in time for answers to regulatory and scientific questions. We will continue, as noted elsewhere, to seek supplemental funding sources for our research program. We are encouraged with the interest in our research program by non-federal funding sources. For the first time in the NUATRC's history we have received project specific funding commitments from Harris County, Texas and the Houston Regional Monitoring Corporation. We are also encouraged by the contributions of several private companies such as ExxonMobil, Rohm and Haas, Inc., and Shell Oil Foundation (and 7 other organizations) as contributors the NUATRC's research program.

Fiscal Year 2004 Budget

Asthma Studies/Air Toxics Research	$450,000
Perinatal Health Effects of Air Toxics Research	300,000
Data Analysis, Interpretation, and Presentation ("Mining")	250,000
Health Effects Research	150,000
Small Grants	300,000
Workshops, Symposia	50,000
Research Support	100,000
Administration	900,000
Total	2,500,000

PREPARED STATEMENT OF PEOPLE FOR THE ETHICAL TREATMENT OF ANIMALS (PETA)

People for the Ethical Treatment of Animals (PETA) is the world's largest animal rights organization, with more than 750,000 members and supporters. We greatly appreciate this opportunity to submit testimony regarding the fiscal year 2004 appropriations for the Environmental Protection Agency (EPA). Our testimony will focus on chemical tests allowed or required by the EPA to be conducted on animals.

As you may know, the EPA requires substances such as pesticides, industrial chemicals, and others to be tested for, among many other hazards, their rates of skin corrosion, skin absorption, and skin irritation. Traditionally, these particular tests have involved smearing chemicals on animals' shaved backs, often causing effects ranging from swelling and painful lesions to wounds where the skin is totally burned through.

Fortunately, there are non-animal test methods that are just as effective, if not more so, for these three endpoints. "Human skin equivalent" tests such as

EpiDerm™ and EpiSkin™ have been scientifically validated and accepted in Canada, the European Union, and by the Organization for Economic Cooperation and Development (OECD), of which the United States is a key member, as total replacements for animal-based skin corrosion studies. Another non-animal method, Corrositex™, has been approved by the U.S. Interagency Coordinating Committee on the Validation of Alternative Methods. Various tissue-based methods have been accepted in Europe as total replacements for skin absorption studies in living animals. In fact, in 1999 the EPA itself published a proposed rule for skin absorption testing using a non-animal method that has never been finalized. Government regulators in Canada accept the use of a skin-patch test in human volunteers as a replacement for animal-based skin irritation studies (for non-corrosive substances free of other harmful properties).

However, the EPA continues to require the use of animals for all three of these endpoints, despite the availability of the non-animal tests.[1]

In fiscal year 2002, the subcommittee allocated the first-ever appropriation for the EPA to research, develop, and validate non-animal methods. The appropriation was in the amount of $4,000,000 and was to be used for "non-animal, alternative chemical screening and prioritization methods, such as rapid, non-animal screens and Quantitative Structure Activity Relationships." However, to date, the EPA has refused to provide a detailed accounting of how this appropriation was spent and exactly what non-animal testing methods received these funds.

We respectfully request that the subcommittee include report language ensuring that no funds for the EPA (including salaries or expenses of personnel) may be used for the purpose of assessing data from an animal-based test method when a non-animal test for the desired endpoint has been validated and/or accepted by the OECD or its member countries. We also request that $5 million from the current budget request be set aside for the research, development, and validation of non-animal test methods, and that the EPA be required to report to Congress on how these funds are spent.

ANIMAL TESTS CAUSE IMMENSE SUFFERING

Traditionally, the degree to which corrosive materials are hazardous has been measured by the very crude and cruel method of shaving rabbits' backs and applying the test substance to the animals' abraded skin for a period of hours. As one can imagine, when highly corrosive substances are applied to the backs of these animals, the pain is excruciating. In skin absorption tests, the rate at which a chemical is able to penetrate the skin is measured by shaving the backs of rats and smearing the substance on them for an exposure period of up to 24 hours. They are eventually killed, and their skin, blood, and excrement are analyzed. A similar method is used to test for skin irritation, except the unfortunate subjects are again rabbits, who are locked in full-body restraints. A test chemical is applied to their shaved backs, and the wound site is then covered with a gauze patch for normally four hours. A chemical is considered to be an irritant if it causes reversible skin lesions or other clinical signs, which heal partially or totally by the end of a 14-day period. Animals used in the above tests are not given any painkillers.

THESE TESTS HAVE NEVER BEEN PROVEN TO BE RELEVANT TO HUMANS

None of the animal tests currently used for skin corrosion, absorption, or irritation has ever been scientifically validated for its reliability or relevance to human health effects. Animal studies yield highly variable data and are often poor predictors of human reactions. For example, one study, which compared the results of rabbit skin irritation tests with real-world human exposure information for 65 chemicals, found that the animal test was wrong nearly half (45 percent) of the time in its prediction of a chemical's skin damaging potential (Food & Chemical Toxicology, Vol. 40, pp. 573–92, 2002).

VALIDATED METHODS EXIST WHICH DO NOT HARM ANIMALS

Fortunately, test methods have been found to accurately predict skin corrosion, absorption, and irritation.

EpiDerm™ and EpiSkin™ are test systems comprised of human-derived skin cells, which have been cultured to form a multi-layered model of human skin. The Corrositex™ testing system consists of a glass vial filled with a chemical detection fluid capped by a membrane, which is designed to mimic the effect of corrosives on

[1] The EPA may allow the use of EpiDerm™, however it will apparently require confirmatory testing on animals of any negative non-animal test results. This sets an unjustified precedent of requiring confirmatory testing of validated non-animal tests with non-validated animal tests.

living skin. As soon as the corrosive sample destroys this membrane, the fluid below changes color or texture.

For skin absorption tests, the absorption rate of a chemical through the skin can be measured using skin from a variety of sources (e.g. human cadavers). The reliability and relevance of these in vitro methods have been thoroughly established through a number of international expert reviews, and have been codified and accepted as an official test guideline of the OECD.

Instead of animal-based skin irritation studies, government regulators in Canada accept the use of a skin-patch test using human volunteers. (The chemical is first determined to be non-corrosive and free of other harmful properties before being considered for human studies.)

NON-ANIMAL TEST METHODS CAN SAVE TIME, MONEY, AND YIELD MORE USEFUL RESULTS

Unlike animal testing that can take two to four weeks, Corrositex™ testing can provide a classification determination in as little as three minutes and no longer than four hours.

Tissue culture methods to test for skin absorption allow researchers to study a broader range of doses, including those at the actual level of exposure that occurs in the occupational or ambient environment, which is not possible with the animal-based method.

Many non-animal methods can yield results with greater sensitivity and at a lower cost than animal-based methods. Protocols are more easily standardized, and the variations among strains and species are no longer a factor.

THE EPA CONTINUES TO REQUIRE THE USE OF ANIMALS

Despite the ethical, financial, efficiency, and scientific advantages of the above non-animal methods, the EPA continues to require and accept the unnecessary use of animals in tests for skin corrosion, absorption, and irritation.

SUMMARY

Non-animal methods are available now to replace animal-based methods to test substances for skin corrosion, absorption, and irritation. There simply is no excuse for continuing to cause animals to suffer when non-animal tests are available.

We therefore hereby request, on behalf of all Americans who care about the suffering of animals in toxicity tests, that you please include language in the report accompanying the fiscal year 2004 VA, HUD and Independent Agencies Appropriations bill stating that:

—no funds for the EPA (including salaries or expenses of personnel) may be used for the purpose of assessing data from an animal-based test method when a non-animal test for the desired endpoint has been validated and/or accepted by the OECD or its member countries;

—an allocation in the amount of $5 million of the EPA's research budget be directed toward the research, development, and validation of non-animal test methods; and

—the EPA must report to the Subcommittee by April 30, 2004, providing a detailed accounting of how the above allocation is spent.

Thank you for your consideration of our request.

PREPARED STATEMENT OF THE JOSLIN DIABETES CENTER

INTRODUCTION

Mr. Chairman, thank you for this opportunity to provide a status report on the Diabetes Project conducted jointly by the Joslin Diabetes Center in Boston, MA and the Department of Veterans Affairs (Medical Care account), for which you provided $5 million each in the fiscal year 2001, fiscal year 2002 and the fiscal year 2003 Appropriations Acts.

Our request for fiscal year 2004 to continue this project with the VA is $5 million in the Medical Care account, of which the VA's costs represent approximately 50 percent. I am Dr. Sven Bursell, Principal Investigator of the project and Associate Professor of Medicine at the Harvard Medical School.

BACKGROUND

Joslin Diabetes Center has been involved with the Department of Defense and the Department of Veterans Affairs in a pilot demonstration project for the advanced

detection, prevention, and care of diabetes. The Joslin Vision Network (JVN) has been deployed in VA sites in VISN 21 in Hawaii (Honolulu, Hilo and Maui), VISN 1 in New England (Boston, Brockton in Massachusetts, and Togus, Maine) and VISN 19/20 (Seattle and Tricities in Washington, Anchorage in Alaska and Billings in Montana). The JVN employs telemedicine technology to image the retina, through an undilated pupil, of patients with diabetes, and produces a digital video image that is readable in multiple formats.

This project was funded initially through the Department of Defense Appropriations Act. The Department of Veterans Affairs medical staff was eager to expedite the deployment of this advanced diabetes technology beyond the limited resources available through participation in the DOD funded project. We petitioned this Subcommittee for additional resources to be made available to the VA for discretionary diabetes detection and care.

This Committee provided $2 million in fiscal year 2000 and $5 million each in fiscal year 2001, fiscal year 2002 and fiscal year 2003 for expansion of this project within the VA. The VA has indicated a desire to continue expansion, citing the JVN as the model of the future telemedicine in a recent conference of the Association of Military Surgeons-General of the US (AMSUS). We are seeking $5 million to continue this expansion, and are supported by the VA medical policy staff.

The leadership shown by this Subcommittee has enabled the VA to provide its patient population the best diabetes care, prevention, and detection in the world. We extend our sincere appreciation to you for your response to that request.

FISCAL YEAR 2002 AND FISCAL YEAR 2003 ACTIVITIES

The policy and program officials of the VA have established the appropriate contracts and statements of work that resulted in consensus with respect to deployment of the Joslin Vision Network (JVN) technology to three sites: Anchorage, Alaska, TriCities, Washington, and Billings, Montana. A Reading Center will be created and utilized in Seattle, Washington. In addition, the refinement of JVN technology, both hardware and software, will move toward developing a scalable system that is capable of widespread deployment agency-wide. This system was completed and it is anticipated that this next generation of the system will be completely integrated into the VA's VISTA Medical Records System and the VA communications infrastructure.

Results from our various demonstration installations have shown that appropriate clinical resources can be efficiently allocated with respect to appropriate ophthalmology referral. For example, the installation in Togus, Maine where there is no ophthalmology resources on site has shown that the use of the JVN system can effectively prioritize patients that need to be seen by the opthalmologist at the time when the ophthalmologist plans to visit that clinic. This site is imaging approximately 10 patients per day and they find the JVN program extremely resource efficient in providing the appropriate eye care to their patients.

The same experience was noted from the VA clinics in Hilo and Maui where the Optometrist from the Honolulu VA visits these island clinics once a month and was able to effectively focus his time on the patients that really needed his expertise for managing their diabetes eye complications.

Results from a recently completed cost efficiency study using the VA diabetic patient population showed that the use of the JVN system was both less costly and more effective for detecting diabetic retinopathy than traditional dilated eye examination performed by a retinal specialist. Additionally, data showed that the JVN system was both less costly and more effective for preventing severe visual loss in VA diabetic patients compared to traditional ophthalmoscopy.

An equally important concentration of resources in fiscal year 2001–2003 was focused on refining the technical core using outcomes based medical and case management scenarios to develop a diabetes healthcare model that is modular, customizable and that can be seamlessly integrated into the existing VA telemedicine systems. This is the stated goal of the medical leadership in the VA, DOD and HIS health care systems. The overarching vision for the VA/JVN project is a web-based comprehensive diabetes health care system that can be interactively used by both patients and providers, that incorporates diagnosis specific education and training modules for patients and providers and that incorporates software applications that allow outcome measures to be statistically assessed and individual treatment programs to be interactively adjusted based on these outcome measures. The JVN Eye Health care system exists as a component of a comprehensive diabetes management system, incorporating other clinical disciplines such as endocrinology, vascular surgery and internal medicine.

FISCAL YEAR 2002–2003 GOALS

The use of the JVN equipment and expansion of screening opportunities are a continuing major focus for fiscal year 2003 activities. The actual number of sites deployed to will be determined on the locales with the greatest need for diabetes care in conjunction with the telecommunications infrastructure at the identified sites and the ease and costs associated with interfacing the JVN technology into the existing infrastructure.

We will also develop clinical pathways and protocols to facilitate access and coordination of care for diabetic patients using mobile JVN systems. The goal is to access diabetic patients from smaller Community Based Outpatient Clinics (CBOC) where specialty eye care is not available and where performance with respect to accessing diabetic patients for eye care falls below the performance standards set by the VA.

We have expended considerable effort in migrating the JVN demonstration technology platform into an application that is totally compliant with existing medical informatics infrastructures and the existing VISTA infrastructure of the VA system. This will encompass the integration of hardware and software in close collaboration with available resources from the VA VISTA program that will allow a highly scaleable transparent integration of the JVN Diabetes Eye Health Care system into the existing health informatics infrastructures of the VA system.

For the fiscal year 2002–2003 project phase, we have established the following tasks, targets, and activities:

—Deployment of fixed site and mobile units of a viable, sustainable, and refined operating JVN Diabetes Eye Health Care model and Comprehensive Diabetes Management program.

—Develop a modularized medical outcomes based telemedicine diabetes management program in continued collaboration with the VA with outcome measures incorporated into software based on clinical results and research experiences of the fiscal year 2001 efforts.

—Develop curriculum based patient and provider educational modules.

—Integrate internet based portals that are accessed by patients for reporting of glucose values and receiving feedback with respect to goals for self management of their diabetes and adjustments of their treatment plans based on these goals. These portals will also provide regular education modules for the patients that are customized to their particular needs and clinical diabetes risk assessment.

The effort for fiscal year 2003 will result in the development of modular applications associated with different aspects of total diabetes disease management such as clinical risk assessment, outcomes assessments, behavior modification in an interactive electronic environment, and education programs. These applications will be designed in collaboration with participating VA sites to provide an ultimate product that appropriately assesses the clinical diabetes risk and provides treatment plans and behavior modifications that are tailored to any particular patients needs. The programs will also be designed so that they can realize a significant cost and resource efficiency with respect to support and maintenance of the JVN component and the diabetes management programs that will facilitate an accelerated deployment in the future.

Technologically, we will be providing an application that automatically detects retinal pathology from the JVN images. Using this first step approach it is anticipated that we can reduce the load on the reading center by as much as 50 percent. This is achieved through the use of a computer application that scans the images and detects any abnormalities that may be associated with the development of diabetic retinopathy. In those cases where the computer detects pathology a reader will be notified to perform the appropriate reading for retinopathy assessment. In the case where the computer does not detect any pathology the patient can be assigned to a low risk priority where the computer findings can be rapidly confirmed by the reader and the patient asked to return for repeat JVN imaging in a year.

FISCAL YEAR 2004 REQUEST

For fiscal year 2004, we request that in the VA Medical Account $5 million be allocated to continue and expand this project. The positive response within the VA system indicates that with sufficient resources, the JVN technology would be deployed in a number of sites with the ultimate goal of incorporating the JVN technology throughout the VA Medical Care system. The VA Budget Request by the fiscal year 2005 cycle will include provisions for full deployment for the JVN throughout the VA Medical Care system. As the technology, systems and production of equipment are standardized to off the shelf specifications, the expense per site will decrease.

The specific goals for fiscal year 2004 include the following:

—Establish specific medical codes that will allow the VA to track performance with respect to these JVN examinations and to ensure that it conforms with VA performance criteria in multiple remote VA outpatient settings;

—Improve adherence to scientifically proven standards of diabetes eye care and diabetes care;

—Improve/promote access to diabetes eye care;

—Increase number/percentage of patients with Diabetes Mellitus obtaining eye care;

—Provide education patients and providers in the clinical setting.

CONCLUSION

We request continuation and maintenance of this Committee's policy of support for the improvement of the diabetes care in the VA medical system. Through funding of This $5 million request, the benefits by the close of fiscal year 2004 will include:

—Deployment of JVN detection and care at 5 different VA centers where each center will provide services for 6 different remote sites for a total 35 sites.

—JVN accessibility to increase VA capability to achieve patient compliance to eye examinations to at least 95 percent of the diabetic patient population in any area being serviced. From an estimate of the VA diabetic patient population we would estimate that the JVN would be accessing an estimated patient population of 196,000, or an estimated 11 percent of the total VA Diabetic population after completing anticipated 2002 deployments.

—The model for VA's deployment of the JVN as a diabetes detection and Disease management platform for expansion to availability for the entire VA Patient population.

Thank you for this opportunity to present this request for $5 million for fiscal year 2004 and status report for fiscal year 2003 on a medical technology breakthrough for the patients and health care system within the Department of Veterans Affairs.

PREPARED STATEMENT OF THE CONSORTIUM OF SOCIAL SCIENCE ASSOCIATIONS (COSSA)

Mr. Chairman and Members of the Subcommittee, the Consortium of Social Science Associations (COSSA) represents over 100 professional associations, scientific societies, universities and research institutes concerned with the promotion of and funding for research in the social, behavioral and economic sciences (SBE). COSSA functions as a bridge between the research world and the Washington community. A list of COSSA's Members, Affiliates, and Contributors is attached. We appreciate the opportunity to comment on the spending request for fiscal year 2004 for the National Science Foundation.

COSSA appreciates the Subcommittee's past strong support for NSF, particularly last year's substantial budgetary increase. COSSA is well aware that each year you confront difficult choices among competing agencies under the Subcommittee's jurisdiction. COSSA is delighted that the Subcommittee leadership has expressed that NSF will remain a significant priority for them.

COSSA strongly believes that investing in NSF's research and education efforts will help determine this country's future economic well-being and national security. Therefore, COSSA finds the administration's proposal for a $171 million increase for NSF in fiscal year 2004 totally inadequate. In agreement with the Coalition for National Science Funding, the Subcommittee's leadership, and the NSF reauthorization bill, COSSA strongly supports doubling the NSF budget over the next five years. The Coalition for National Science Funding (CNSF), in congruence with the reauthorization legislation, recommends a fiscal year 2004 budget for NSF of $6.391 billion. COSSA endorses this recommendation. This budget enhancement will return many-fold its value in economic growth, help save lives, promote prosperity, and improve society, and provide more excellent science from more excellent scientists.

Over the past half century science has been the engine that has driven the nation's economic success and quality of life improvements. Fundamental university-based science has delivered the great technological advances that have provided for new methods and products that have advanced our nation forward. These include: geographic information systems, World Wide Web search engines, automatic heart defibrillators, product bar codes, computer aided modeling, retinal implants, optical fibers, magnetic resonance imaging, and composite materials used in aircraft.

A substantial increase for NSF in fiscal year 2004 will forge great advances in the 21st Century. A much larger than proposed budget enhancement would allow NSF a much-needed boost for the size and duration of its research and education grants. It would also lead to improving the scientific literacy of the nation's students and general population. As our business leaders understand, without improvements in education and training and new innovations and scientific findings, growth will stall. NSF needs a significant influx of new funds.

THE FISCAL YEAR 2004 BUDGET AND THE SOCIAL, BEHAVIORAL AND ECONOMIC SCIENCES (SBE)

COSSA also believes the small 1.2 percent increase proposed for the Research and Related Activities Account is dismal. The reauthorization bill calls for a fiscal year 2004 amount of $4.8 billion for R&RA and COSSA strongly endorses that figure.

For the Social, Behavioral and Economic Sciences Directorate (SBE), the administration proposes $211 million for fiscal year 2004. The final fiscal year 2003 appropriation for SBE was $191 million. With some restored funding for the Science, Resources, and Statistics division the SBE current plan is $195.6 million. Although the proposed increase from fiscal year 2003 to fiscal year 2004 is 8.2 percent, seemingly larger than most of the other directorates, in absolute terms this is only $16 million, quite smaller than almost all of the other directorates. For the two research divisions the increase is only $12.1 million. Another thing to keep in mind is that NSF provides almost one-half of federal support for basic research for these sciences. For some fields in the SBE sciences, NSF is the only source of federal support for basic research and infrastructure development.

The Social, Behavioral and Economic (SBE) Sciences are poised and ready to make significant discoveries in the future. Improvements in computer computation, computer communication, and the rapid increases in multidisciplinary scientific endeavors make the old model of these sciences as "cottage industries" a difficult one to sustain any more. Collaborations, collaboratories, merged databases, functional MRIs, and virtual centers are the future of SBE research.

Recognizing this, NSF has proposed a Foundation-wide priority called Human and Social Dynamics (HSD) in the fiscal year 2004 budget. This priority area has been developed and discussed with the SBE community for over three years. Begun with $10 million in seed money in fiscal year 2003, HSD has a proposed budget of $24.5 million in fiscal year 2004, about two-thirds of which is from the SBE proposed budget.

The priority area seeks to understand change: its causes and ramifications, how to anticipate it, how the human mind and social structures create it, and how people and organizations manage it. These questions will be investigated using multidisciplinary approaches with already existing sophisticated research techniques as well as providing support for the development of improved tools for future investigations.

For fiscal year 2004 areas of emphasis include: 1) enhancing human performance on the individual and organizational levels; 2) understanding decision-making under uncertainty; 3) comprehending agents of change, particularly in large scale transformations, such as globalization and democratization; 4) analyzing and modeling various aspects of HSD, including complex networks such as terrorism; 5) improving and using spatial social science techniques to explore HSD topics; and 6) developing and supporting instrumentation and data resources such as cognitive neuroimaging and longitudinal surveys to upgrade the measurement and analysis of information from diverse sources. COSSA strongly supports the implementation of the priority and its increased funding.

In addition to the priority area, the NSF budget includes $20 million for a second year of funding for Science of Leaning Centers. The SBE sciences are in the forefront of providing research and evidence for improving how our children learn and survive in the modern, complex societies in which we live. Fundamental research by developmental psychologists, cognitive scientists, sociologists, and economists, has revealed a wealth of data about how children think and learn and how these processes are mediated by family demographics, community politics, and the structure of the schools. COSSA strongly supports the continued funding of the Science and Learning Centers.

Furthermore, increased support will enhance funding for research in the learning and developmental sciences to integrate studies of cognitive, linguistic, social, cultural, and biological processes related to children and adolescent learning. This support will include research funded under the Children's Research Initiative (CRI). We appreciate the Committee's willingness to ensure that the CRI remains an open competition where the merit review process is allowed to work unhindered by any attempts at privileging certain institutions.

COSSA also strongly supports the funding for research on the ethical, legal, and social consequences of technological change. Both the Information Technology and Research area and the Nanoscale Science and Engineering area include funding to answer important questions on how the results of this cutting-edge research will impact humans and society. From increasing privacy concerns, to the ethics of genetic testing, to how we relate in Web based communities, to how our political system works, SBE scientists are exploring many aspects of this issue.

It is also clear that the NSF's new emphasis on Environmental Research and Education provides exciting opportunities for the SBE sciences. The recent report: Complex Environmental Systems: Synthesis for Earth, Life, and Society in the 21st Century, outlines a research agenda that includes Coupled Human and Natural Systems as a key area. This area integrates population, ecosystems and socioeconomic models to understand and enable response to issues such as landscape fragmentation, spread of pathogens and water resources. SBE will also fund centers focusing on Risk Analysis and Decision-making on global climate change.

SBE continues to maintain support for major long-term data bases such as the Panel Study on Income Dynamics, the General Social Survey, and the American National Election Studies. These three data series paint a portrait of American's attitudes and behavior over almost 40 years. In addition, SBE is providing support for the National Historical Geographic Information System, which will provide free public access to U.S. Census databases from 1790 to the present. By digitizing the data, place-specific information can be utilized by geographic information systems.

Research in the SBE sciences continues to examine the ever more complex and important human dimensions of issues and generates new knowledge and insights to help us understand human commonalities and human differences. Basic research in these disciplines also develops information that policymakers can use later to formulate solutions to individual and societal problems. The research portfolio is diverse and supports science of enormous intellectual excitement and substantial societal importance. It deserves enhanced resources.

The Science, Resources and Statistics (SRS) division is an important resource for the whole Foundation and for the entire science and engineering community. The high quality data it provides to researchers and policymakers about the science and technology enterprise merits generous support. The redesign of its survey samples to reflect the changes discovered in the 2000 Census explain the large jump from fiscal year 2002 to fiscal year 2003. As SRS continues to improve its products its support should be increased.

OTHER ISSUES

COSSA supports the increased funding proposed for the Graduate Fellowship programs. Raising the stipend to $30,000 will attract more excellent students into graduate study in all the sciences. The enhanced stipends should not occur with a corresponding reduction in the number of these prestigious, portable, student-controlled fellowships for graduate training.

COSSA also strongly supports continuation of the Interagency Education Research Initiative (IERI), a collaboration among the NSF, Department of Education, and the National Institute of Child Health and Human Development. The IERI provides significant support over a period of time to conduct meaningful studies of factors affecting student achievement and to seek and disseminate answers to how we can improve.

CONCLUSION

COSSA urges the Subcommittee to significantly boost support for the National Science Foundation in fiscal year 2004. NSF will then provide the fundamental research that will help the world stay healthy, prosperous, and secure. In addition, with increased funding the Social, Behavioral and Economic Sciences Directorate can support basic research in these disciplines to help meet the needs of this country and the world for evidence-based policies to work on the complex problems affecting us all.

Thank you for the opportunity to present our views.

PREPARED STATEMENT OF THE AMERICAN CHEMICAL SOCIETY

The American Chemical Society (ACS) would like to thank Chairman Christopher Bond and Ranking Member Barbara Mikulski for the opportunity to submit testimony for the record on the VA, HUD and Independent Agencies Appropriations bill for fiscal year 2004.

ACS is a non-profit scientific and educational organization, chartered by Congress, representing more than 160,000 individual chemical scientists and engineers. The world's largest scientific society, ACS advances the chemical enterprise, increases public understanding of chemistry, and brings its expertise to bear on state and national matters.

The ACS would like to thank the members of the Subcommittee for strong and continued support for investment in NSF. We understand the difficult choices that must be made in drafting the VA–HUD bill, particularly in this time of worsening deficits. We commend the Subcommittee for taking the long view and providing a notable increase for NSF in fiscal year 2003.

In developing the fiscal year 2004 NSF budget, we believe the subcommittee has an excellent guide. The NSF authorization law that President Bush signed in December sets out sound program directions for NSF and calls for an investment of $6.4 billion for the Foundation in fiscal 2004. We respectfully ask the subcommittee to support this level during markup of the bill.

NSF has earned strong bipartisan support for advancing new discoveries, industries, and the work of countless scientists and engineers—including most Nobel laureates in science. As the only agency devoted to supporting basic research and education across all scientific fields, NSF is critical to continued progress in all areas of science and engineering. Support for the best ideas and new frontiers across core disciplines has been the hallmark of NSF and the backbone our research system. We believe renewed support for core disciplinary research is essential to address unmet needs and to sustain NSF's support for high quality, high-risk research. This investment is also essential in promoting the success of multidisciplinary initiatives such as information technology and nanotechnology—areas ripe for scientific progress to benefit society.

On April 8th, an article in the New York Times highlighted the enormous potential benefits of nanotechnology research to our military and other national needs. It emphasized the importance of federal funding in this area, which is led by DOD, NSF, and other agencies. The article noted "nearly 25,000 graduates in Asian countries received doctoral degrees in engineering fields related to nanotechnology in 2000, compared with fewer than 5,000 in the U.S." A senior Pentagon official was quoted as saying that "nanotechnology will eventually alter warfare more than the invention of gunpowder."

We also encourage the subcommittee to grow NSF's budget to help address the need for renewed federal investment in physical sciences and engineering research, which has lagged over the last decade. President Bush's top science and technology advisory council, the Hart-Rudman Commission on National Security, and many other groups have called for boosting federal investment in this area given its central role in advancing our economic, energy, and homeland security. One need only look at the current reliance of our troops on technology to know that our long-term national security depends on scientific advances. We commend the House and Senate Appropriations Committees for recognizing this need in the fiscal year 2003 omnibus appropriations bill. While the administration did emphasize physical sciences research at NSF in its budget, the request unfortunately would not translate into notable increases over the enacted fiscal year 2003 level.

NSF is very important to transforming scientific knowledge into economic value. NSF investments are critical to productivity in many sectors, including chemicals, electronics, communications, and biotechnology. While the avid support for NSF among our academic members may not come as a surprise, it is often our industrial members—who make up 60 percent of ACS—who speak most passionately about the importance of NSF. They understand the key role of basic NSF research in enabling industrial innovation, productivity growth, and the training of the next generation of scientists and engineers.

Sustaining America's global technological and economic leadership demands improvements in science and engineering education at all levels. It is alarming that the nation's growing workforce demand is coming at a time of declining science achievement by high school students and while decreasing numbers of students are earning science and engineering degrees. NSF's research and education programs are essential to improving science education at the precollege, undergraduate, and graduate levels and in expanding opportunities for students to pursue and remain in science and engineering programs at universities. The Foundation's Education and Human Resources (EHR) division plays a critical role in this effort.

Precollege Education.—With an emphasis on curriculum reform, assessment, and teacher preparation and professional development, EHR's precollege programs improve standards-based, inquiry-centered math and science education across the country. ACS encourages continued support for NSF's precollege programs to nurture the development of the next generation of technologically proficient workers.

ACS supports the administration's $200 million request for the Math and Science Partnership program, which establishes alliances between schools, colleges and universities, and other stakeholders to improve teacher quality and student achievement in math and science. Strong funding will continue to provide effective model programs and strategies to improve teacher training and curriculum development across the nation.

Underrepresented Groups.—ACS strongly supports NSF efforts to help cultivate the vast pool of untapped talent among women and underrepresented minorities. With an emphasis on two-year colleges, NSF's Advanced Technological Education program promotes science, technology and mathematics preparation for today's technology-based workplace. The two-year college system is especially important for economically disadvantaged students who use it as a point of entry into higher education. In addition, ACS also supports the Science, Technology, Engineering and Mathematics Talent Expansion Program, which provides grants to higher education institutions for initiatives that increase the number of degrees in these fields. Strategies in this area have included summer learning, faculty development, research experiences, scholarships, and partnerships.

Noyce Scholarships.—Since 2002, the Noyce Scholarships have provided multi-year awards to institutions of higher education to provide future teachers with scholarships, stipends, and training toward teacher certification or alternative certification. These scholarships are an important step in the process of recruiting high quality science and mathematics teachers to increase American students' performances in these subjects. The Congress has recognized the value of the Noyce scholarships by authorizing $20 million annually through fiscal year 2005, and we support the administration's request for increased funding in fiscal year 2004.

NSF programs also provide critical support for graduate and post-doctoral fellowships, which can shorten the time to Ph.D. degree, increase the participation of underrepresented groups in science and engineering, and significantly broaden research and training opportunities. The Graduate Research Fellowship Program provides support for graduate students pursuing research-based master's or doctoral degrees in science and engineering. This flagship program selects and supports the most promising science and engineering students in the US and provides support for stipends and cost of education allowances for their graduate education.

As the Subcommittee knows, it takes years to train scientists and engineers and to develop new technologies to advance our economic and national security. The fruit of this investment does not ripen overnight, nor does it come cheaply. Despite fiscal pressures, we hope the subcommittee will continue to take the long view and fund NSF at a level more commensurate with the scope and importance of its mission. One need only look at NSF's low overhead, its renowned peer review system for determining quality science, and its top management ratings from OMB to have the utmost confidence that NSF will allocate increases wisely. NSF is an investment in every sense of the word. And the return on this investment has been extraordinary by any measure.

PREPARED STATEMENT OF THE ASSOCIATION OF AMERICAN UNIVERSITIES

Mr. Chairman and Members of the Subcommittee, I am pleased to have this opportunity to present to you the views of the Association of American Universities (AAU) concerning the fiscal year 2004 budget proposals and matters pertaining the VA, HUD and Independent Agencies Appropriations Bill.

This year, that AAU is asking for two things of this Subcommittee. First, AAU strongly urges the Congress to appropriate funding for the National Science Foundation (NSF) in fiscal year 2004 at the level authorized by Public Law 107–368, the NSF Authorization Act of 2002. Second, AAU urges Congress to support $7.7 billion for National Aeronautics and Space Administration (NASA) Science, Aeronautics, and Exploration (SAE) activities, a total increase of $440 million (6.1 percent) over the fiscal year 2003 level. Even though AAU recognizes that some changes may be made to NASA's fiscal year 2004 request in the coming months, strong funding of the agency's science programs is still in the best interest of the nation.

I cannot overstate the importance to our nation's future prosperity of investment in basic scientific research and in the people who conduct this research. The innovation that flows from basic research has fueled the explosion of technological advancements in our lifetimes and is key to continuing progress. Research in all the physical sciences is increasingly interdependent, and medical technologies such as magnetic resonance imagery, ultrasound, and genomic mapping could not have occurred without underlying knowledge in biology, physics, mathematics, computer sciences, chemistry and engineering. Significant future medical advances also re-

quire advances in the sciences. Industries, state governments, and federal laboratories are entering into partnerships with universities at a rate that multiplies daily because in a knowledge economy, our economic leadership depends on ideas we generate. University research is the primary source for these ideas.

NATIONAL SCIENCE FOUNDATION

NSF is the heart of the federal investment in basic scientific research. Since its founding in 1950, NSF has had an extraordinary impact on American scientific discovery and technological innovation. Despite its size, it is the only federal agency with responsibility for research and education in all major scientific and engineering fields. Approximately 95 percent of the agency's total budget directly supports the actual conduct of research and education, while less than five percent is spent on administration and management.

In recent years, the NSF has enjoyed strong support from the VA, HUD and Independent Agencies Subcommittee in both the House and Senate. In fiscal year 2001, with the Subcommittee's help, Congress provided the single largest funding increase, in both percentage and dollar terms, in the history of the NSF. The Congress again substantially increased funding for the NSF in both fiscal year 2002 and fiscal year 2003. We thank the Subcommittee, and in particular Chairman Bond and Ranking Member Mikulski, for their critical role in securing these increases; the university community is enormously grateful for this support.

The tremendous level of support for NSF was also demonstrated last year when Congress passed H.R. 4664, The NSF Authorization Act of 2002, a bill aimed at putting the NSF on a track to double its budget over five years. This Act (Public Law 107–368), signed into law by President Bush on December 19, 2002, authorized a maximum funding level for the NSF in fiscal year 2004 of $6.4 billion. For fiscal year 2004, AAU endorses the authorized funding level and urges the Congress to appropriate $6.4 billion in funding for the NSF. This represents a $1.1 billion increase over the fiscal year 2003 level of $5.3 billion. The President has requested $5.5 billion for NSF in fiscal year 2004.

The AAU would suggest that approximately half of this fiscal year 2004 funding increase be devoted to advancing NSF's core research programs and priority areas. Of the remainder of our recommended increase, AAU would urge that approximately two-thirds go to advancing the Foundation's education and training efforts, and one-third be used to upgrade and enhance the nation's science and engineering infrastructure. More specific details concerning how we feel funding increases should be used are outlined below.

Advance core programs for research.—Presently, 15 to 20 percent of highly-rated proposals to the NSF are not funded because of inadequate resources. In some NSF programs, this percentage is even higher. The Congress should strive to see that all highly-rated NSF proposals are funded. Had this occurred in fiscal year 2002, 1800 additional proposals (proposals which while rated as high as the average NSF award by external reviewers, were declined due to lack of available funding) would have been awarded requiring an additional $1 billion. Likewise, grant size and duration should be increased. Increasing the size and time period of grants will enable researchers to concentrate more of their time on working with students and on research and discovery rather than paperwork.

Continue support for key initiatives and priorities areas.—New and exciting multidisciplinary initiatives at the NSF should be promoted and encouraged. Significant growth in NSF budgets over the next several years will allow the Foundation to support focused initiatives such as those launched in recent years in nanotechnology, biocomplexity, information technology research and workforce development, which foster new and innovative multidisciplinary efforts on university campuses.

Increase support for education and training.—Declines in enrollment of United States students in science, engineering and mathematics programs at all levels are due to our failure to stimulate, maintain and adequately support students with interests in these fields. We therefore support increasing the NSF graduate student stipend to $30,000 and urge additional support of graduate student research throughout the NSF. Likewise, additional funding should be provided for programs such as the Research Experiences for Undergraduates (REU) program and other new and innovative programs aimed at stimulating involvement of undergraduates in research. Finally, we encourage support for programs, such as Math and Science Partnership initiative, which are specifically focused on improving K–12 math and science education.

Increase support for research infrastructure.—In its recently issued report, the National Science Board (NSB) expresses concerns regarding the current state of your

scientific and engineering research infrastructure. Specifically, they suggest increasing resources to ensure that individual investigators and groups of investigators have the necessary resources and tools to work at the frontiers of science and engineering. The AAU supports the NSB's recommendations with regards to increasing support of research infrastructure and would call our attention to the need to upgrade mid-level infrastructure and to the specific needs we have to upgrade university-based research facilities and instrumentation. We also support funding for large-scale research proposals, such as those proposed for funding within the NSF's Major Research Equipment (MRE) account.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

NASA has a long history of productive collaboration with universities, supporting research that has given the United States the undisputed leadership role in the study of space and the earth's environment. University-based research, with important technological applications, has been supported through research grants, individual collaborations between faculty and NASA scientists, and formal partnerships between NASA centers and universities.

Workforce issues continue to be of concern to both NASA and research universities. Both the current and former NASA Administrators have publicly expressed concern about NASA's ability to attract and retain qualified scientists and engineers. Within the next five years, one third of NASA's workforce will be eligible for retirement. Many university space science teams are facing similar problems. Formerly strong teams are weakening as key investigators age and retire. In some fields the problem is acute, with the major scientists all in their sixties coupled with low enrollments of graduate students to follow them. In other areas, there are major new initiatives to be undertaken and yet no certainty that the required educated workforce will be available. The nation's security depends on an aggressive space program for surveillance and active defense, and economic impacts of space communications and remote sensing are large. We must not lose our lead in space research because we lack educated manpower.

The Subcommittee recognized the seriousness of this problem last year and included report language in the fiscal year 2003 VA–HUD Appropriations report asking NASA, OSTP and NSF, in cooperation with the nation's leading research universities, to develop a comprehensive plan and implementation strategy that will result in the number of students pursuing advanced degrees. AAU remains eager to work with the agencies on this issue. Moreover, while we are pleased that NASA has created the Education Enterprise, we remain concerned that the primary emphasis is still on K–12 programs. The Scholarship for Service program is a step in the right direction, but there is much more that can be done.

The AAU supports $7.7 billion for NASA's Science, Aeronautics, and Exploration (SAE) activities, $34 million above the President's fiscal year 2004 request. This would be a total increase of $440 million (6.1 percent) over the fiscal year 2003 level. The AAU recommendation is consistent with the President's fiscal year 2004 budget proposal for SAE with the exception of the Earth Science Enterprise. For that office, AAU proposes a 2 percent inflationary increase over the fiscal year 2003 appropriation of $1.7 billion. This would increase funding for the office by $34 million. In particular, AAU supports the $26 million requested for acceleration of the Climate Change Research Initiative. Universities are working with the Earth Science Enterprise to develop new instruments and smaller, more capable spacecraft to respond to research needs. The increased funding would help achieve these goals.

AAU supports the Administration's fiscal year 2004 request of $4 billion for the Space Science Enterprise. This would be an increase of $506 million (14.4 percent) over fiscal year 2003. The request funds all currently planned missions, but also contains $59 million for an exciting initiative called Beyond Einstein. This initiative has the potential to answer three questions left unanswered by Albert Einstein's theories: What powered the Big Bang? What happens to space, time, and matter at the edge of a black hole? What is the mysterious dark energy expanding the universe? Research in this area has the potential to transform our understanding of the universe.

The Space Science request also includes new initiatives for power and propulsion technology and for optical communications. The development of these capabilities would address current limitations in robotic space flight and have the potential to revolutionize the type of planetary missions that can be flown a decade hence. AAU supports this revitalization effort.

For the Biological and Physical Research Enterprise, AAU supports the budget request of $973 million, an increase of $110 million (12.7 percent) over the fiscal year 2003 appropriation. The request includes $39 million to begin a Human Research

Initiative to further understand and address health and logistical challenges encountered in long-duration space flights. Although NASA emphasizes biomedical research associated with crew health maintenance, a large number of investigations address cutting-edge scientific problems with direct application to Earth-based technological, industrial, and health issues. Ground-based research is also essential for developing the knowledge and validating experimental approaches for spaceflight experiments, and is especially important at a time when the space shuttle fleet is grounded. NASA currently funds about five ground-based investigations for each flight investigation, and hopes eventually to reach a ten-to-one ratio. Increased funding for this office would permit more grants to be funded at higher levels for longer periods of time.

The highly-leveraged Space Grant program plays an important and successful role in workforce development through university programs and K–12 outreach. AAU also urges the Committee to fund the Space Grant program at its authorized level of $28 million.

Competitive Merit Review.—Finally, NASA's scientific achievements are due both to the hard work of agency and university scientists and to the agency's use of merit review for allocating research funding. We believe that NASA should continue to use merit review to allocate research funds, since this process has helped produce the discoveries and advances from which the nation has benefited.

Thank you for your attention to these matters, and for the opportunity to provide this testimony.

PREPARED STATEMENT OF THE SOCIETY FOR NEUROSCIENCE

Good morning Mr. Chairman and members of the Subcommittee. I am pleased to be submit testimony for this Subcommittee's consideration. I am Dr. Huda Akil and I serve as the President of the Society for Neuroscience. Our organization has a membership of more than 31,000 basic and clinical researchers. We are the largest scientific organization in the world dedicated to the study of the brain, spinal cord and nervous system. The Society's primary goal is to promote the exchange of information among researchers. We are also devoted to education about the latest advances in brain research and the need to make neuroscience research a funding priority.

Aside from my work at the Society, I am the Gardner Quarton Distinguished University Professor of Neuroscience in Psychiatry at the University of Michigan. I am also the Co-Director of the Mental Health Research Institute in Ann Arbor. I study the biology of the emotional circuits in the brain along with the impact of the environment on these circuits. My work focuses on stress, mood disorders, and substance abuse.

Mr. Chairman, the Society appreciates this opportunity to testify and to discuss some of the important VA and NSF sponsored research being conducted in the field of neuroscience. We thank the members of this Subcommittee for their dedication to biomedical research at the National Science Foundation (NSF) and the Veterans Administration (VA).

NATIONAL SCIENCE FOUNDATION

SfN is pleased with the funding levels outlined in the National Science Foundation Reauthorization Act of 2002. This legislation demonstrates Congress's commitment to a solid foundation for scientific endeavors. In order to maintain the technological progress the United States has consistently made, including advances in medical research, this foundation is critical. For the National Science Foundation (NSF), the President's budget request recommends $5.48 billion, an increase of $450 million or 9.0 percent. The Society for Neuroscience endorses the Coalition for National Science Funding (CNSF) request of $6.39 billion, the same as the level included in the reauthorization.

While psychiatry, neurology, and neurosurgery are the better-known medical specialties that have their basis in neuroscience, this research has an impact on so many aspects of our lives and our nation's health. Even for individuals not specifically diagnosed with brain disorders or neurological conditions, neuroscience research facilitates scientists' understanding of how the brain functions. This knowledge is essential to understanding the impact of other diseases and disorders. For example, there is ample evidence that depression increases the likelihood of heart disease and that in turn heart disease can trigger severe depression. Obesity is a major health issue in our country. Feeding behavior and metabolic activity is controlled by the brain. Understanding how to help moderate these two factors could save billions of dollars in health care costs.

With the introduction of programs like Project BioShield and the creation of the new Department of Homeland Security, the threat of imminent danger is now a part of our daily lives. This threat will undoubtedly have an impact on our nation's mental health. In addition to conducting basic research, NSF research can help researchers understand and treat the psychological effects of living with the threat of terrorism and now, under conditions of a war. The science of the brain can have great impact on the overall mental and physical health of this nation.

As the Committee is aware, nearly all NSF appropriated funds are received through competitively awarded grants, with only five percent going to salaries and expenses. NSF is unique in its ability to channel the majority of its funding to the specific goal of acquiring knowledge and conducting research.

DEPARTMENT OF VETERANS AFFAIRS

The Veterans Health Administration (VHA) is the nation's largest direct provider of healthcare services and the nation's most clinically focused setting for medical and prosthetics research. The research component attracts innovative researchers and provides veterans with access to innovative therapies.

For the VA Medical and Prosthetics Research, we support the Friends of VA Medical Care and Health Research (FOVA) and the Independent Budget for the Veteran's Administration fiscal year 2004 Funding Recommendation of $460 million. The VA's Medical and Prosthetic Research Program fulfills a critical promise to our nation's veterans, but also yields innovative research for the nation as a whole. Investments in investigator-initiated research projects at VA have led to an explosion of knowledge that promises to advance our understanding of disease and unlock strategies for prevention, treatment, and cures. Additional funding is needed to improve quality of life for our veterans and plan for care of our nation's soldiers currently serving in Iraq.

INCIDENCE AND ECONOMIC BURDEN OF NEUROLOGICAL AND PSYCHIATRIC DISEASES

Each year, we try to convey the importance of biomedical research in terms of longer, healthier lives for those who suffer from debilitating neurological and psychiatric disorders. It is in the economic costs and burdens that the impact of these diseases is measurable. For example:

—All Depressive Disorders affect 18.8 million Americans and cost $44 billion per year;
—Hearing loss costs the United States $56 billion per year, on the 28 million Americans affected;
—Alzheimer's Disease affects 4 million Americans and costs $100 billion a year;
—4 million people are affected by stroke, which costs the United States $30 billion per year;
—$32.5 billion per year is spent on the 3 million Americans that have schizophrenia;
—1.5 million Americans are affected by Parkinson's Disease at a cost of $15 billion per year;
—Multiple Sclerosis affected 350,000 Americans at a cost of $7 billion per year.

CONCLUSION

NSF and the VA medical system attract top researchers and serve a critical role by providing the opportunity to learn more about the diseases and conditions that affect our quality of life. With NSF building a fundamental base for scientific research and VA researchers building on this, our country will continue to excel in technological and biomedical advancements. Thank you for your efforts to ensure adequate resources for this important endeavor. The Society would also like to thank you for the opportunity to present testimony to the Subcommittee.

PREPARED STATEMENT OF THE AMERICAN SOCIETY OF PLANT BIOLOGISTS

Founded in 1924, the American Society of Plant Biologists (ASPB) represents nearly 6,000 plant scientists. The largest segment of ASPB members conducts research at universities in each of the 50 states. ASPB membership also includes scientists at government and commercial laboratories. We appreciate this opportunity given by the Subcommittee to submit these comments on behalf of the plant science community.

The plant biology community joins with other biologists in extending our deep appreciation to Chairman Bond, Ranking Member Mikulski, and to all members of the Subcommittee for your strong support of plant genome research and other funda-

mental research sponsored by the National Science Foundation (NSF) Directorate for Biological Sciences and other directorates.

Tremendous advances in the area of plant genomics have resulted from the interdisciplinary research efforts of plant biologists and physical scientists supported by NSF. As the broadly based science coalition, the Coalition for National Science Funding, noted in its brochure on NSF printed last month (the NSF Directorate for Biological Sciences section of the brochure is attached):

"Accomplishments

Plant Genomics & Economically Important Crops

A study that used microarray technology simultaneously explored the expression of thousands of genes in soybeans in order to better understand this economically vital plant's responses to drought and disease. A separate study on the petunia flower revealed changes in plant gene function that are inherited but that do not entail a change in DNA sequence."

Thanks to the support of the Subcommittee, NSF has been able to sponsor genomic research on economically important plants and on the model plant Arabidopsis thaliana. The entire Arabidopsis genome sequence was completed in 2000, well ahead of schedule. Following the completion of sequencing the genome, NSF has been proceeding with the "2010 Project" to determine the function of every gene in this model plant. Knowledge of the comparatively simple Arabidopsis genome will facilitate discovery of genes and their functions in other flowering plants, including valuable agricultural crops, energy crops and crops that will be the source of new pharmaceutical products.

NSF-funded researchers studying Arabidopsis and economically important plants have learned from this research that some plants are more resistant than others to viral, bacterial or fungal diseases. Identification of specific disease-resistant genes will allow for the development of commercially important plants that are resistant to disease. Changes in Arabidopsis gene expression in response to light, temperature, water availability, salinity, air quality and other environmental factors have been found. Genes for cold tolerance have been identified. This is a genomic treasure of knowledge that combined with biotechnology will lead to the development of hardier food and energy crops resistant to heat, drought, cold and other environmental challenges. Scientists will have more effective tools to help prevent environmental, agricultural crop and forestry disasters with the increased knowledge available through genomic research.

With the knowledge gained through finding similarities between genomes of different species of plants, scientists can manipulate genomes of grains, fruits and flowers to create improved crops including safer food crops with enhanced nutritional qualities. For example, research is contributing to improved, higher quality vegetable oil with reduced polyunsaturated fat, corn with higher quality protein, and foods with inactivated allergens.

NSF-sponsored plant research has enabled scientists to successfully inactivate allergens in the major food crop, wheat and in other foods. Allergic reactions to wheat products such as bread and pasta should be significantly reduced when these experimental food crop products become commercially available.

The White House-appointed National Science and Technology Council, Committee on Science, Interagency Working Group (IWG) on Plant Genomes has reported on the significant progress made with NSF-sponsored plant genome research. For example, NSF-supported researchers are developing methodologies that will enhance and facilitate use of the information encoded in the plant genome. These methodologies include microarray analysis, chromatin charting, and comparative genomics.

The National Science and Technology Council's IWG cites the need to increase support for plant genome research to $1.3 billion over the next five years to reach objectives of its five-year plan. ASPB strongly endorses the recommendations of the National Science and Technology Council's IWG as outlined below in the IWG's January 2003 report: National Plant Genome Initiative: 2003–2008:

—$400 million for generating sequences and sequence resources for genome structure and organizational studies will result in the production of: (1) a completely finished rice genome sequence; (2) completely finished and mapped sequences of gene-rich regions of the maize genome; (3) highly accurate draft sequences of gene-rich regions of several key plant species; and (4) a variety of genome analysis tools to study structure and organization of a large number of plant species of economic importance.

—$200 million for functional genomics studies will allow U.S. scientists to participate in international projects to determine the function of all of the genes in Arabidopsis and rice. The resulting functional genomics research resources will

be shared freely and quickly, building a foundation for functional genomics research for all plant species.

—$300 million for translational genomics studies will enable a broad community of scientists to begin applying the knowledge, resources and tools of genomics to understand the fundamental biology of plants and the underlying mechanisms for economically important plant processes.

—$250 million for data management and informatics tools development will enable a broad community of both basic and applied scientists to utilize the outcomes of NPGI (National Plant Genome Initiative) research activities. $250 million is a conservative estimate since all plant genome research activities described above will include informatics as an integral component, and thus the actual expenditure for data management and informatics will be considerably higher.

—$125 million for training, education and outreach will allow establishment of a NPGI training grant program and incorporation of training activities in all NPGI research activities.

The National Science and Technology Council's IWG is made up of representatives from the National Science Foundation, Department of Agriculture, Department of Energy, National Institutes of Health, White House Office of Science and Technology Policy and Office of Management and Budget.

Plant genome research and research on the applications of plant biotechnology, supported by this Subcommittee have revolutionized the way scientists can improve plants. This is essential to meeting the growing national and world needs for food, much of the world's energy, industrial feed stocks, clothing and building materials, and for lifesaving medicines.

We commend the Subcommittee for its fair and balanced support of biological, physical and social and behavioral sciences sponsored by the National Science Foundation. As the Subcommittee understands, biological research sponsored by NSF differs significantly from medical research sponsored by the National Institutes of Health (NIH). The fundamental biology questions addressed by NSF-sponsored researchers are not the same questions addressed by NIH-sponsored research.

Future discoveries providing novel ways to contribute to a cleaner environment; better protection of limited fresh water and other resources; and more effective responses to severe weather conditions and other environmental stresses affecting plants and other organisms could be lost if there was inadequate support for the NSF Directorate for Biological Sciences.

The nation's capabilities in fundamental biology research in plants, systematics, physiology, water relations, environmental stress and other areas would decline rapidly if the NSF Directorate for Biological Sciences received less emphasis for support. We appreciate the Subcommittee's recognition of the substantial differences between research sponsored by NSF and NIH. The nation benefits from support of each of the science disciplines.

We strongly endorse and appreciate the efforts on the Subcommittee to double support for NSF over five years.

PREPARED STATEMENT OF THE NATIONAL COUNCIL FOR SCIENCE AND THE ENVIRONMENT

SUMMARY

The National Council for Science and the Environment (NCSE) urges Congress to appropriate the funds necessary to implement the National Science Foundation Authorization Act of 2002. The Act authorizes a doubling of the NSF budget over five years, as championed by Senators Bond and Mikulski. In fiscal year 2004, NCSE supports the authorized NSF funding level of $6.39 billion. In addition to increasing the total NSF budget to the authorized funding level, NCSE urges Congress to provide strong support across NSF's entire portfolio, including its environmental research and education portfolio.

The NSF budget request for fiscal year 2004 falls far short of the funding level authorized. Senator Christopher Bond expressed his views on the NSF budget request as follows: "To say I am very disappointed that the President's fiscal year 2004 budget request only provides a 3 percent increase over fiscal year 2003 would be a drastic understatement."

Federal investments in R&D and science education are essential to the future well-being and prosperity of the nation and deserve the highest priority of Congress. The long-term prosperity of the nation and the maintenance of our quality of life depend on a steady and growing commitment of federal resources to science and

technology. Environmental R&D is a critical component of the nation's R&D portfolio and the National Science Foundation plays a pivotal role in supporting environmental R&D. We encourage Congress to explore the role of environmental R&D in homeland security and counterterrorism.

NCSE encourages Congress to strongly support full and effective implementation of the National Science Board (NSB) report, Environmental Science and Engineering for the 21st Century: The Role of the National Science Foundation, within the context of efforts to double the budget of the NSF. The NSB report calls for significant improvements in the way that NSF supports environmental research, assessment and education, and proposes that the Foundation invest an additional $1 billion per year in these areas, to be phased in over five years. NSF has taken many steps to implement the NSB report and deserves full support from Congress.

NCSE emphasizes the need for increased funding for NSF's Priority Area on Biocomplexity and the Environment. In addition, we recommend full funding for two large projects—the National Ecological Observatory Network (NEON) and EarthScope—which would create unprecedented opportunities for environmental research.

NCSE urges Congress to restore full funding for the Environmental Protection Agency's (EPA) Science to Achieve Results (STAR) graduate fellowship program. The fiscal year 2004 budget request for EPA would cut funding for the EPA STAR fellowship program by 50 percent, from $9.75 million in fiscal year 2003 to $4.875 million in the fiscal year 2004 budget request.

NCSE commends the Chairman and Ranking Member of the Senate Appropriations Subcommittee on VA, HUD, and Independent Agencies for their bipartisan leadership on science for the nation's future. No other Appropriations Subcommittee has a greater impact on the future of environmental science.

INTRODUCTION

The National Council for Science and the Environment thanks the Senate Appropriations Subcommittee on VA, HUD, and Independent Agencies for the opportunity to provide testimony on the National Science Foundation budget request for fiscal year 2004.

NCSE is a nonprofit, nonpartisan organization that has been working since 1990 to improve the scientific basis for environmental decisionmaking. Our work is endorsed by nearly 500 organizations, ranging from the U.S. Chamber of Commerce to the Sierra Club, including the National Association of Attorneys General, National Association of Counties, some 300 colleges and universities, and more than 80 scientific and professional societies. As a neutral science-based organization, NCSE promotes science and its relationship with decisionmaking but does not take positions on environmental issues themselves.

FEDERAL INVESTMENTS IN ENVIRONMENTAL R&D

Federal investments in R&D and science education are essential to the future well-being and prosperity of the nation and deserve the highest priority of the Congress. The long-term prosperity of the nation and the maintenance of our quality of life depend on a steady and growing commitment of federal resources to science and technology.

TABLE 1.—ENVIRONMENTAL R&D BY FEDERAL AGENCY

(Budget authority in millions of dollars)

Agency	Environmental R&D (dollars in millions)			Change (percent)		
	Fiscal Year 2002 Actual	Fiscal Year 2003 Request	Fiscal Year 2003 Enacted	Fiscal Year 2002 Actual to Fiscal Year 2003 Request	Fiscal Year 2002 Request to Fiscal Year 2003 Enacted	Fiscal Year 2002 Actual to Fiscal Year 2003 Enacted
National Science Foundation	1,062	1,164	1,177	9.7	1.1	10.9
NASA	1,628	1,628	1,708	0.0	4.9	4.9
Environmental Protection Agency	592	617	643	4.2	4.4	8.7
Department of Energy	1,840	1,649	1,813	−10.4	9.9	−1.5
Department of Defense	400	471	498	18.0	5.7	24.7
Department of Commerce—NOAA	677	605	684	−10.6	13.1	1.1
Department of the Interior	623	608	627	−2.4	3.1	0.7
U.S. Department of Agriculture	504	473	531	−6.3	12.3	5.2

TABLE 1.—ENVIRONMENTAL R&D BY FEDERAL AGENCY—Continued

(Budget authority in millions of dollars)

Agency	Environmental R&D (dollars in millions)			Change (percent)		
	Fiscal Year 2002 Actual	Fiscal Year 2003 Request	Fiscal Year 2003 Enacted	Fiscal Year 2002 Actual to Fiscal Year 2003 Request	Fiscal Year 2002 Request to Fiscal Year 2003 Enacted	Fiscal Year 2002 Actual to Fiscal Year 2003 Enacted
National Institutes of Health	81	74	84	−7.7	12.9	4.1
Department of Transportation	68	67	71	−2.1	6.3	4.1
Smithsonian Institution	40	41	41	3.8	0.0	3.8
Corps of Engineers	27	27	29	0.0	8.5	8.5
TOTAL	7,541	7,425	7,907	−1.5	6.5	4.9

Source: AAAS/NCSE estimates based on OMB data for R&D in the fiscal year 2003 Budget, agency budget documents, and information from agency budget offices.

Environmental R&D is a critical component of the nation's R&D portfolio. NCSE estimates that federal funding for environmental R&D in fiscal year 2003 is approximately $7.9 billion, an increase of $366 million or 4.9 percent relative to fiscal year 2002 (Table 1), based on an analysis of the federal R&D budget conducted jointly with the American Association for the Advancement of Science.

The Appropriations Subcommittee on VA, HUD and Independent Agencies plays the largest role in setting funding levels for environmental R&D. It has jurisdiction over agencies that account for 45 percent of federal funding for environmental R&D.

Congress has played a crucial role in determining the level and growth rate of federal funding for environmental R&D. The President's fiscal year 2003 budget request would have cut federal funding for environmental R&D by $116 million or 1.5 percent relative to fiscal year 2002. Congress restored the $116 million cut and added an additional $366 million above the President's fiscal year 2003 budget request (Table 1).

In the fiscal year 2003 enacted appropriations bills, federal funding for environmental R&D increased by 4.9 percent relative to fiscal year 2002. However, federal funding federal funding for environmental R&D grew at approximately one-third the rate of total R&D, which increased by 13.8 percent to $117.3 billion. Federal investments in environmental R&D need to keep pace with the growing need to improve the scientific basis for environmental decisionmaking.

The National Science Foundation plays a pivotal role in supporting environmental R&D. Environmental research often requires knowledge and discoveries across disciplinary and institutional boundaries. The NSF recognizes this and encourages multidisciplinary interactions within directorates and among directorates and programs, as well as with other federal agencies. The NSF has established a "virtual directorate" for environmental research and education. Through this virtual directorate, NSF coordinates the environmental research and education activities supported by all the directorates and programs. NSF's Environmental Research and Education portfolio has grown from $595 million in fiscal year 1999 to over $900 million in fiscal year 2003.

IMPLEMENTING THE NSF DOUBLING ACT

The National Council for Science and the Environment urges Congress to implement the National Science Foundation Authorization Act of 2002, which passed Congress on November 15, 2002 and was signed into law by the President on December 19, 2002. A central goal of the Act is to double the budget of the National Science Foundation in five years. It authorizes a budget increase of 105 percent for the NSF, from $4.8 billion in fiscal year 2002 to $9.8 billion in fiscal year 2007.

NCSE commends the Chairman and Ranking Member of the Senate Appropriations Subcommittee on VA, HUD, and Independent Agencies for their sustained leadership in a bipartisan, bi-cameral effort to double NSF's budget over a five-year period. Senator Christopher Bond (R-MO) and Senator Barbara Mikulski (D-MD) initiated a letter signed by a bipartisan majority of 54 Senators aimed at doubling the budget of the NSF in five years. They were original co-sponsors of the National Science Foundation Doubling Act of 2002. Senator Bond said, "I believe this bill underscores the critical role NSF plays in the economic and intellectual growth and well-being of this Nation," upon introduction of the legislation.

The NSF Authorization Act has strong bipartisan support in Congress. Senator Barbara Mikulski said, "with this bill, we take an important step to ensure the well-being of this nation and its citizens."

"This is landmark legislation," said Science Committee Chairman Sherwood Boehlert (R-NY), who championed the bill in the House. "From our nation's students, to our economy, and to our security, the fruits of this effort will be enjoyed for many years to come."

Rep. Nick Smith (R-MI), Chairman of the House Science Subcommittee on Research, said, "These efforts will pay off in the form of continued scientific breakthroughs that will improve our lives in ways that we can only imagine today."

"Passage of this bill is a great achievement," said Rep. Vernon Ehlers (R-MI). "The research results, while not clear now, will reap huge benefits in the future."

The NSF Authorization Act of 2002 is a major milestone for the NSF, the scientific community, and the nation. In order to realize the outcomes envisioned by this legislation, Congress must appropriate the funding levels authorized in the NSF Authorization Act.

NATIONAL SCIENCE FOUNDATION BUDGET REQUEST FOR FISCAL YEAR 2004

The National Council for Science and the Environment urges Congress to appropriate the authorized funding level of $6.39 billion for the National Science Foundation in fiscal year 2004. The fiscal year 2004 budget request would increase funding for NSF by 3.2 percent to $5.5 billion. The fiscal year 2004 budget request of $5.5 billion falls far short of the $6.39 billion budget and 15 percent increase authorized in the NSF doubling act (Table 2).

At a recent congressional hearing, Senator Christopher Bond (R-MO) expressed his views on the NSF budget request as follows: "To say I am very disappointed that the President's fiscal year 2004 budget request only provides a 3 percent increase over fiscal year 2003 would be a drastic understatement."

In addition to increasing total NSF funding to the authorized level, NCSE urges Congress to provide strong support across NSF's entire research portfolio. When the NSF Authorization Act was introduced in the House of Representatives on May 7, 2002, the bill included language about the allocation of funding among "the physical sciences, mathematics, and engineering." References to "physical sciences" as opposed to all fields of science could have negative consequences for the environmental sciences, geosciences, non-biomedical life sciences, social sciences and interdisciplinary science. On May 22, 2002, the House Science Committee passed an amendment to the NSF authorization act that replaced "physical sciences" with "sciences" and made related revisions.

The House Science Committee Report (House Report 107–488) on the NSF Authorization Act provides further guidance on the balance in the NSF's research portfolio: "While the Committee is of the opinion that the mathematical, physical, and information sciences and engineering disciplines have been significantly underfunded, the Committee also recognizes that greater science funding for other disciplines, including the non-biomedical life sciences and the social sciences is also necessary . . . the committee strongly believes that all disciplines for which NSF provides support should receive significant budget increases."

NCSE supports the Science Committee's view that NSF's entire research portfolio—including the environmental sciences, geosciences, non-biomedical life sciences, social sciences, and interdisciplinary science—should receive significant budget increases. Although the fiscal year 2004 budget request would increase NSF's total budget by 3.2 percent, several key programs that provide funding for environmental research would decline under the fiscal year 2004 budget request.

TABLE 2.—NATIONAL SCIENCE FOUNDATION BUDGET

NSF Program	Budget Authority (dollars in millions)				Change (percent)	
	Fiscal Year 2002 Actual	Fiscal Year 2003 Enacted [1]	Fiscal Year 2004 Request [2]	Fiscal Year 2004 Authorized [3]	Fiscal Year 2002 to Fiscal Year 2003 [4]	Fiscal Year 2003 to Fiscal Year 2004 Req. [5]
Research and Related Activities (R&RA)	3,612	4,056	4,106	4,800	12.3	1.2
Biological Sciences	510	571	562	.....	12.1	−1.6
Computer & Info. Science & Engineering	515	579	584	.....	12.3	1.0
Engineering	471	531	537	.....	12.7	1.1
Geosciences	610	684	688	.....	12.3	0.5
Mathematical & Physical Sciences	920	1,035	1,061	.....	12.4	2.6

TABLE 2.—NATIONAL SCIENCE FOUNDATION BUDGET—Continued

NSF Program	Budget Authority (dollars in millions)				Change (percent)	
	Fiscal Year 2002 Actual	Fiscal Year 2003 Enacted [1]	Fiscal Year 2004 Request [2]	Fiscal Year 2004 Authorized [3]	Fiscal Year 2002 to Fiscal Year 2003 [4]	Fiscal Year 2003 to Fiscal Year 2004 Req. [5]
Social, Behavioral & Economic Sciences	184	191	212	.....	3.8	10.9
Polar Programs	301	319	330	.....	6.1	3.4
Integrative Activities	106	147	132	.....	39.0	−9.9
Budget Adjustment [6]	−4	.....	.....	.....	.....	.....
Education and Human Resources (EHR)	894	903	938	1,157	1.0	3.9
Major Research Equipment	139	149	202	211	7.0	36.2
Salaries and Expenses [7]	170	193	226	214	13.0	17.2
Office of Inspector General	7	9	9	8	35.9	−4.6
Total NSF Budget	4,823	5,310	5,481	6,391	10.1	3.2

Source: NSF budget justification and data tables & AAAS (revised March 2003).

[1] Fiscal year 2003 Enacted figures reflect the final fiscal year 2003 omnibus appropriations bill passed by Congress on Feb. 13, 2003 and signed by the President on Feb. 20, 2003.

[2] Fiscal year 2004 President's budget request was released Feb. 3, 2003 before Congress passed the fiscal year 2003 omnibus appropriations bill.

[3] Fiscal year 2004 Authorized figures are from the NSF Authorization Act of 2002, which was passed by Congress Nov. 15, 2002 and signed by the President Dec. 19, 2002.

[4] Percent change from fiscal year 2002 actual to fiscal year 2003 enacted appropriations.

[5] Percent change from fiscal year 2003 enacted budget to the President's fiscal year 2004 budget request.

[6] Adjustment from budget obligation to budget authority.

[7] Includes NSB Staff Salaries.

Biological Sciences Directorate.—Under the fiscal year 2004 budget request, funding for NSF's Biological Sciences Directorate would decline by 1.6 percent relative to the fiscal year 2003 enacted appropriations bill (Table 2). Within the Biological Sciences Directorate, the budget for Environmental Biology would decline by 2.8 percent, Integrative Biology and Neuroscience would decline by 3.1 percent, and Emerging Frontiers would increase by 11.6 percent.

Geosciences Directorate.—Funding for the Geosciences Directorate would increase by 0.5 percent, but two of its three divisions would face cuts in fiscal year 2004 relative to the fiscal year 2003 enacted appropriations bill. Funding for the Earth Sciences Division would decline by 4.9 percent and funding for the Ocean Sciences Division would decline by 0.7 percent.

Biocomplexity and the Environment Priority Area.—NCSE is particularly supportive of NSF's priority area on Biocomplexity and the Environment. This initiative provides a focal point for investigators from different disciplines to work together to understand complex environmental systems, including the roles of humans in shaping these systems.

The Biocomplexity and the Environment initiative is a growing priority within NSF, as reflected by the growth of its budget from $59.0 million in fiscal year 2002 to $99.8 million in the fiscal year 2004 budget request. This priority area has been expanded to include research in microbial genome sequencing and ecology of infectious diseases—to help develop strategies to assess and manage the risks of infectious diseases, invasive species, and biological weapons. We urge Congress to support this critical initiative and to consider funding it at a level of $136 million, as proposed in fiscal year 2000 budget request for NSF.

Major Research Equipment.—The NSF budget request includes funding for the National Ecological Observatory Network (NEON) and EarthScope in its account for Major Research Equipment and Facilities Construction. These projects would provide major new opportunities for environmental research.

—*National Ecological Observatory Network.*—NEON would be a continental scale research instrument consisting of 10 geographically distributed observatories, networked via state-of-the-art communications, for integrated studies to obtain a predictive understanding of the nation's environments. NSF is requesting $12 million in initial funding for the first two NEON observatories in fiscal year 2004.

—*EarthScope.*—EarthScope would be a distributed, multi-purpose geophysical instrument array that is designed to make major advances in our knowledge and understanding of the structure and dynamics of the North American continent. Three components of the project would be the United States Seismic Array (USArray), the San Andreas Fault Observatory at Depth, and the Plate Bound-

ary Observatory. NSF is requesting $45 million for EarthScope in fiscal year 2004.

We urge Congress to fund both NEON and EarthScope at the levels specified in fiscal year 2004 budget request. Both NEON and EarthScope were included in NSF's budget request for fiscal year 2001 but funding for these projects was not provided in the enacted appropriations bill. NSF's budget request for fiscal year 2002 did not contain any new starts for the MREFC account. In fiscal year 2003, the NSF budget request included initial funding for both NEON and EarthScope. Congress appropriated $30 million for EarthScope in fiscal year 2003 but deferred funding for NEON "without prejudice," implying that the project was not rejected based on merit and may be funded in the future.

NATIONAL SCIENCE BOARD REPORT ON ENVIRONMENTAL SCIENCE AND ENGINEERING

The National Council for Science and the Environment encourages Congress to support full and effective implementation of the National Science Board's report, Environmental Science and Engineering for the 21st Century: The Role of the National Science Foundation, within the context of a doubling of the budget for the NSF.

The NSB report sets out a bold, ambitious set of recommendations that could dramatically improve the scientific basis for environmental decisionmaking. The first keystone recommendation is as follows:

"Environmental research, education, and scientific assessment should be one of NSF's highest priorities. The current environmental portfolio represents an expenditure of approximately $600 million per year. In view of the overwhelming importance of, and exciting opportunities for, progress in the environmental arena, and because existing resources are fully and appropriately utilized, new funding will be required. We recommend that support for environmental research, education, and scientific assessment at NSF be increased by an additional $1 billion, phased in over the next 5 years, to reach an annual expenditure of approximately $1.6 billion."

NSF has taken many steps to implement the recommendations of the NSB. It has appointed an environmental coordinator and created a new position in the office of the Director. It has established a Priority Area on Biocomplexity and the Environment that provides new opportunities for multidisciplinary research on the interactivity of biota and the environment. NSF has formed an Advisory Committee on Environmental Research and Education. In January 2003, the Advisory Committee released a report entitled Complex Environmental Systems: Synthesis for Earth, Life, and Society in the 21st Century, which provides a 10-year outlook in environmental research and education for the NSF. The report presents pathways for building interdisciplinary bridges and increasing capacity to address environmental challenges. "The concept of synthesis-based research is a touchstone for environmental research and education," said Stephanie Pfirman, Past Chair of the Advisory Committee, "and long-term support is necessary to fulfill its promise."

Full implementation of the NSB report will require strong support from Congress and a significant increase in funding for NSF's portfolio of environmental science, engineering and education.

EPA'S STAR GRADUATE FELLOWSHIP PROGRAM

NCSE urges Congress to restore full funding for the Environmental Protection Agency's Science to Achieve Results (STAR) graduate fellowship program. STAR is the only federally supported fellowship program specifically aimed at graduate students in the environmental sciences and policy areas. From 1995 to 2001, EPA funded over 800 STAR fellows at 168 colleges and universities. The STAR fellowship program is highly competitive, with only 7 percent of applicants being awarded fellowships.

The fiscal year 2004 budget request for EPA would cut funding for the EPA STAR fellowship by 50 percent, from $9.75 million in the fiscal year 2003 omnibus appropriations bill to $4.875 million in the fiscal year 2004 budget request. Last year, the EPA budget request for fiscal year 2003 would have eliminated all funding for new STAR fellowships. Congress responded by restoring full funding for the STAR fellowship program in the fiscal year 2003 appropriations process and we call upon Congress to restore full funding again in fiscal year 2004. NCSE urges Congress to appropriate at least $9.75 million for the STAR fellowship program in fiscal year 2004. A higher appropriation is needed to redress the impact of the cancellation of the STAR fellowship competition last year. The proposed elimination of the STAR fellowship in the President's fiscal year 2003 budget request led to the suspension

of new fellowships beginning in February 2002, despite the fact that over 1,400 applications had already been received and reviewed for 100 new fellowships.

HOMELAND SECURITY AND ENVIRONMENTAL R&D

Environmental R&D is a critical component of homeland security. Homeland defense will benefit from a robust and balanced research agenda in addition to the rapid development of existing technologies. Consider, for example, research on the explosion of a "dirty bomb" in an urban area. In addition to research related to the treatment of victims, protection of first responders, and emergency response plans, a balanced research agenda would include interdisciplinary studies on the fate, transport, and clean-up of radionuclides and toxins in air, water, and land. Environmental scientists conduct research on chemical, isotopic and biological tracers on a broad range of length scales and time scales. They are well-positioned to contribute to homeland defense. We encourage Congress to explore the role of environmental R&D in homeland security and counterterrorism and to recommend actions that would improve the nation's capacity in this area.

The National Council for Science and the NCSE commends the Chairman and Ranking Member of the Senate Appropriations Subcommittee on VA, HUD, and Independent Agencies for their bipartisan leadership on science for the nation's future. No other Appropriations Subcommittee has a greater impact on the future of environmental science. Investments in the environmental science continue to pay enormous dividends to the nation. Thank you very much for your interest in improving the scientific basis for environmental decisionmaking.

PREPARED STATEMENT OF AMERICAN RIVERS

This year, American Rivers was joined by more than 400 national, regional and local organizations concerned with river conservation throughout the United States [1] in calling for significantly increased funding for the following Environmental Protection Agency (EPA) programs and other programs funded through the Veteran's Affairs, Housing and Urban Development, and Independent Agencies (VA–HUD) Appropriations bill. I urge that these requests be incorporated in the VA–HUD Appropriations bill for fiscal year 2004.

CLEAN WATER STATE REVOLVING FUND

With the passage of the Clean Water Act 30 years ago, Congress made a financial commitment to protecting and improving water quality through grants to municipalities for construction of wastewater treatment systems. In 1987, the construction grants program was converted to a revolving loan program, in which federal capitalization grants are made to states that then make low-interest loans to municipalities for wastewater, stormwater, and other water quality protection activities. The 1996 Safe Drinking Water Act also created state revolving funds (SRFs) for drinking water treatment and protection of source water and wellhead areas.

Maintaining the nation's high-quality drinking water and wastewater services will require a substantial increase in spending over the next two decades. Aging infrastructure, increased population and sprawl have stressed existing water infrastructure systems, as evidenced by the yearly 1.2 trillion gallons of stormwater overflows from combined sewer systems that carry untreated sewage into the nation's rivers and other water bodies. A May 2002 study by the Congressional Budget Office estimates that from 2000 to 2019, annual costs for investment in the nation's water systems will average between $11.6 billion and $20.1 billion for drinking water systems and between $13.0 billion and $20.9 billion for wastewater systems.

The SRF programs have been used to fund projects that reduce non-point pollution, protect estuaries, prevent contamination of drinking source waters, and reduce polluted runoff by protecting natural areas and other "green infrastructure," such as stream buffers. These approaches are often more cost-effective and provide a wide array of environmental and social benefits, including open space, wildlife habitat, recreation, and water supply.

Congress should reauthorize the Clean Water SRF program at $3.2 billion and the Drinking Water SRF at $1.5 billion, and appropriate the full amount authorized to both SRF programs.

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[1] These groups have endorsed the "River Budget for fiscal year 2004", a report of national funding priorities for local river conservation. A list of groups endorsing the River Budget can be viewed at http://www.americanrivers.org/riverbudget/default.htm.

FEDERAL SALMON PLAN FOR THE COLUMBIA AND SNAKE RIVERS

Several Members of Congress from the Northwest, as well as the Administration, have pledged to work to restore twelve Endangered Species Act listed stocks of Snake and Columbia river salmon without partially removing the lower four Snake River dams. Congress can help honor that commitment by funding the necessary salmon recovery measures. As we approach the first "check-in" for the 2000 federal Salmon Plan for the Columbia and Snake Rivers this September, federal agencies have failed to fulfill over 70 percent of its requirements.

So far, Salmon Plan implementation has fallen well behind schedule, due in part to inadequate federal funding. Full funding for fiscal year 2004 will require $529.3 million distributed among ten federal agencies through five different appropriations bills. The VA–HUD and Independent Agencies Appropriations bill provides funding to one of these agencies, the Environmental Protection Agency. EPA is charged with addressing water quality issues in the Snake and Columbia rivers, including the unnaturally high water temperatures and dissolved gas levels caused by the 29 federal dams in the Columbia River Basin.

In fiscal year 2003, the EPA was one of only two agencies charged with implementing the Salmon Plan to receive sufficient funding. In fiscal year 2004, Congress should maintain the EPA's Columbia Basin budget at $18.3 million.

TOTAL MAXIMUM DAILY LOADS, CLEAN WATER ACT SECTION 303(D)

The water quality of America's natural water bodies is damaged and threatened by a wide range of activities and sources. Water quality impairments will not be cured without accounting for all of these sources and addressing problems in troubled watersheds in a comprehensive manner. The establishment of Total Maximum Daily Loads (TMDLs) under section 303(d) of the Clean Water Act is a sensible and necessary step in this process. States and the Environmental Protection Agency (EPA) must identify all sources of water quality impairment to rivers, streams and lakes that do not meet water quality standards, develop specific goals for improvement, and design plans to achieve the best overall results for the water bodies.

However, this sensible process has not proceeded as quickly and efficiently as it should, due in part to a shortage of resources within regulatory agencies responsible for making the comprehensive assessments and strategies for improvement. Investigations of the harm caused by point source and non-point source pollution, physical alterations and habitat destruction in aquatic systems, and biological contaminants and invasive species can be complicated and must be done thoroughly and professionally. TMDLs must be developed in a way that is consistent with the Clean Water Act, is compatible with related water quality programs and regulatory processes, and leads to real improvements, rather than more paperwork and delay. The development of strong TMDLs requires adequate commitment and resources.

In this, the 30th anniversary of the Clean Water Act, far too many of our nation's waters fail to support healthy natural communities of animals and plants and are dangerous or unsuitable for people to use and enjoy. Congress should show its continued commitment to restoring our natural heritage and appropriate $250 million for EPA's State Program Management Grants (Section 106 of the Clean Water Act) for grants to states for TMDL development and implementation in fiscal year 2004.

NONPOINT SOURCE MANAGEMENT PROGRAM

Every time it rains, silt, fertilizer, pesticides, oil, manure, and other pollutants flow into rivers and streams. As societal growth paves more land area, produces more air emissions, culverts and manipulates more streams and drainage channels, and generally encroaches further into naturally-functioning systems with human-designed environments, it damages water bodies in countless ways. Though the idea of water pollution often produces visions of pipes spewing industrial wastes or sewage into streams, these "non-point sources" of pollution degrade thousands of stream miles and hundreds of lakes, ponds, and wetlands. The damage caused by non-point source pollution includes habitat and aquatic life degradation, drinking water contamination, swimming area closures, lost recreational opportunities, fish kills, aesthetic degradation of waterways, and many other severe environmental and human health problems.

While the Clean Water Act (CWA) established regulatory limits, targets, and penalties for point source pollution in 1972, it did not provide resources to address polluted runoff until 1987. That year, Congress recognized the need for greater federal leadership to reduce non-point source pollution by amending the CWA to establish the Section 319 Non-point Source Management Program. The Section 319 program provides grant money that states, territories, and Indian tribes can use for a wide

variety of non-point pollution reduction activities including technical and financial assistance, education, training, technology transfer, demonstration projects, and monitoring.

The threat posed by non-point source pollution is as great as or greater than ever before and increasing. Congress should appropriate $250 million for EPA's Section 319 Non-point Source Management Program to help states and localities reduce runoff pollution.

ENFORCEMENT OF DISCHARGE PERMITS UNDER THE CLEAN WATER ACT

The Environmental Protection Agency's (EPA) ability to enforce environmental laws is critical to our nation's efforts to fulfill the Clean Water Act's stated objective of restoring waters to fishable and swimmable conditions. While the nation has made great progress in cleaning up its waters, we continue to need a strong enforcement presence by EPA because 40 percent of waters remain unsafe for fishing or swimming.

The Clean Water Act prohibits discharges of pollutants through point sources into U.S. waters without a National Pollution Discharge Elimination System permit. These permits contain limits on what can be discharged, monitoring and reporting requirements, and other provisions to ensure that the discharge does not harm water quality or human health.

Nationwide, about one-fourth of all major water polluters, nearly 1,700 facilities, are operating without current permits to discharge wastes to the nation's waters. More than 750 major facility permits have been expired for two years, and 251 have been expired for 5 years. Many of these facilities dump huge amounts of highly toxic effluent into receiving waters. More than one-fourth of major facilities were in significant noncompliance with their permits over a recent 15-month period.

To ensure that permits are current and properly complied with, EPA engages in enforcement activities, including inspections, sampling, testing, as well as civil and criminal enforcement actions. It is essential that EPA maintain a strong enforcement presence working with the states to undertake civil and criminal enforcement activities at facilities that can result in real improvements in environmental quality. For example, recent settlements with multiple cities across the country have helped clean our rivers and coastal waters of raw sewage overflows, improved operation and maintenance, and expanded treatment capacity. EPA needs adequate level-funding to conduct activities such as laboratory analysis and the hiring of expert witnesses to bring cases to make polluters pay for actions that harm the environment.

The need to vigilantly guard the health of the nation's waters from illegal discharges is greater than ever before. It is essential that Congress fund the EPA Office of Enforcement and Compliance at a level sufficient to retain fiscal year 2002 staffing levels with adequate increases to allow for cost of living increases. Congress should fund EPA's enforcement programs at $485 million.

CHESAPEAKE BAY PROGRAM

The Chesapeake Bay, the nation's largest estuary and one of the most ecologically productive in the world, is home to more than 15 million people and 3,600 species of plants and wildlife. The 64,000-square mile watershed drains more than 100,000 streams and rivers, provides important opportunities for recreation and refuge for fish and wildlife, and serves as a key resource for the prosperity of the region.

Unfortunately, the ecological integrity and productivity of the Bay's watershed have been severely compromised by development, agriculture, over-harvesting of resources, and more than 2,500 small dams and other obstructions that block migratory fish from their historic spawning habitats. The impact on the Bay's important seasonal fisheries has been dramatic. Annual harvests of Bay shad have dropped from 17.5 million pounds to less than 2 million during the past century. Between 1976 and 1985, the commercial harvest of anadromous fish in the Bay declined by 82 percent.

Concern over these threats culminated in the creation of the Chesapeake Bay Program (CBP) in 1983, establishing what is now a national and international model for estuarine research and restoration. The program focuses on restoring tributaries, underwater Bay grasses, and fish passage, and also reducing agricultural runoff pollution and toxics. Among other goals, the CBP hopes to reopen more than 1,350 miles of upstream spawning habitat for migratory fish by removing small dams and other blockages on the Bay's rivers by 2003. In the past decade, the program has reopened more than 1,000 miles of habitat to migratory fish.

Restoring the Bay's fisheries would provide the region with a significant economic boost. According to the Fish and Wildlife Service, healthy fish populations in the

Bay and its tributaries would generate $10 to $30 million per year in shad sport fishing alone.

In fiscal year 2004, Congress should provide the CBP with $30 million to better protect and restore this valuable ecosystem. In addition, Congress should make the Chesapeake Bay Small Watershed Grants Program, a popular funding source for education and restoration projects throughout the Bay watershed, a separate line item to ensure its long-term success and to help restore funding to other Bay program areas, including fish passage engineering, construction and coordination.

WATERSHED ASSISTANCE GRANTS

Solving today's water quality challenges, especially habitat loss and non-point source pollution, requires the active involvement of local citizens who care about the water quality where they live and are willing to take action. Ideally, locally-based watershed partnerships provide the frameworks to focus public and private sector efforts to identify needs, define protection and improvement goals, implement solutions, and measure progress in protecting and restoring watersheds.

Yet without a sustainable, healthy organizational structure and good leadership, the survival of local watershed partnerships becomes harder. Without a watershed steward, it becomes difficult to implement the actual on-the-ground restoration work. To address this problem, the U.S. Environmental Protection Agency (EPA) teamed up with citizen activists to institute the Watershed Assistance Grants program.

Administered in collaboration with the EPA, the Watershed Assistance Grants program supports the growth, sustainability, and organizational capacity of local watershed partnerships across the United States in the form of grants. Its goals are essential to the river movement, as the program addresses a serious funding gap in local watershed protection efforts.

Unfortunately, minimal program funding is available to build the strength of these partnerships. In the last three years, only 6 percent of the proposals received by the program were funded, with award amounts ranging from $1,000 to $30,000. To date, 1,360 proposals (requesting approximately $25 million) have been submitted, but only 80 awards have been made to locally initiated watershed partnerships in 39 states.

Each year for the past two years, the program has reviewed $2 million in worthwhile applications. In fiscal year 2004, Congress should provide the Watershed Assistance Grants program with $2 million to support innovative efforts that build the capacity of community-based partnerships to conserve and restore watersheds.

PREPARED STATEMENT OF THE STATE AND TERRITORIAL AIR POLLUTION PROGRAM ADMINISTRATORS AND THE ASSOCIATION OF LOCAL AIR POLLUTION CONTROL OFFICIALS

The State and Territorial Air Pollution Program Administrators (STAPPA) and the Association of Local Air Pollution Control Officials (ALAPCO) appreciate this opportunity to provide testimony regarding the fiscal year 2004 proposed budget for the U.S. Environmental Protection Agency (EPA), particularly regarding grants to state and local air pollution control agencies under Sections 103 and 105 of the Clean Air Act.

STAPPA and ALAPCO are the national associations of air quality officials in 54 states and territories and more than 165 metropolitan areas across the country. The Clean Air Act gives state and local air quality officials the primary responsibility for implementing our country's clean air program on behalf of our citizens. These agencies must work to limit or prevent emissions of a host of pollutants from a variety of sources that have impacts on public health. These include particulate matter, ground-level ozone, toxic air pollution, and acid rain, among others. State and local air agencies must maintain the fundamental elements of their programs—the foundation of our clean air efforts—while, at the same time, addressing new and emerging problems.

RECOMMENDATION

The President's fiscal year 2004 budget request calls for $228.5 million for state and local air agency grants under Sections 103 and 105 of the Clean Air Act, which is $5 million more than Congress appropriated for fiscal year 2003. While we appreciate this modest increase, the total is not sufficient to support our vital air quality efforts. Furthermore, the increase is earmarked for a specific purpose—air toxics monitoring—so it is not available to fund many of the different and varied programs

that state and local air agencies must undertake. While we agree that monitoring toxic air pollution is very important, there are many other activities that are in great need of additional funding as well. The fact of the matter is that state and local air agencies are currently underfunded in general and are in need of substantial increases for numerous activities.

We are very aware that there are tremendous budgetary pressures facing Congress, mostly due to the increased need for homeland security and expenses related to events in Iraq. As a result, many programs cannot be funded as robustly as needed. However, in light of the fact that air pollution poses a considerable threat to the public health of our country, we believe it should be considered one of our highest priorities. We recommend, then, that federal grants to state and local air quality agencies be increased by $25 million above the President's request, which is only a small share of the amount that is actually needed.

THE NEED FOR INCREASES IS GREAT

It is well established that air pollution presents a pervasive national threat to public health and the environment. The health risks are not only significant, we know of no other environmental problem presenting greater risk. Air quality regulators at all levels of government have worked diligently for many years in pursuit of our clean air goals. In spite of the considerable improvements that we have achieved, clean, healthful air nationwide still eludes us.

The magnitude of our air quality problem and the associated health effects, which will be discussed below, make it clear that funding for the control of air pollution should be a top priority. Unfortunately, the reality is that state and local air agencies are underfunded. Although states and localities devote significant resources to their air quality programs, air agencies have been operating for years with inadequate financial support from the federal government. As a result, many of our programs are not as robust as they need to be.

A few years ago, STAPPA and ALAPCO, in cooperation with EPA, conducted a study of air program funding and estimated that federal grants to state and local air pollution control agencies under Section 105 of the Clean Air Act fell short of our needs by nearly $100 million a year. While we have received modest funding increases in recent years, and additional grants are proposed for fiscal year 2004, these are simply not enough, especially in light of our expanded responsibilities. Unless our programs receive a substantially greater boost in funding, we will continue to face a serious financial shortfall, which will adversely affect our ability to protect and improve air quality. This shortfall will only become worse as greater demands are placed on our programs. Among the air program priorities for which state and local agencies require additional funding are hazardous air pollutants (HAPs); fine particulate matter, especially diesel particulate; compliance; inspections; monitoring; data improvements, including maintaining and improving infrastructures, emission inventories and modeling; haze and visibility monitoring; and outreach to and education of the public and regulated community.

To address the problem of inadequate funds we have identified, we recommend that federal grants to state and local air pollution control agencies be increased in fiscal year 2004. While we believe an increase of $100 million would help our programs tremendously, we recognize that there are many other competing programs also in need of additional funding, especially this year. Therefore, we are requesting an increase of a quarter of that amount—$25 million.

THE MAGNITUDE OF THE AIR POLLUTION PROBLEM

Air pollution is a persistent, nationwide problem. Over 170 million tons of pollution are emitted into the air each year across the United States. One hundred and thirty-three million people live in areas of the country that violate at least one of the six health-based National Ambient Air Quality Standards (NAAQS), not to mention the many millions of people who are exposed to toxic air pollutants that cause cancer and other health problems. As noted, the health risks from air pollution are significant and far exceed those from almost every other environmental medium. State and local agencies must address a range of serious air quality problems, a few of which are briefly described below.

Perhaps the most complex air quality problem we face is achievement and maintenance of the NAAQS for particulate matter and ozone. In 1997, EPA established a new standard for fine particulate matter ($PM_{2.5}$). Although we are still working to complete the data-gathering efforts necessary to determine which areas of the country violate the $PM_{2.5}$ standard, one thing is very clear: $PM_{2.5}$ poses the greatest health risk of any air pollutant, resulting in as many as 30,000 premature deaths each year. Additionally, fine particles are responsible for a variety of adverse health

impacts, including aggravation of existing respiratory and cardiovascular disease, damage to lung tissue, impaired breathing and respiratory symptoms, irregular heart beat, heart attacks and lung cancer.

Fine particles are not only emitted into the atmosphere directly from combustion processes, they are also formed secondarily in the atmosphere from such precursor emissions as oxides of nitrogen (NO_X), sulfur dioxide and ammonia; in addition to their adverse health consequences, fine particles also contribute to regional haze. Based on preliminary air quality monitoring data, it appears that $PM_{2.5}$ concentrations in over 170 counties throughout the U.S. exceed the health-based standard.

Overall, progress in attaining clean air has been slowest with respect to ground-level ozone. Some parts of the country actually experienced increased levels of ozone in the past 10 years, and in 33 national parks, ozone levels have risen by more than 4 percent. A significant factor in this trend is the increase we have experienced in NO_X emissions, which are not only a precursor to ozone, but also a contributor to such public health and welfare threats as acid rain, eutrophication of water bodies, regional haze and, as mentioned, secondary $PM_{2.5}$. Over the past 20 years, NO_X emissions have increased by almost 9 percent, largely due to emissions from nonroad engines and diesel vehicles. Current data show that almost 300 counties measure exceedances of the eight-hour ozone standard.

The serious public health threat posed nationwide by emissions of hazardous air pollutants (HAPs) is another continuing concern we have. Last year EPA released the most recent results of its National-Scale Air Toxics Assessment (NATA), which provides nationwide estimates of exposure and health risks associated with 32 HAPs. While the NATA information reflects the situation of several years ago, it still provides the best indication we have of the magnitude of the problem. According to EPA, more than 200 million people in the U.S. live in areas where the lifetime cancer risk from exposure to HAPs exceeds 1 in 100,000. Moreover, approximately 3 million face a lifetime cancer risk of 1 in 10,000. Considering that EPA has established 1 in 1,000,000 as the generally acceptable level of risk, these estimates not only illustrate the pervasive nature of the threat posed by HAPs, they also speak to the level of effort that will be required to reduce the risk and the high level of priority that should be placed on doing so.

One HAP of special concern is mercury. Some portion of the mercury that is found in fish is the result of air emissions of that contaminant. The deposition of air emissions in our water bodies, and ultimately into our fish, is a significant problem, especially for those who rely on fish as an important part of their diets. Because of public health concerns, many states have had to issue advisories to the public about elevated concentrations of mercury in the fish that is caught in their water bodies. In fact, by 2001, 44 states had issued advisories, with 17 of them applying statewide. An additional nine states issued advisories for their coastal waters.

The effect of air pollution on the nation's population is very troubling. This concern is only sharpened when we consider the adverse impact of air contaminants on one of our most sensitive and precious populations—our nation's children. Because they are still developing and spend more hours exercising outdoors, air quality has a greater impact on them. EPA recently published a study entitled, America's Children and the Environment (February 2003), which contains extremely disturbing data related to air pollution and children. For example, the report concludes the following:

—in 2001, approximately 15 percent of children lived in counties in which the one-hour ozone standard was exceeded on at least one day per year;

—in 2001, nearly 40 percent of children lived in counties that exceeded the eight-hour ozone standard;

—in 2001, approximately 25 percent of children lived in counties that exceeded the $PM_{2.5}$ particulate matter standard;

—in 1996, all children lived in counties in which the combined estimated concentrations of hazardous air pollutants exceeded the 1-in-100,000 cancer risk benchmark; approximately 95 percent lived in counties in which at least one HAP exceeded the benchmark for health effects other than cancer;

—in 1999–2000, about 8 percent of women of child-bearing age had at least 5.8 parts per billion of mercury in their blood (children born to women with blood concentrations above that number are at some increased risk of adverse health effects); and

—between 1980 and 1995, the percentage of children with asthma doubled, to 7.5 percent, and by 2001, 8.7 percent of all children had asthma.

The magnitude of the air quality problem and the associated health effects make it clear that significantly increased funding for the control of air pollution should be a top priority.

EXPENDITURE OF ADDITIONAL FUNDS

STAPPA and ALAPCO recently collected information from their members to learn about funding priorities for state and local air pollution control programs. The report we compiled presents valuable information about the highest priorities of state and local agencies and how they would spend additional federal grant funds. We provided you this report when it was completed and would be happy to supply you with an additional copy if you wish.

Among the general activities that state and local air agencies identified as their highest priorities, and those on which they would spend increased grant funds, are efforts addressing hazardous air pollutants; compliance, fine particulate matter, especially diesel particulates; inspections; monitoring; improvements in data, including maintaining and improving infrastructures, emission inventories and modeling; haze and visibility monitoring; and outreach and education for the public and regulated community. Depending on what the high-priority issues in their areas are, state and local agencies identified a range of specific activities to which they would target a grant increase. These included the following, among others:

—improve emission inventories of toxic air pollution;
—increase the frequency of inspections of major and minor sources;
—meet the various federal and public expectations under Section 112 (air toxics);
—expand criteria pollutant monitoring;
—improve risk assessment capacity;
—reduce concentrations of fine particulates;
—increase public outreach efforts;
—improve small business compliance assistance;
—purchase replacements for equipment that has outgrown its expected usage;
—increase the number of air toxics monitoring locations to better characterize baseline concentrations and localized impacts; and
—improve modeling tools to determine emission reductions needed.

State and local air agencies' need for increased grants is very great; there are many critical activities that are currently underfunded. Many of these activities are the foundation of our air quality program and are, therefore, essential. Without additional federal grants, and the flexibility to target them to the activities that are most appropriate in individual states and communities, state and local air agencies will find it increasingly difficult to obtain and maintain healthful air quality.

EPA'S BUDGET

Finally, notwithstanding the essential contributions of state and local air agencies to air quality, the federal government's job is critical as well. We need a strong and effective EPA to carry out its responsibilities if we are to achieve and maintain healthful air quality. Therefore, we recommend that Congress provide adequate funding for EPA so that the agency can continue its efforts related to particulate matter; mobile sources; national emission standards, including toxic air pollutant standards; training; health research and risk estimates; and modeling.

CONCLUSION

We must always keep in mind that the most valuable asset our nation can ever have is a healthy population and a clean environment. In working to achieve our clean air goals, protecting these assets must be our highest priority. Accordingly, we strongly recommend and urgently request that Congress increase federal grants to state and local air quality agencies under Sections 103 and 105 of the Clean Air Act by $25 million in fiscal year 2004.

Thank you very much for this opportunity to provide you with our testimony. Please contact us if you have questions or require any additional information.

PREPARED STATEMENT OF THE PATH INDUSTRY STEERING COMMITTEE

Mr. Chairman and Members of the Subcommittee, my name is Michael Chapman, and I am a home builder from Santa Fe, New Mexico. As Chairman of the Industry Steering Committee for the Partnership for Advancing Technology in Housing ("PATH") program, I welcome the opportunity to submit testimony in support of continued funding for the PATH initiative at the fiscal year 2001 level of $10 million.

First, let me thank you, Mr. Chairman, as well as Ranking Democrat Senator Mikulski and all the members of this subcommittee for your foresight and leadership in helping to support this program. Second, I would like to point out that the current HUD leadership has not put the PATH program in the Administration budget, making it necessary for the direction to come from this committee to ensure contin-

ued funding. Although I can't explain the rationale for HUD's position, PATH is clearly within the congressional mandate embodied in Title V of the basic HUD statute, that the

"Secretary shall require, to the greatest extent feasible, the employment of new and improved technologies, methods, and materials in housing construction, rehabilitation, and maintenance . . . with a view to reducing costs, and shall encourage and promote the acceptance and application of such advanced technology, methods, and materials by all segments of the housing industry".

It is a goal of the Industry Steering Committee to educate the HUD leadership as to the importance of this program to the housing industry.

The PATH program seeks to accelerate the creation and widespread use of advanced technologies in order to improve the quality, affordability, and durability of our nation's housing stock. A recently released report by the RAND Science and Technology Policy Institute makes a compelling case for federal investment in housing R&D programs such as PATH. It has long been recognized that housing is a major driver in the economy, and as such, innovation in housing has significant economic ramifications. The report states that "innovation contributes positively to increased productivity and provides other benefits to all who are involved . . . [including] a broad range of housing industry participants from homebuilders to manufacturers, insurers, regulators, homeowners, and others." You should also know that the PATH program money is leveraging $5–6 million of private sector investment in program activities.

Now in its fifth year of funding, the accomplishments of the PATH program are real and demonstrable, from funding for basic research activities at Universities to industry efforts at technology transfer.

PATH UNIVERSITY RESEARCH

Due entirely to PATH and the interagency co-operation it has fostered, universities now have the only national research grant program for faculty in housing technology, and the only university program in housing technology in US history. HUD and NSF are collaborating on the PATH-NSF "Program Awards in Housing Technology" which provide funding to spur innovative basic research so researchers in universities and academic institutions can bring new conceptual approaches to the homebuilding community. PATH fosters this dedication and innovation by working directly with universities, connecting members of the academic research community with each other and to the housing industry. PATH makes it clear to Federal and industrial stakeholders that quality research on housing is being done in America's institutions of higher learning. To date, 28 universities have benefited from the Program awards, and numerous other faculty are starting to focus their research agendas for the benefit of America's housing. This includes work as varied as manufactured housing factory streamlining at Michigan State, studies of new house panel systems and information technologies at Virginia Tech, and new multifamily development systems at the University of Central Florida. Over the long term this will be of enormous benefit to housing, both in producing research results and in engaging students in housing technology curricula.

PATH GOVERNMENT/INDUSTRY COLLABORATION

The inability to accurately determine the durability or predict the "service life" of building materials exposed to outside weathering continues to be major barrier to innovation in housing. This is clearly illustrated by the dilemma faced by a manufacturer of a new product and the willingness of consumers to purchase this product. The manufacturer either can wait 5–20 years to fully develop the durability data from existing methods, or can introduce the product to the market without reliable durability data and expose the corporation to potentially significant liability.

The service life prediction problem extends far beyond the housing industry. It encompasses everything from plastic toys for children, to coatings for automobiles and orbiting satellites. Despite the obvious need for improved service life prediction, it is one of a handful of scientific problems that has not experienced significant progress over the last 100 years. This problem has proven too complex to address with the resources of any individual entity such as a university laboratory or single corporation. PATH has recognized, facilitated and invested in a unique public/private sector partnership led by the Commerce Department's National Institute of Standards and Technology (NIST). The partnership includes four federal agencies, the Smithsonian Institution and eighteen major U.S. corporations. This multidisciplinary public-private approach is leveraging knowledge discovered in skin cancer

research and applying it to measuring and predicting the weathering of building materials.

This NIST-led approach has developed a device known as "SPHERE" (Simulated Photodegradation by High Energy Radiant Exposure) which is illustrated in a separate handout. SPHERE compresses the time required to evaluate a material's response to weathering in two ways: first, it operates 50 times faster than outdoor exposure, and second, it can accommodate more than 500 samples distributed into as many as 32 specimen chambers with known UV, temperature, and humidity conditions. Each chamber can generate exposures similar to a Texas summer dawn, a North Dakota winter night, a mid-summer Florida afternoon and a California sunset, plus up to 28 other environments, all at the same time. Materials exposed to the SPHERE's UV light for one day receive the equivalent of 50 days of sunlight.

Although NIST is still in the early stages of this research, the SPHERE has already challenged long-held beliefs about the weathering of materials. For example, it is widely believed that paint fails through a process where it wears away due to intense sunlight exposure. This PATH-sponsored research has shown that, in reality, the coating fails through the formation of pits. Shown in another handout at an early stage of degradation, these pits are just one-twentieth the width of a human hair. They are large enough to breach the coating, yet small enough that the coating appears defect free to the eye. Surprisingly, these damaging pits are formed only when sunlight and water (humidity) are combined, and not just by intense sunlight.

This result plus others embolden the private-sector partners to believe that this PATH research is on the cusp of fundamentally changing the methods used to predict durability. The ability to rapidly and accurately predict in-service performance allows manufacturers to deliver innovative products more quickly into the housing and other markets.

This innovation will take many forms. Our private sector partners are actively considering two innovations. The first is materials specifically formulated for local climate durability. The second is tools enabling builders, owners, operators and even homeowners the ability to calculate the economic consequences of particular building material or formulation choices in constructed facilities.

PATH TECHNOLOGY SCANNING

PATH has spent considerable time searching outside of the home building industry to identify promising technologies that could help meet the program's goals. Summaries of the findings have been published and widely distributed (see handouts). Dozens of technologies that are potentially applicable to home building have been identified. For example, the U.S. military is involved in research to develop fabric-based materials that can transport power and signals. These types of breakthroughs could have a significant impact on the development of panelized construction for homes by providing highly durable materials that can have combined functions, such as wall coverings and power. On the private sector side, the composite materials industry is now developing materials that can serve as both the structure and the finish surface on a wall, floor, or roof. These are exciting developments. Our challenge is to work with the manufacturing and building communities to realize their potential and bring them into the building process.

PATH TECHNOLOGY ROADMAPPING

The objective of PATH technology roadmapping is to identify technological research in home building and serve as a guide for research investments by government and industry. The roadmaps identify the main areas for research and development that can advance the PATH goals. Roadmapping results are being provided to private sector interests to guide their technology development and their investments in research and development. Through this process, new technologies will be generated and additional research needs will be identified.

PATH initiated the overall roadmapping process during early 2000. Participation to date includes over 300 builders and remodelers, housing manufacturers, material and product suppliers, academicians, researchers, code officials and other stakeholders who identified and prioritized technologies that hold promise for achieving PATH's goals. The result is five specific roadmapping activities that are currently in different stages of development:

—Information Technology to Accelerate and Streamline Home Building
—Whole-House and Building Process Redesign
—Energy Efficiency in Existing Homes
—Technology Roadmapping for Manufactured Housing, and
—Advanced Panelized Construction.

For example in the Advanced Panelized Construction roadmap, an important first step was to identify materials from other industries that are stronger, lighter in weight, and more durable; and that could be used successfully in housing construction. One example is the honey-comb technology which has been used for decades by the composite industry to build airplanes, subway cars, and other types of vehicles because it is strong, lightweight, and durable. Combining this technology with a durable high-pressure laminate finish could lead to the next generation of panels for house construction. The next step is to make the panels more cost effective to produce, and to design for the integration of utilities, such as electric wiring and plumbing.

PATH AND MANUFACTURED HOUSING

Major strides have been made in the area of manufactured home innovation. According to the Congressional "Millennial Housing Commission" report, the manufactured housing industry provides 72 percent of the nation's affordable housing. In the past three years, PATH research has helped develop approaches to eliminate moisture problems (the underlying cause of mold and material degradation), improve energy efficiency by more than 20 percent, increase factory production efficiencies, create more durable foundation systems able to withstand natural disasters, and expand the cost and quality advantages of factory manufacturing to a larger portion of the home building industry. PATH research plays a pivotal role in keeping housing costs under control for low and moderate income buyers.

FIELD EVALUATIONS

There are over 40 PATH field evaluation projects that have been completed, are in progress, or are under development. As you can see by the stars on the map, these projects are distributed across the United States. I personally participated in a field demonstration in Santa Fe that utilized technologies that could greatly benefit housing in the arid western states. In this project we installed a rainwater collection system as well as a graywater reuse system. These systems allowed us to downsize the septic system, fully landscape the lots and even plant a small orchard while saving water.

Another example of PATH's impact is a recently initiated field demonstration taking place on a Marine base in Oahu, working with the University of Hawaii and a military contractor to reduce the cost of steel construction. The U.S. military is particularly dependent on steel framing for their new homes because of the climates in which they typically build. In Hawaii, the Formosan termite has made steel framing a necessity for almost all new housing.

A significant cost barrier inherent in residential steel construction is in fastening. The typical hammer and nails used in wood frame construction is extremely quick and efficient. By contrast, the screws and special fasteners used in steel framing are much more labor intensive and more expensive. One promising category of fastening methods is "clinching". The PATH Technology Inventory describes clinching as a method of joining two pieces of sheet metal by pressing them together into a die that forms a connection. Expensive fasteners such as self-tapping screws or pins are not required with clinching. However, the connections need to be field tested for ease of use by the labor force, laboratory tested for strength and corrosive resistance, and approved by code officials. Current clinching tools may also need to be redesigned for this application.

Although the U.S. military is leading the way, the private sector is quickly following their lead. Hunt Building Company, an El Paso-based military housing contractor, is working with PATH on field tests on military housing. A local production home builder in Hawaii is filling the same role on homes built for the private sector. Both companies are investing significant resources of their own in the clinching demonstration, which can potentially lead to lower construction costs and improved quality. We expect initial results on this project sometime this fall.

CONCLUSION

In summary, the PATH program has had wide reaching impacts. PATH has been consistently praised by the National Academy of Sciences in three evaluation reports. PATH has awarded grants and contract work to over 60 firms including numerous small and minority businesses, universities, manufacturers, and trade associations. PATH has leveraged government funding with private sector investments. And PATH has created an environment of innovation in an industry that must innovate to have a strong future. We request your help and support to make the program continue.

PREPARED STATEMENT OF THE NATIONAL ASSOCIATION OF COUNTIES, U.S. CONFERENCE OF MAYORS, NATIONAL LEAGUE OF CITIES, NATIONAL ASSOCIATION OF LOCAL HOUSING FINANCE AGENCIES, AND NATIONAL COMMUNITY DEVELOPMENT ASSOCIATION

Mr. Chairman and Members of the Subcommittee, this statement is on behalf of the National Association of Counties, the U.S. Conference of Mayors, the National League of Cities, the National Community Development Association, and the National Association of Local Housing Finance Agencies. We appreciate the opportunity to present our views on fiscal year 2004 appropriations for the Department of Housing and Urban Development, and in particular, the two priority programs for local governments—the Community Development Block Grants (CDBG) and the Home Investment Partnerships program (HOME).

We thank you, Mr. Chairman and Members of the Subcommittee for your continuing support for these priority local government programs. We were especially pleased by the $111 million increase in HOME formula funding included in the fiscal year 2003 omnibus appropriations bill.

Mr. Chairman, local government officials urge you to increase CDBG formula funding in fiscal year 2004 to $5 billion and HOME formula funding to $2.25 billion. These programs work, they make a real difference in people's lives, and it is our sincere hope that they will be funded at levels that reflect the very real community development and affordable housing needs that exist across our country.

WHY CDBG IS EFFECTIVE AND CRITICALLY NEEDED

Now in its 29th year, CDBG is arguably the Federal government's most successful domestic program. CDBG helps communities tackle some of their most serious community development challenges. The CDBG program's success stems from its utility, i.e., providing cities and counties with an annual, predictable level of funding, which can be used with maximum flexibility to address unique neighborhood revitalization needs. Based on the fiscal year 2002 CDBG grantee data from the IDIS system, CDBG provided funding to 187,380 housing units. In addition to providing funding to housing units, the program created or retained over 90,000 jobs principally for low and moderate income persons.

The great success of the CDBG program has come through dedicated practitioners working very hard to ensure good program performance and timely expenditure of funds. As cities face greater demands on staff to monitor subrecipients, undertake good effective program planning, the resources are just not there to get and keep staff properly trained. There have been no CDBG funding available for technical assistance and training at the national level or at the local field office level. Therefore, we ask the Subcommittee to include in this appropriations bill statutory language for a guaranteed source of funding for HUD and interested groups to provide technical assistance and training in much the same way as does the HOME program.

Throughout its history, CDBG has garnered tremendous support from virtually all sectors, public and private. States and local governments have seen modest increases in formula funding which has been well received, however with the completion of the 2000 Census, the subsequent redistribution of funds, and with the new definition of MSA that will be incorporated into the CDBG program in fiscal year 2004, there will likely be an additional 80 to 100 new entitlement cities added to the program If funding for the CDBG formula program remains at its current level, all existing cities in the program will receive cuts. Many cities received substantial cuts resulting in their fiscal year 2003 allocation, resulting from the 2000 Census data. Should formula funding levels main stagnant, with approximately 80–100 new communities to share a shrinking pot, many community development programs will not receive enough funding to continue to operate. Therefore, we the locally elected officials, urge the Subcommittee to provide at least $5 billion in formula grants for CDBG in fiscal year 2004.

HOME INVESTMENT PARTNERSHIPS (HOME) PROGRAM

The HOME Investment Partnerships (HOME) Program is also an effective block grant program; providing affordable, decent, and safe housing to thousands of families across the country. According to cumulative HUD data, since 1992 HOME has helped to develop or rehabilitate over 718,000 affordable homes for low- and very-low income families. Ninety percent of the HOME funds used for rental housing must be targeted to families with incomes at or below 60 percent of the area median. The balance may assist those with incomes up to 80 percent of the median income. The majority of HOME funds have been committed to housing that will be occupied by very low-income people and a substantial amount will assist families

with incomes no greater than 30 percent of median. As of the end of February 2003, more than 84 percent of HOME assisted rental housing was benefiting families at or below 50 percent of area median income. Forty nine percent of all home-assisted rental housing (including tenant-based rental assistance) was helping families with incomes at or below 30 percent of area median income.

HOME funds also help low- and very-low income families realize the dream of homeownership by providing for construction and rehabilitation of housing as well as providing the down payment and or closing cost assistance in the form of second mortgages necessary to bridge the gap. Since 1992, HOME funds have been committed to 140,170 homeowner units, with an additional 270,258 household receiving homebuyer assistance.

HOME is cost effective and provides the gap financing necessary to attract private loans and investments to projects. For each HOME dollar, $2.92 of private and other funds has been leveraged since the program's inception. This clearly illustrates the effective and judicious use of HOME funds by participating jurisdictions.

We are concerned that there is an increasing use of set-asides within HOME. We note that the Bush Administration has proposed a new $25 million innovative lead hazard demonstration program within HOME. We prefer the new lead hazard grant program that was funded in the fiscal year 2003 omnibus appropriations bill, aimed at communities with the highest lead hazard abatement needs, to the Administration's HOME set-aside. We support the Administration's proposal to fund housing counseling as a separate program, instead of as a set-aside under the program. We hope that this trend continues with other set-asides under HOME.

We greatly appreciate the increase of $111 million in formula funding for the program in fiscal year 2003. However, with the 2000 Census data, approximately 20 new participating jurisdictions will become eligible to receive HOME funds in fiscal year 2004, thereby eroding this increase in formula funding. We, therefore, urge you to fund the HOME program in fiscal year 2004 at a level of at least $2.25 billion in formula grants.

SECTION 108 AND BROWNFIELDS

We have serious concerns about the Administration's decision to zero out several important economic development tools in the fiscal year 2004 budget proposal, including the Section 108 loan guarantee program and the Brownfields Economic Development Initiative (BEDI) program. These programs fund much-needed investment in our communities, helping to create jobs and reclaim contaminated sites that can be made productive again. The Section 108 program provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. BEDI annually provides $25 million in grants to communities for brownfields projects focused on economic redevelopment. In its fiscal year 2004 budget, the Administration has proposed to shift all responsibility for the redevelopment of brownfields to the EPA. The EPA focuses on assessment and remediation of contaminated sites, not the redevelopment of the site, which is where HUD's expertise lies. We request that the BEDI program remain at HUD and that you follow the Administration's original proposal and fund BEDI at $50 million for fiscal year 2004. We ask you to fund Section 108 at its fiscal year 2003 level.

RENEWAL OF EXPIRING SECTION 8 RENT SUBSIDY CONTRACTS AND BLOCK-GRANTING OF SECTION 8

Mr. Chairman, we commend the Subcommittee and the Congress for fully funding all expiring tenant-based and project-based rent subsidy contracts in fiscal year 2003 as in previous years. We urge you to do the same this year. The need for affordable housing continues to grow as housing prices increase faster than wages for low-income Americans.

We note, too, that the Administration has proposed converting the Section 8 program into a block grant and turning program administration over to the states. We are strongly opposed to this proposal. The Section 8 voucher program is a highly cost-effective, market driven program. Though voucher utilization has become more difficult in recent years, a recent survey by leading public housing and private landlord groups shows that local Section 8 voucher administrators have adapted and utilization rates have gone up 6 percent in the last year. Moreover Section 8 is not only a successful means of providing decent, safe and affordable housing in its own right, but it is also an important lynchpin in supporting a wide variety of other housing programs such as homeless grants, HOPE VI and homeownership. We are also concerned that block granting will result in a reduction in the number of families for which the federal government will provide assistance. We do not believe that

building a larger state bureaucracy is the most effective means of moving Housing Choice Voucher funds to the citizens who need them. We urge the Congress to reject this proposal.

HOMELESS HOUSING FUNDING

Mr. Chairman, we support a funding level of $1.32 billion for homeless housing programs as proposed by the Bush Administration. We have been working with the authorizing committees to craft legislation converting the McKinney Act's homeless housing programs into a pure, formula-driven block grant program, like the CDBG and HOME block grant programs. In order for such a program to give sufficient funds to communities to carry out meaningful projects at the local level, it needs an appropriation of at least $1.3 billion. We support the existing Continuum of Care planning process and would recommend that this process be codified as part of the block grant. We also urge full funding of Shelter Plus Care contract renewals. We also support the Administration's proposed $50 million Samaritan Initiative. This initiative is intended to address the most pressing homeless issue—chronic homelessness—to be joined with $10 million from the Department of Health and Human Services and the Veteran's Administration to fund services, such drug abuse treatment and primary health care for this population.

LEAD HAZARD REDUCTION

According to HUD, approximately 25 million housing units have lead hazards. Of this number, 5.6 million house children under the age of six. At least 1.6 million of these units house low-income families with children under the age of six, the population most at-risk of elevated blood lead levels. This is a serious health problem that must be remedied.

Programs such as CDBG and HOME assist this population with their rehabilitation needs, but these funds can only go so far. We want to thank Congress for providing $50 million for a new lead hazard reduction program that will begin in fiscal year 2004. This program is the first step to providing funding to eradicate lead-based paint from the nation's housing; however, because of the cost of abatement of lead hazards, much more funding is needed. We urge Congress to provide $75 million for this program in fiscal year 2004, the same level as proposed initially by the Senate in fiscal year 2003. We also ask that Congress re-shape the program into a formula-allocated block grant to those areas that are most in need of the funds. A competition is too time-consuming for both grantees and HUD. It also doesn't provide the money to localities in a quick fashion.

PUBLIC HOUSING

We note that the President's budget proposes to zero out the HOPE VI demolition and replacement of severely distressed public housing program. We oppose this recommendation. The HOPE VI program eliminates distressed public housing and replaces it with mixed-income developments. It harnesses the private sector, working in partnership with public housing agencies. Since 1993, the $3.9 billion appropriates for this program has resulted in the demolition of some 54,000 units and another 45,000 are planned for demolition.

The fiscal year 2004 budget also proposes to fund the public housing operating program at $3.57 billion, down from the $3.6 billion appropriated in fiscal year 2003. However, the fiscal year 2003 appropriation had to make up for a $250 million shortfall from fiscal year 2002. This left a shortfall in fiscal year 2003 that will have to be made up in fiscal year 2004. We urge the Subcommittee to provide sufficient additional funding in fiscal year 2004 to solve the shortfall going forward. In addition, with the continued shortfall, there is no opportunity to use operating funds to fund the drug elimination efforts envisioned when that program was terminated two years ago.

ADMINISTRATION'S TAX FREE DIVIDEND PROPOSAL

Though the issue is not before this Subcommittee, we want to advise you of our deep concern over the unintended adverse impact of the Administration's tax-free dividend proposal on two key affordable housing resources—the Low-Income Housing Tax Credit and tax-exempt housing bonds. According to an analysis of the proposal by Ernst & Young, the dividend proposal, if enacted, would result in a loss of 40,000 units annually or 35 percent of the 115,000 currently produced. It would also add 25 to 50 basis points in additional borrowing costs to issuers of tax-exempt bonds, including housing bonds. This is a serious loss of critical housing units at a time of growing needs of households with worst-case housing needs—paying more

than 50 percent of their income for rent or living in substandard housing. We are working with the tax-writing committees to protect the tax credit and bonds from the unintended impact of the proposal as it works its way through the legislative process. We urge the Subcommittee to join us in that effort.

FAITH BASED PROPOSED RULE

The HUD programs administered by local governments have enjoyed a long and wonderful partnership with faith-based entities across the nation. Without the support of these and other non-profit groups, the meals on wheels programs, community center activities, day care and other much needed services would not be part of the daily lives of many of our citizens. HUD's proposed faith-based rule implies that these great partnerships between cities and their faith-based community—that have come to be common place—need federal intervention to ensure greater success. The locally elected officials and the community development and housing practitioners that administer HUD programs want you to know that we greatly support faith-based groups working with us in our communities and that there is no additional incentive required to strengthen the powerful relationships that currently exit.

CONCLUSION

Mr. Chairman, local government officials believe that a strong Federal role in housing and community development programs must continue. Since the Housing Act of 1937, Congress has enunciated, and repeated in subsequent housing acts, that, as a matter of national policy, the Federal government has an obligation to assist states and local governments in providing decent, safe and sanitary housing for lower income households. Perhaps, Congress said it best in a "Declaration of National Housing Policy" included in Section 2 of the Housing Act of 1949:

"The Congress hereby declares that the general welfare and security of the nation, and the health and living standards of its people, require housing production and related community development sufficient to remedy the serious housing shortage, the elimination of substandard and other inadequate housing through the clearance of slums and blighted areas, and the realization as soon as feasible, of the goal of a decent home and suitable living environment for every American family.

We submit to you that, while progress has been made toward this goal, it has not been fully achieved. The Federal government must continue its commitment to this National Housing Policy, backed by the necessary resources with which to continue the battle against neighborhood deterioration and a decaying housing stock."

Mr. Chairman, we look forward to working with you and the Subcommittee in adequately funding HUD's Housing and Community Development Programs for fiscal year 2004. Thank you.

PREPARED STATEMENT OF THE AMERICAN LEGION

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to submit testimony reflecting the views of the 2.8 million members of The American Legion regarding the Department of Veterans Affairs' (VA) fiscal year 2004 budget request. As veterans' advocates, it is our job to ensure that VA is funded at a level that is adequate to fulfill the mandate "to care for him who has borne the battle, his widow and his orphan."

On April 11, the House and Senate passed the budget resolution which lays out the funding levels for the appropriations of the federal government and it's agencies. Included in this resolution is an understanding that the VA mandatory levels (Compensation and benefit programs) will not be subject to budget offsets in fiscal year 2004. The Senate and House agreed to set the funding level for VA at $63.8 billion in budget authority. The Conference also agreed to provide within that level $30 billion for discretionary spending for fiscal year 2004. This is a $3.5 billion increase from the levels appropriated for 2003, but is slightly less than the Administration's budget request.

The American Legion is adamant that VA is provided full funding at these levels. In the wake of Operation Iraqi Freedom it is clear that VA will have a vital role in providing health care and transitioning programs to our returning service members. The ability of the VA to provide these necessary and earned benefits and programs will be incumbent on the funding provided by Congress.

For over a decade, The American Legion has advocated allowing veterans to spend their health care dollars on the health care system of their choice. The American Legion believes the Veterans Health Administration (VHA) can efficiently expand to

meet the health care needs of the men and women who have honorably served this nation in its armed forces—in war and in peace.

The American Legion believes the level of funding proposed in the fiscal year 2004 budget request may meet the President's goals, but will lead to over 1.2 millions veterans leaving the system. The American Legion also has reservations about the budgetary impact on other aspects of VA operations, to include the Veterans Benefit Administration (VBA).

MEDICAL CARE

The American Legion recommends $24.5 million for direct medical care in fiscal year 2004; however, strongly recommend to add, rather than offset, MCCF and authorize VA to bill, collect, and retain third-party reimbursements from the nation's largest health insurance program—Medicare—for the treatment on nonservice-connected medical conditions on a fee-for-service basis.

VA's integrated health care delivery system is not only the largest health care provider in the nation, but it has established itself as a formidable leader in the health care industry. Veterans receive quality health care and are choosing VA as their health care provider in record numbers. VA is currently struggling to meet their needs and, with VA's proposed fiscal year 2004 budget, it will continue to struggle.

The President's fiscal year 2004 budget request introduces several proposals to generate increased revenues from the pockets of veterans through an enrollment fee, copayments and third-party reimbursements. According to VA, these proposals will reduce the resource demand by $1.3 billion collectively and hopefully encourage 1.2 million veterans to leave the system. The budget request also seeks management savings of over $1.1 billion. This adds up to a $2.4 billion offset to the requested $25.4 billion budget for medical care.

The American Legion is concerned with several of the budget proposals:

—*Limit enrollment.*—VA proposes to continue the suspension of enrollment of new Priority 8 veterans. These veterans have incomes above $24,644 for a single veteran and above the Housing and Urban Development (HUD) geographic means test level, to include noncompensable, 0 percent service-connected veterans. Although these service-connected veterans may seek health care for their service-connected disability, they are prohibited from enrolling for treatment of or prescriptions for any nonservice-connected medical conditions.

The American Legion continues to disagree with this recent decision. We believe denying veterans access to VA health care, particularly while we prepare to go to war, is unacceptable. Many recently separated veterans would fall into this Priority Group. By denying health care to Priority Group 8 veterans, VA is sending the message that these veterans are not welcomed, even if they have the expendable income or private health insurance coverage that VA can bill for the cost of their nonservice-connected medical treatment. In some cases, a simple "zip code" is the difference between being listed as a Priority Group 7 or 8—not their honorable military service.

In order for more veterans to access VA health care, additional revenue streams must be generated to supplement the discretionary funding. The American Legion strongly advocates Congress authorize VA to bill, collect, and retain third-party reimbursements from CMS for treatment of Medicare-allowable, nonservice-connected medical conditions of Medicare-eligible veterans. Since Medicare is a Federally mandated, pre-paid health insurance program, The American Legion believes Medicare-eligible veterans should be allowed to choose their health care provider.

—*Assess an annual enrollment fee.*—VA proposes a $250 annual enrollment fee for non-service-connected (NSC) Priority 7 veterans and all Priority 8 veterans. Priority 7 veterans have incomes above $24,644 for a single veteran and below the HUD geographic means test level, to include noncompensable, 0 percent service-connected disabled veterans. This annual enrollment fee would apply even if the veteran has third-party health insurance that reimburses VA for the treatment of nonservice-connected medical conditions. This annual enrollment fee would apply even if the veteran were willing to make copayments for treatment of nonservice-connected medical conditions, pharmacy, and specialized care (like long-term care). However, this annual enrollment fee does not guarantee timely access to quality health care. According to President Bush and Secretary Principi, these veterans are their primary focus.

The American Legion cannot support this proposal because it is designed to discourage the enrollment of veterans based solely on their income and not their honorable military service. Furthermore, it does not guarantee these veterans

timely access to quality health care. There are Priority Group 7 and 8 veterans with military awards and decorations for wartime service that, for the grace of God, were not seriously wounded.

The American Legion would urge Congress to reject this proposal just as it did the Administration's plan last year to charge Priority Group 7 veterans a $1,500 deductible.

—*Change the veteran's share of outpatient and pharmacy copayments.*—This proposal entails reducing the pharmacy copayment burden for Priority 2–5 veterans, while increasing Priority 7 and 8 pharmacy copayments from $7 to $15. It also increases outpatient primary care copayments from $15 to $20 for all Priority 7 and 8 veterans.

While The American Legion applauds the reduction of the pharmacy copayment for veterans in Priority Groups 2–5, the recent increase in copayments from $2 to $7 was accompanied by a decrease in the outpatient copayment from $50 to $15. The American Legion would rather VA seek reimbursements from CMS for all enrolled Medicare-eligible veterans being treated for nonservice-connected medical conditions, before trying to balance the budget on the backs of Priority Groups 7 and 8 veterans.

—*Require reimbursement for services provided to health maintenance organization and preferred provider organization members.*—This proposal seeks to establish VA as a preferred provider for members of Health Maintenance Organizations (HMOs) and Preferred Provider Organizations (PPOs) and would obligate these organizations to reimburse VA for health care provided to their members.

The American Legion believes this change would help VA increase third-party reimbursements. The fact that VA currently cannot bill HMOs and PPOs is unfair considering VA treats many veterans who belong to these organizations. The American Legion would welcome this change; however, it seem odd to mandate private sector insurance plans to recognize VA as a preferred provider and not mandate CMS to recognize VA as a Medicare provider, especially since VA meets or exceeds most of CMS' own quality performance standards. If CMS' goal is to provide its beneficiaries with the best quality health care, VA should be a recognized Medicare provider. In fact, CMS Director Scully claimed before the Presidential Task Force To Improve Health Care Delivery for Our Nation's Veterans (PTF) that he encourages veterans to go to VA rather than private health care providers.

—*Change the institutional long-term care services provided to veterans.*—This proposal would allow non-institutional, as well as institutional workload, in community and State Home Nursing programs along with VA Nursing to count toward the 1998 capacity level. VA would supposedly expand their total long-term care capacity by increasing non-institutional long-term care.

The American Legion believes the proposal will further stagnate long-term care services. The passage of the Veterans Millennium Health Care and Benefits Act (Public Law 106–117) on November 30, 1999, was the first step toward ensuring a comprehensive long-term care plan for veterans. The American Legion fully supported this insightful decision by Congress, especially with the aging veterans' population. It required the VA to bring the census back to 1998 levels. So far they have failed to do that. VA has the authority to establish copayments for nonservice-connected veterans in need of long-term care—a time in their lives when they and their families desperately need help from VA. The President and the Secretary want to reduce the number of long-term care beds without any recommendations from the PTF or the Capital Assets Realignment for Enhanced Services (CARES). In fact, the CARES process is currently not addressing either long-term care or mental health inpatient needs. The "market plans" currently being developed by each VISN will not be including institutionalized care involving long-term care or mental health. The American Legion cannot accept this recommendation.

MEDICAL AND PROSTHETIC RESEARCH

The American Legion recommends $445 million for medical and prosthetic research in fiscal year 2004.

Two of the biggest challenges facing VA's Medical and Prosthetic Research Program are facility infrastructure and recruitment and retention. Like the rest of VHA's buildings, research facilities are in desperate need of repair. They have been neglected over the years due to budgetary constraints. Currently, R&D have nearly 30 facilities in varying states of disrepair. The condition of these facilities impacts the recruitment and retention of qualified researchers. The ability to maintain a state-of-the-art facility is vital to retaining talented and motivated researchers.

The accomplishments of the VA research program cannot be overstated. The program has been recognized both nationally and internationally for its efforts toward the betterment of veterans' lives and advances in their health care. Without proper funding the program cannot possibly maintain its current level of success. The American Legion believes VA's budget request for $408 million is inadequate.

MEDICAL CONSTRUCTION AND INFRASTRUCTURE SUPPORT

MAJOR & MINOR CONSTRUCTION

The American Legion recommends $320 million for major construction and $240 million for minor construction to make a combined total of $560 million.

Year after year, needed major and minor construction projects are not funded, because the money is just not there. A 1998 study conducted by Price-Waterhouse recommended that VA fund 2 percent to 4 percent of Plant Replacement Value (PRV) per year and to reinvest in new facilities to replace aging facilities. The conclusion of this analysis was that VA's reinvestment rate of .84 percent was significantly lower than the benchmark of 2 percent. That equates to hundreds of millions of dollars that conceivably could be used for major construction projects. Private consultants have been warning for years that dozens of VA patient buildings were at the highest level of risk for earthquake damage or collapse, yet funding continues to be woefully short of what is actually needed to correct this problem. The President's budget request of $422 million falls well short of funds needed to ensure the safety of the nation's veterans.

GRANTS FOR THE CONSTRUCTION OF STATE EXTENDED CARE FACILITIES

The American Legion recommends funding of $115 million for this program.

The State Veterans Home Program is an important adjunct to VA's own nursing, hospital and domiciliary programs. The American Legion believes it must continue, and even expand, its role as an extremely vital asset to VA. This program has proven to be a cost-effective provider of quality care to many of the nation's veterans.

The American Legion recognizes the growing long-term health care needs of older veterans and would like to reemphasize the essential service that the State Veterans' Home Program provides to these veterans. The program is a viable and important alternative health care provider to the VA system.

NATIONAL CEMETERY ADMINISTRATION (NCA)

The American Legion recommends $150 million for the National Cemetery Administration in fiscal year 2004.

The National Cemetery Administration (NCA) honors veterans with a final resting-place and lasting memorials that commemorate their service to the nation. More than two million Americans, including veterans of every war and conflict—from the Revolutionary War to the Gulf War—are honored by burial in VA's national cemeteries. Nearly 14,000 acres of land are devoted to this formidable mission.

The Veterans' Millennium Health Care and Benefits Act (Public Law 106–117) required NCA to establish six new National Cemeteries. Fort Sill opened in 2001 under the fast-track program, while the remaining five, Atlanta, Detroit, South Florida, Pittsburgh, and Sacramento are in various stages of completion.

Maintaining cemeteries as national shrines is one of NCA's top priorities. This commitment involves renovating gravesites by raising, realigning and cleaning headstones and markers. The work that has been done so far has been outstanding however, adequate funding is key to maintaining this very important commitment.

STATE CEMETERY GRANTS PROGRAM

The American Legion recommends $37 million for the State Cemetery Grants Program in fiscal year 2004.

The State Veterans Cemetery Grant Program continues to be a very popular and much needed program administered by VA. This program was designed to assist states in providing gravesites for veterans where NCA is unable to do so. This program is not intended to replace National Cemeteries, but to complement them. Grants for state-owned and operated cemeteries can be used to establish, expand and improve on existing cemeteries.

The State Cemeteries accommodated over 15,000 burials in fiscal year 2001. In light of the aging veteran population and with deaths expected to peak at 687,000 in 2006, it is necessary that this program remain viable. Now is the time to ensure that funding is commensurate with the mission of the program.

VETERANS BENEFITS ADMINISTRATION

The American Legion is gravely concerned by the proposed straight line staffing request for the Veterans Benefits Administration's (VBA) Compensation and Pension Service and for the Board of Veterans Appeals. There are long-term workload demands associated with the current backlog of pending claims that will extend well into fiscal year 2004. VBA acknowledges there will also be a continued influx of new and reopened claims, based on the enactment of expanded benefit entitlements by the 107th Congress, including the Combat Related Special Compensation Pay Program, an expectation of additional presumptive diseases, and recent precedent decisions of the courts.

Despite assertions of improved quality decision making, the number of appeals being filed continues to increase as does the number of appeals requiring further development either by the regional offices or the Board of Veterans Appeals. The American Legion believes these organizations will require additional personnel, if they are to achieve the ambitious service improvement goals promised the nation's veterans and their families in this budget request.

VETERANS BENEFITS ADMINISTRATION LEGISLATIVE INITIATIVES

VBA's net mandatory funding request reflects the enactment of several legislative proposals. These include:

—A two-percent COLA in compensation benefits. The American Legion supports an annual cost-of-living adjustment in disability compensation and DIC benefits.

—Legislation to overturn the decision of U.S. Court of Appeals for the Federal Circuit in Allen v. Principi, which held that VA must pay compensation for alcohol or drug-abuse disabilities, if they are secondary to a service-connected disability. The American Legion is opposed to any effort to eliminate or restrict a veteran's right to compensation for any disability or disabilities that are determined to be secondary to or a manifestation of the service connected disability. VA is responsible for administering the law not making moral judgment concerning what is or is not misconduct, as it did with the issue of tobacco-related illnesses. Such legislation would be an effort to punish certain disabled veterans for their service-related problems.

—Legislation to pay the full rate of compensation to certain Filipino veterans and their survivors. The American Legion continues to support this change in the law to recognize the military service performed by these veterans during World War II.

—Legislation to extend the operations of the Manila VA Regional Office for an additional five years. The American Legion favors the VA's continued presence in the Philippines, in order to provide timely service to these veterans and their families.

—Amend the law to extend the time limit for education benefits for members of the National Guard. Because the National Guard is now such an integral part of the armed forces, The American Legion believes this will be a much needed change in the law.

—Amendment of the Montgomery GI Bill to provide for on-the-job training for certain self-employment training programs. This will assist veterans in taking advantage of additional training through self-employment training programs.

—Legislation authorizing the extension of the Education Advisory Committee.

—Terminate the Education Loan Program. If this program were, in fact, not being utilized as it was originally intended, The American Legion would not object to its termination.

—Convert the Homeless Veterans Guaranteed Transitional Housing Loan Program to grant program. The American Legion has been a strong supporter of the Homeless Veteran Transitional Housing Program. The American Legion would have no objection to making it into a grant rather than a loan guaranty program.

—Elimination of the 45-day rule for Death Pension. The American Legion has sought the elimination of this restriction, since enactment of OBRA 90.

—Authorize entitlement to government grave marker or headstone for a veteran's marked or unmarked grave, effective from November 1, 1990. This will enable the families of thousands of deceased veterans to obtain a government marker or headstone to reflect their honorable service to the nation.

—Authorize the payment of the burial plot allowance to state veterans' cemeteries. The American Legion has long favored this additional support for the State Veterans Cemetery Program.

Under the new budget format, the request for VBA provides for a total of $33.7 billion in mandatory funding for compensation, pension, education, vocational rehabilitation, and other benefit entitlements. Within this total, $26.3 billion will be required for the compensation program, $3.3 billion for the pension program, $1.9 billion for education, and $2.4 billion for the other veterans benefit programs. This represents an overall increase of $9.8 billion, over fiscal year 2003. Compensation benefits will increase by $1.8 billion reflecting the proposed two-percent COLA, additional benefit payments as a result of Allen v. Principi, an increase in diabetes cases, and increases in the net caseload and benefit payments.

Discretionary funding for VBA's nine business lines totals $1.2 billion. While it provides for an additional 17 FTE for the Education Program, which is much needed, The American Legion is deeply disturbed by the lack of any increase in staffing for compensation programs. We believe this will constrain VBA's ability to address the many challenges emerging in fiscal year 2003, which will have profound budgetary and operational implications for the fiscal year 2004 budget.

Given the varied issues that VBA is faced with, it is imperative that Congress critically evaluate the level of discretionary funding requested and whether this will enable the regional offices to operate efficiently and provide timely, quality service that this nation's veterans expect and deserve. Individuals currently on active duty must also be assured that VA will not only be ready and willing to assist them, but have physical capacity to provide them the timely, quality service they expect and deserve, without compromising current operations or benefits programs.

Over the course of fiscal year 2002 and fiscal year 2003, VBA has been able to make substantial progress toward realizing Secretary Principi's goal of a pending case backlog of 250,000 cases with an average processing time of 100 days by the end of September 2003. In March 2002, the regional office backlog peaked with over 423,000 pending cases requiring rating action. 40 percent of these cases were over six months old. There were also 147,000 case requiring some other type of action. Only 12 percent were six months or older. In addition, there were approximately 107,000 cases in appellate status. Of these, over 20 percent were cases that had been remanded by the Board of Veterans Appeals for further required development and readjudication. In human terms, there were over 670,000 claimants waiting and waiting for action on their case. Those with remanded appeals would have been waiting two to three years or longer.

According to VA data, by January 2003, the number of cases awaiting rating action had been reduced to 330,300 with only 32 percent older than six months and the number of cases requiring some other type of action was down to 81,500 but over 28 percent were older than six months. However, the number of cases in appellate status had grown to over 122,000. These statistics give a false impression of improvement. The drop in the claims backlog has been achieved largely at the expense of those whose claims were on appeal at the regional offices. VBA's efforts and resources were focused almost exclusively on pending claims, while appeals, including remands, were virtually ignored, since there was no work credit toward the station's production goals. In response to The American Legion's criticism concerning the lack of action on appeals and the hardship imposed on disabled veterans, regional offices have, within the last several months, begun to address their appellate workload and pending remands, in particular.

The backlog of claims and appeals are, in our view, a symptom of unresolved systemic problems that have for years adversely affected the claims adjudication and appeals process. These problems include frequent decision-making errors, lack of compliance with the VCAA's notice and development requirements, the absence of personal accountability, ineffective quality control and quality assurance, and inadequate training. The current work measurement system does not provide reliable, accurate data upon which to assess VBA's real resource needs. VBA is faced with a serious dilemma. While endeavoring to address these thorny quality-related issues, the regional offices are, at the same time, aggressively trying to process claims faster. From the results, it appears they still have not found a way to successfully balance these competing priorities. The American Legion remains concerned by the effects of VBA's emphasis on production rather than quality decision making, i.e., ensuring full and complete development with a decision that is fair and proper—the first time. This results in cases continuing to churn through the system, for the sake of an artificial goal.

The straight line staffing level requested for fiscal year 2004 is based on the assumption that, with the realization of the Secretary's backlog reduction goal, VBA would be able to more effectively address the many quality-related problems as well other long-outstanding issues. Given past performance, The American Legion believes this is an unrealistic strategy and will not afford VBA the flexibility to cope with current workload demands, let alone some unanticipated contingency.

The American Legion believes that an increase in staffing in the compensation and pension programs for fiscal year 2004 is both prudent and necessary. This reflects the increasingly complex nature of the claims and appeals process, the volume of additional work anticipated in fiscal year 2003–2004, and the ongoing need to rebuild the core adjudication staff to replace the increasing number of experienced decision makers who are retiring within the next one to two years.

APPEALS

Staffing at the Board of Veterans Appeals in fiscal year 2004 will decrease by 3 FTE from the fiscal year 2003 level to 184 FTE. The proposed reduction in personnel is predicated on the expected lower volume of incoming new appeals and returning remands. However, given the number of appeals currently in the system and regional offices' continuing quality problems, The American Legion is concerned that the Board's new Development Program will require additional support both from the Board and from the C&P Service.

Beginning in February 2002, the BVA was given the authority to further develop appeal cases rather than remanding them to the regional office. 15 FTE were assigned to this unit. By the end of fiscal year 2002, of the 17,231 appeals decided, the Board had remanded 3,328 or 19 percent. This figure is somewhat misleading, since, in addition to the regular remands, the Board has undertaken development of over 9,000 cases that would have previously required a remand back to the regional office for further needed development and readjudication. Staffing for this unit is 32 FTE. The goal of the program is to ensure greater attention to full due process and quality decision-making, while providing claimants more timely action on the appeal. However, without a substantial improvement in the quality of regional office decisions, the BVA will have to assume more and more of the regional office's development and adjudication workload, which will require additional staffing resources.

The American Legion is concerned that regional office's focus on speed and production versus quality and propriety is directly contributing to the growth of the appellate backlog, which now tops 123,000 appeals. Each of these cases represents a veteran or a veteran's family who, after many months of waiting, is very dissatisfied with the decision they received on their claim for disability or death benefits. They will wait many more months before their case gets before the Board. In 2002, the average appeals resolution time was 731 days. This is projected to improve to 590 days in fiscal year 2003 and to 520 days in fiscal year 2004.

EDUCATION

The American Legion commends the increased-funding request for educational programs and support staff for the fiscal year 2004 budget. The American Legion deeply appreciates Congress' attempts to provide for a stronger Montgomery GI Bill, (Chapter 30) including an increase in the monthly entitlement rate for active duty members from $900 to $985. However, due to the increased use of Reservists for homeland security and various overseas commitments around the world, there needs to be a significant increase in their monthly entitlement rates that are currently below $300 a month.

The American Legion also acknowledges the proposed increase in benefits to children and spouses of veterans who died of a service-connected disability or whose service-connected total disability is rated permanent, under Chapter 35 of title 38, United States Code. Having a stronger dependent/survivor educational benefit program is necessary to provide the nation with the caliber of individuals needed in today's all volunteer Armed Forces. Without providing incentives, the military of the 21st century will be hard pressed to carry out its mission.

VOCATIONAL REHABILITATION AND EMPLOYMENT

The American Legion is pleased with the funding level requested for the Vocational Rehabilitation and Employment program in fiscal year 2004. The American Legion has always been a strong supporter of the services this program provides eligible service-disabled veterans. The training and education assist disabled veterans in becoming employable and helps them obtain and maintain suitable employment. The American Legion is pleased by the emphasis placed on the new Employment Specialist position as a means of redirecting the program toward the veteran's employment. During this time of economic uncertainty, meaningful employment should never be denied to veterans, especially those with a service-connected disabling condition.

CONCLUSION

Mr. Chairman and Members of the Subcommittee, The American Legion has outlined many issues in this testimony today. We believe all of these issues are important and we are fully committed to working with each of you to ensure that America's veterans receive the entitlements they have earned. Whether it is improved accessibility to health care, timely adjudication of disability claims, improved educational benefits or employment services, each and every aspect of these programs touches veterans from every generation. Together we can ensure that these programs remain productive, viable options for the men and women who have chosen to answer the nation's call to arms.

Thank you for allowing The American Legion the opportunity to submit testimony.

PREPARED STATEMENT OF THE AMERICAN SOCIETY OF MECHANICAL ENGINEERS INTERNATIONAL

NATIONAL SCIENCE FOUNDATION

The National Science Foundation (NSF) Task Force of the Council on Education of the American Society of Mechanical Engineers (ASME International) is pleased to provide comments on the NSF fiscal year 2004 budget request. This portion of the statement represents the views of the NSF Task Force, an interdisciplinary committee of the Council on Education and is not necessarily a position of ASME International as a whole.

ASME International is a worldwide engineering society focused on technical, educational and research issues. It conducts one of the world's largest technical publishing operations, holds some 30 technical conferences and 200 professional development courses each year, and sets many industry and manufacturing standards.

OVERVIEW

The National Science Foundation plays a critical leadership role in directing the nation's non-defense related scientific and engineering research. Through thoughtful and visionary planning, NSF has greatly contributed to the technological superiority that the United States enjoys today. ASME shares NSF's broad-based, cross-cutting vision for basic engineering and scientific research. As such, ASME strongly endorses the Foundation and its efforts to continually improve and expand the "innovative ideas, outstanding people, and cutting-edge tools" that comprise the nation's technological and scientific infrastructure.

The Budget Request for fiscal year 2004 represents a 9.0 percent increase over the fiscal year 2003 Budget Request, but only 3.2 percent over the recent fiscal year 2003 Appropriation. Within this request, funding for the Engineering Directorate would increase to $537 million. NSF continues to include funding for major initiatives or Priority Areas in its budget request. The five standing major initiatives will increase. Information Technology Research will increase to $303 million. Nanoscale Science and Engineering will be raised to $249 million. Increases for Biocomplexity in the Environment to $100 million, Mathematical Sciences to $89 million and for Human and Social Dynamics to $24 million have also been requested. In addition, NSF has identified a new thrust area for fiscal year 2004 called Workforce for the 21st Century for which $9 million in funds have been requested. Though not specifically identified as such, the Math and Science Partnerships (MSP) is essentially a seventh initiative area. This program began in fiscal year 2002 as part of President Bush's No Child Left Behind paradigm for K–12 math and science education.

TABLE 1

[Dollars in millions]

	NSF Agency Wide			Engineering (ENG)		
	Fiscal Year 2003 Request	Fiscal Year 2004 Request	Percent Change	Fiscal Year 2003 Request	Fiscal Year 2004 Request	Percent Change
Total Budget	$5,028.22	$5,481.20	9.0	$487.98	$536.57	10.0
Salaries and Expenses	202.95	225.70	11.2	(1)	(1)	(1)
Inspector General	7.70	8.77	13.9	(1)	(1)	(1)
Administration/Management	.....	.....	.....	6.47	6.90	6.6
Total Program Budget	4,818.02	5,246.73	8.9	481.51	529.67	10.0

TABLE 1—Continued

[Dollars in millions]

	NSF Agency Wide			Engineering (ENG)		
	Fiscal Year 2003 Request	Fiscal Year 2004 Request	Percent Change	Fiscal Year 2003 Request	Fiscal Year 2004 Request	Percent Change
Info. Technology Research	285.83	302.61	5.9	11.17	11.17	0.0
Nanoscale Science & Eng.	221.25	248.99	12.5	94.35	106.85	13.2
Biocomplexity in the Envir.	79.20	99.83	26.0	6.00	6.00	0.0
Mathematical Sciences	60.09	89.09	48.3	0.91	2.91	219.8
Human & Social Dynamics	10.00	24.25	142.5	.....	2.00	(1)
Workforce 21st Century	(1)	8.50	(1)	(1)	.....	(1)
SBIR	.....	.....	.....	83.65	101.15	20.9
Remaining Funds	4,161.65	4,473.46	7.5	285.43	299.59	5.0

NSF Budget overview with and without the initiative areas. Comparisons include both agency-wide and the Engineering Directorate.

[1] Not applicable.

Comparing the fiscal year 2004 Budget Request with fiscal year 2003 is somewhat problematic given the late passage of fiscal year 2003 appropriations covering NSF. For example, the overall 9 percent increase over the fiscal year 2003 Budget Request appears positive and consistent with Congress's goal of doubling NSF's budget in five years beginning with fiscal year 2004. However, the current request is only 3.2 percent more that the recently passed fiscal year 2003 appropriation. For this analysis, comparisons will be made between the fiscal year 2003 and fiscal year 2004 Budget Requests. It is important to note, however, that questions of balance (i.e. balance across the nation's science and technology research and development portfolio, balance between initiative driven research and core programs within NSF, and finally, balance between NSF's traditional basic research mission and its new math and science education mission) are much more critical when one considers a 3.2 percent increase versus a 9 percent increase.

THE TASK FORCE POSITION

The NSF Task Force of ASME's Council on Education continues its strong endorsement of NSF's leadership role in guiding the nation's basic research and development activities. Throughout its existence, NSF has built an outstanding record of supporting a broad spectrum of research of the highest quality, from "curiosity-driven" science to focused initiatives. This record has been made possible only through strict adherence to the independent peer review process. ASME recognizes the importance and timeliness of NSF's initiative areas that address major national needs for the 21st century. However, as will be discussed in the next section, it is not clear that an optimum balance has been achieved.

There are a number of particularly positive items in the fiscal year 2004 Budget Request, beginning with the planned increase in the size of graduate fellowship stipends. Ensuring a continuous stream of well-educated, highly qualified research scientists into leadership positions is critical to the survival and growth of the nation. In this respect, ASME strongly endorses NSF's planned increase in stipends for graduate fellows from $25,000 to $30,000. Making fellowship stipends attractive to the nation's best and brightest students is certainly a positive step. This serves to enhance the nation's pool of science and engineering educators and leaders.

The increase in numbers of graduate fellowships is also especially positive. In comparison to the fiscal year 2003 Budget Request, it appears that, in addition to the 20 percent increase in stipends, there will be a concomitant ~10 percent increase in the number of Fellows supported in fiscal year 2004. NSF is the only federal agency directly chartered to educate graduate students for research and development careers. It is therefore imperative that this be a major priority area in perpetuity. It is interesting to note however that $89.4 million is requested for the Graduate Research Fellowship (GRF) program to support 2,200 students in fiscal year 2004 while $42.5 million for the GK–12 Fellowship program will support less than 900 students. It is not clear that the GK12 program has sufficient "value added" to justify its higher cost per student. Nor is it clear that the correct balance between types of graduate fellowships has been struck. It is critically important that education-based programs do not jeopardize the nation's world leadership in basic research.

In general, the Task Force also supports and applauds activities within ENG. NSF's vision of a committed balance between people, ideas and tools is exemplified

within ENG. It is important to recognize that fundamental sciences and engineering funded by NSF quite frequently spawns next generation technologies. Examples of successes emerging from ENG include development of an artificial retina and a biocapsule for insulin delivery. ENG is also funding work on "pico-newtons", microscopic chains for magnetized particles that may be precursors of materials that will protect buildings from earthquakes.

ASME has strongly supported the nanotechnology initiative since its inception as an NSF emphasis area in fiscal year 2000. In the past three years, funding for this initiative has grown substantially. With a growing record of research and development successes, the transitioning of nano-science and engineering into commercially viable technologies is becoming a pressing challenge for nano-science and engineering. For this reason, it is important that multi-institutional tools be developed in the near term in which access, maintenance and staffing issues have been resolved.

Finally, ASME continues to endorse NSF's participation in K–12 math, science and engineering education initiatives consistent with the agency's broader mandate to lead the nation's research and development enterprise. Most notably, NSF has again included $200 million in its fiscal year 2004 budget request for the Math and Sciences Partnership (MSP) program. The goal of MSP is coupling K–12 and higher education STEM education into a single integrated effort by encouraging universities to adopt STEM into their core missions.

In this technological age, providing the highest quality math, science and technology education to all children should be a national imperative. The Task Force applauds President Bush's No Child Left Behind policy and NSF's role. However, the Task Force cautions that a proper balance' must be struck to preserve the integrity of NSF's fundamental research and development mission.

QUESTIONS AND CONCERNS

Continuing with central themes raised in previous years, the Task Force's key questions and concerns arising from the fiscal year 2004 budget request center on matters of balance. In particular, ASME is concerned with:

—the gross funding imbalance in the federal R&D portfolio,

—inadequate funding levels for existing grants,

—insufficient support for core engineering programs at NSF.

The overall imbalance in the federal R&D portfolio remains a major concern to ASME. The requested funding for NIH this year is almost half of the total non-defense R&D request. Focusing purely on health issues while the nation faces threats from dwindling energy supplies, aging infrastructure and geopolitical instability, to name but a few, is entirely inconsistent with a balanced leadership plan. Even the health science community is concerned that insufficient technology development in related fields may be the greatest impediment to major medical breakthroughs. Failure to adequately support broad, cross-cutting fundamental research inherent to most NSF programs continues to undermine the long-term health and vitality of the nation. As noted earlier, this is particularly nettlesome when considering that the fiscal year 2004 NSF Budget Request actually represents only a 3.2 percent increase over fiscal year 2003 appropriations.

NSF has had considerable success to date in stretching its funds to bridge (i.e. mask) imbalances in the federal R&D portfolio. Indeed, NSF richly deserves the governmental acclaim it has received for its efficiency and impact in managing basic research and development. However, this efficiency is coming at the expense of quality research. The projected median research award size for fiscal year 2004 is estimated to be $90,890 per year for three years. This is in general sufficient to support one graduate student and a senior investigator with only a limited amount remaining to actually conduct the research. An extended period of constant grant sizes has eroded buying power and the ability to adequately support professional development. Further, forming small teams (2–3 senior investigators) to pursue and define major initiative areas, often in interdisciplinary areas, is equally difficult. Thus to truly advance the frontiers of science and technology, significant increases must be made not only to the number of grants, but to the size of each grant as well. By way of reference, NIH's projections for the average size of new competitive research project grants (RPGs) in fiscal year 2004 are $358,300 per year with an average project duration of 3.8 years.

Maintaining a fundamental knowledge base is essential for intelligent and effective response to rapidly evolving technological challenges facing the nation. Current world events, including the heightened awareness of homeland security needs, highlight the impossibility of predicting what scientific and engineering disciplines will be needed in response to future technology challenges. Meeting those needs will

often come from applying state-of-the-art fundamental science and engineering knowledge in new and innovative ways.

However, the record on funding core programs over the past few years has not been strong. Over the past five years, increases in funding for initiative areas have outstripped growth in core programs. That this trend will continue into fiscal year 2004 can be seen in Table I, where requested NSF funding across the entire agency and within ENG are compared with and without funding for the initiative areas. One can clearly see that funding for initiative areas (including the SBIR program) within ENG constitute a full 44 percent of the budget request for ENG. The increase for initiatives exceeds 17 percent. By comparison, Table I shows that funding for the rest of ENG, which will be considered as core programs, will only increase by 5 percent.

A specific example of the unbalanced emphasis on initiative driven activity is the Chemical and Transport Systems (CTS) Subactivity in ENG. The total request for CTS in fiscal year 2004 is $66.2 million representing a $7.26 million or 12.3 percent increase relative to the fiscal year 2003 Budget Request. If one subtracts increases for the initiative programs, totaling $4.88 million, and $4.0 million transferred into ENG "for a new Science and Technology Center (STC) on New Materials for Water Purification", there will be a net decrease of $1.62 million in funds available for core CTS research programs. This is particularly noteworthy because funding for initiatives and the STC will total $36.1 million in fiscal year 2004, over 54 percent of the CTS request.

This discussion, of course, is exacerbated in light of the recent fiscal year 2003 appropriations bill effectively reducing the total requested increase for fiscal year 2004 to 3.2 percent. Continued focus on initiatives at the cost of maintaining a balanced science and technology knowledge base may have unforeseen negative impacts in the future. The issues of balance raised in this statement need to be seriously considered.

SUMMARY

The Task Force continues its enthusiastic support for the National Science Foundation and its leadership in articulating the nation's basic research and development vision. In fiscal year 2004, NSF has requested funding to expand major, cross cutting initiatives addressing pivotal technological issues facing the nation. This includes the nanotechnology initiative strongly endorsed by ASME. Expansion of the graduate fellows programs coupled with increases in stipend levels reinforces NSF's commitment to graduate education (i.e. developing people). The focus on developing people and ideas in general is certainly reflected throughout the ENG directorate's budget request as well. The challenge for this year appears to be maintaining a healthy balance between maintaining world R&D leadership and incorporating K–12 math, science and engineering education and between supporting core programs and expanding key initiatives.

There is great concern over the growing imbalance between life sciences funding and the rest of the nations research and development portfolio. Crises, such as those occurring in the gasoline and power production industries, reflect long term failure to value and support core research focused at advancing the nation's technological infrastructure. In addition, recent events strongly underscore the fact that it is impossible to know what part of the science and technology base will be needed on short notice to respond to rapidly developing opportunities or crises. The current budget plan does not appear to permit NSF to meet key fiscal year 2004 Performance Goals (i.e. Goals III–1 and III–2). Increasing the number and size of its awards with enable NSF to better position itself to fulfill its leadership responsibility in directing the nation's research and development activities.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

The ASME Aerospace Division would like to thank you for this opportunity to comment on the National Aeronautics and Space Administration's fiscal year 2004 budget request. Our statement will specifically address the nation's critical aeronautics research and development programs. This portion of the statement represents the views of the ASME Aerospace Division and is not necessarily a position of ASME International as a whole.

For the past four years, ASME has been working with an Aviation Research and Development Coalition, comprised of 15 leading aerospace, aeronautics and aviation organizations, calling for a renewed national commitment to sustain U.S. leadership in aviation and aeronautics research and technology. Our organizations are extremely concerned that the United States is in grave danger of losing its position

as the world leader in aeronautics and aviation. Our Coalition statement is attached.

Since fiscal year 1998, NASA's aeronautics research budget has been cut in half. Last year, NASA introduced their "Aeronautics Blueprint—Toward a Bold Era of Aviation"—presenting an exciting vision of what could be achieved with additional investments in aeronautics research and development. Yet, even while NASA outlined technologies that the U.S. could invest in that would significantly lower noise, as well as emissions and fuel consumption, and reinvigorate basic and applied research in aeronautics and aviation, their budget was again cut—this time by $58 million in fiscal year 2003. While, NASA's fiscal year 2004 budget reflects a 1 percent increase in aeronautics funding compared to fiscal year 2003, additional funding for aeronautics research over the next five years is projected to be reduced by 4 percent.

According to a recently released report, "The National Economic Impact of Civil Aviation," the total economic impact of civil aviation exceeded more than $900 billion and 11 million jobs to the U.S. economy in the year 2000, roughly 9 percent of the total U.S. gross domestic product. The U.S. aerospace and the air transportation industry has a major economic and employment impact in all 50 states and is a major force of civil, military and space manufacturing and air operations in nearly half of the nation's states.

Decreased federal investment in aviation and aeronautics R&D is destined to weaken the economic competitiveness of the U.S. aviation industry. For the first time ever, Airbus won 50 percent of new aircraft orders during 2002. Our international competitors are well on their way to overtaking us in global air transportation markets. If the U.S. aviation industry is to continue to be a positive contributor to U.S. balance of trade, then we must have the ability to develop the next generation of aircraft that will enable it to compete internationally.

Over the past several years, de-emphasis of long-term aeronautical research at NASA has impaired U.S. universities' ability to maintain vibrant aeronautical engineering programs. The nation is experiencing a diminishing pipeline of qualified aeronautical engineering students at both the undergraduate and graduate levels. Engineers and scientists do not consider aerospace a growth industry.

Allow me to quote from the Aerospace Commission's report:

—"There is a major workforce crisis in the aerospace industry. Our nation has lost more than 600,000 scientific and technical aerospace jobs in the past 13 years."

—"The aerospace workforce is 'aging' and that 26–27 percent of aerospace workers are eligible to retire by 2008. The average of age of production workers is 44 in the commercial sector, 53 in defense and 51 at NASA."

—"In addition, the proportion of workers age 30 or younger dropped by almost two-thirds, from 18 percent in 1987 to 6.4 percent in 1999."

—"U.S. graduates at the bachelor and master degree levels in aerospace engineering and related disciplines have dropped by 47 percent and 39 percent, respectively, since 1990."

This is great cause for alarm. For the past 75 years American universities have provided creative, skilled engineers for national defense and aeronautical commerce. Our educational base has been declining and will continue to erode if we do not nurture and support basic aeronautics research in the United States. Two decades ago, we began to see manufacturing jobs move overseas. Today, we are witnessing white-collar jobs, including engineering, moving offshore as well. Investment in research and development is vitally needed to keep the U.S. on the cutting edge of high value, new technologies, including the development of advanced global air transportation systems. Without this investment, the U.S. will lose its technological edge and will continue to see engineering jobs move offshore.

The United States has been at the forefront of discovery and innovation throughout the history of aeronautics and aviation. Honorable Robert S. Walker, the Aerospace Commission Chair and transition team senior advisor on science, space and technology, stated upon releasing the Commission's report, "A strong aerospace industry is essential to enable the United States to defend itself, compete in the marketplace, maintain a highly skilled workforce, and provide all Americans with the ability to travel safely and securely anywhere in the world."

As we approach the centennial of the Wright Brothers' first flight, it is crucial that the United States re-establish preeminence in aviation and aeronautics research. We urge you to support aerospace as a national priority by providing robust and stable funding for NASA's aeronautics and development programs.

PREPARED STATEMENT OF THE AMERICAN HEART ASSOCIATION

Heart attack, stroke and other cardiovascular diseases remain America's leading cause of death, hospitalizations and a main cause of disability. The 950,000 deaths each year from cardiovascular diseases represent nearly 40 percent of all American deaths.

The American Heart Association, with its 22 million volunteers and supporters, works to reduce disability and death from heart attack, stroke and other cardiovascular diseases. We commend this Committee's support of the Department of Veterans Affairs' Medical and Prosthetic Research program.

STILL NUMBER ONE

Heart attack, stroke and other cardiovascular diseases have been America's No. 1 killer since 1919. Nearly 62 million Americans of all ages suffer from cardiovascular diseases. Hundreds of millions of Americans have major risk factors for cardiovascular diseases—an estimated 50 million have high blood pressure, 42 million adults have high blood cholesterol (240 mg/dL), nearly 49 million adults smoke, more than 129 million adults are obese or overweight and nearly 11 million have confirmed diabetes. As the baby boomers age, the number of Americans afflicted by these often lethal and disabling diseases will increase substantially. Cardiovascular diseases cost Americans more than any other disease—an estimated $352 billion in medical expenses and lost productivity in 2003.

Heart disease and stroke occur at all ages, but they are most common in Americans over age 65—a group that is nearly 12.4 percent of the U.S. population and will be 16.5 percent by year 2020. By 2020, the percentage of veterans over age 65 will be about three times that of the general population. The VA's planning models recognize that its aging patient population demands more care. As the veteran population ages, the number with heart disease and stroke will increase substantially.

HOW YOU CAN MAKE A DIFFERENCE

We advocate for an fiscal year 2004 appropriation of $460 million for direct costs of the VA Medical and Prosthetic Research program and $45 million for research facility improvements. Our recommendation is consistent with that of the Friends of VA Medical Care and Health Research and the Independent Budget, a detailed analysis of VA funding needs developed by four of the major veterans service organizations and endorsed by more than 60 other groups. An appropriation of $460 million would accommodate biomedical research inflation and federal pay increases as well as a major new initiative in deployment health research and expansion in areas such as terrorism, emerging pathogens, special populations, quality improvement, chronic diseases, including heart disease and stroke, and diseases of the brain, including study of rehabilitation of stroke victims. The President's budget of $408 million for direct costs of this vital program represents a 2.7 percent increase. This is inadequate to sustain the current level of effort or to accommodate new initiatives.

The Association challenges our government to significantly increase funding for heart and stroke research supported by the VA Medical and Prosthetic Research program. We commend the VA for establishing a Rehabilitation Research Outcomes Center (REAP) targeting stroke patients. We urge the VA to not only expand this center, but also to augment the REAP on heart disease. These initiatives would help advance the battle against heart disease, stroke and other cardiovascular diseases. Our government's response to this challenge will help define the health and well being of citizens for decades to come. In addition, we recommend $45 million for facilities construction and renovation. The VA has had to defer almost $350 million of major and minor construction repairs on its aging research infrastructure. Delaying these renovations impairs the quality of VA medical research and threatens the VA's ability to recruit and retain first-class investigators.

INSUFFICIENT VA RESOURCES DEVOTED TO HEART AND STROKE RESEARCH

The VA Medical and Prosthetic Research program plays an important role in heart and stroke research and deserves the strong support of Congress. In fiscal year 2002, VA support for heart research was $23.8 million (still below the high of fiscal year 2000), accounting for only 4 percent of the fiscal year 2002 VA's Medical and Prosthetic Research budget. In fiscal year 2002, VA-supported stroke research represented $7.7 million or 2.1 percent of the research budget. We are concerned that insufficient money is being devoted to America's No. 1 killer—heart disease—and our No. 3 killer—stroke. Both are major causes of permanent disability.

VA HEART AND STROKE RESEARCH BENEFITS ALL AMERICANS

The VA Medical and Prosthetic Research program is dedicated to "discovering knowledge and creating innovations that advance the health and care of veterans and the nation." While the primary purpose of the VA health care system is the provision of quality health care to eligible veterans, VA-supported research contributes to the quality of care by bringing talented and dedicated physicians into the VA system. In a recent survey, 62 percent of researchers indicated that they would not work in the VA without research opportunities. VA-supported research discoveries benefit veterans, science and the world's health.

VA cardiovascular research is an integral part of the effort. VA cardiovascular researchers include nationally recognized, distinguished scientists and several Nobel Laureates. The VA supported Ferid Murad, M.D., 1998 Nobel Prize winner for research demonstrating the role of nitric oxide in regulating blood pressure. American Heart Association volunteer Gerald DiBona, M.D., was awarded the prestigious VA Middleton Award in 1995 for internationally recognized research on kidney and cardiovascular diseases.

The Medical Research Service component of the VA Medical and Prosthetic Research program supports basic and clinical research, mainly investigator-initiated peer reviewed studies. It provides funds for support of VA-based faculty members (M.D.s or Ph.D.s) at various stages in their careers and research equipment. VA investigators provide core faculty support at major medical schools affiliated with VA institutions. This small but internationally recognized, highly competitive research program in fiscal year 2002 supported 3,167 investigators at 115 VA-supported facilities.

VA heart and stroke research is largely clinical. Hence, the VA is a major contributor to clinical research, playing a unique role because of its ability to immediately translate research findings into practice. VA research has produced landmark results and revolutionized treatment in heart disease and stroke. You and your family have benefited from VA heart and stroke research. Cutting-edge examples follow.

—*Heart Attack Diagnosis.*—VA Researchers developed a simple, inexpensive blood test that can rule out heart attack within 90 minutes with 100 percent accuracy, reducing critical care admissions 40 percent and general hospital admissions 20 percent.

—*Aspirin and Angina.*—An estimated 6.6 million Americans suffer from angina (chest pain) due to insufficient blood supply to the heart. In another landmark study, VA research found that aspirin cuts deaths and heart attacks by 50 percent in patients suffering from unstable angina.

—*Angioplasty Benefits.*—In 2000, more than 1 million angioplasty procedures were performed in our nation to restore blood flow to the heart by widening narrowed arteries. VA research was the first to evaluate angioplasty. Results showed that after undergoing angioplasty, patients suffered less pain and can exercise longer than those taking only medication. Another study found clot-busting drugs had similar results to angioplasty for heart attack survivors at savings of $3,000 per patient. Annually, over 150,000 people are candidates for clot-busting drugs, according to the VA.

Heart Failure

—*Heart Failure Drugs.*—A VA study, which has revolutionized heart failure treatment, showed that heart medications can enhance the heart's pumping ability and keep patients suffering from heart failure alive and living more productive lives.

—*Heart Failure Diagnosis.*—VA researchers developed a first-ever blood test that emergency department doctors use to diagnose heart failure in 15 minutes. More than 1,200 hospitals nationwide use this test, which offers an option to exams, x-rays, stress tests and echocardiography to diagnose heart failure. Conventional tests often require a hospital stay.

—*High Blood Pressure.*—An estimated 50 million Americans have high blood pressure, the most critical stroke risk factor and a major cause of heart attack and heart failure. VA research has confirmed private sector statistics demonstrating that physicians increase the dose of antihypertensive medicines in only 25 percent of patients. These patients, many who had their blood pressure monitored, were poorly controlled. An inexpensive computerized reminder system helps doctors manage patients and cuts cost by reducing use of calcium channel blockers. As a result of the VA-developed comprehensive model of psychosocial and cultural factors on poor blood pressure control, health care providers now incorporate the patients' social and medical environments into the treatment regimen. More aggressive blood pressure management will reduce heart attacks

and strokes. Challenging long-held beliefs, VA researchers showed that malfunctioning kidneys are an important cause of high blood pressure, rather than the result of high blood pressure.

—*Cholesterol.*—An estimated 11 million veterans are at increased risk of heart disease due to high cholesterol levels, according to the VA. A groundbreaking VA-supported clinical trial found that daily use of the drug gemfibrozil raises HDL cholesterol, the "good" cholesterol, by 6 percent, reduces coronary heart disease risk by 22 percent and stroke risk by 31 percent. Results could mean cost savings because gemfibrozil is cheaper than statin drugs. This is the first study to show significant reduction in risk of major cardiovascular diseases by raising HDL, the "good" cholesterol, lowering triglycerides and not changing LDL, the "bad" cholesterol. VA research showed the effectiveness of cholesterol screening to determine levels of HDL and LDL—even in patients older than age 65. Another study found that soy protein added to a low-fat diet lowers cholesterol in those with moderately high cholesterol levels.

—*Irregular Heartbeat Treatment.*—An estimated 2 million Americans suffer from atrial fibrillation, the most common irregular heartbeat, which causes more than 75,000 strokes a year. VA researchers corrected atrial fibrillation using the "Maze Procedure," with a hand-held radiofrequency probe to "draw" ablation lines on the inside of the atria while the heart is exposed. Previously, the "Maze Procedure" was performed by cutting the atrium into multiple sections and then stitching it back together—a lengthy and high risk procedure. Another study of atrial fibrillation showed that digoxin was not effective in controlling heart rate when used alone. However, when digoxin was combined with a beta-blocker, patients achieved almost perfect heart rate control. These results will enhance treatment for atrial fibrillation and reduce stroke risk.

Stroke

—*Stroke Survivor Improvements.*—Stroke is a major cause of permanent disability and America's No. 3 killer. VA studies have produced therapies to enhance quality of life for survivors. Researchers have created a software program to assess and treat the stroke-related speech disorder aphasia. They have also shown that strenuous exercise can benefit stroke survivors who are paralyzed on one side of their body, and have developed a rehabilitation procedure to restore arm movement. Researchers have also identified seven pathways associated with motor recovery from stroke, allowing more precise predictions about functional recovery. In another study, VA researchers implanted electrodes in leg muscles of stroke patients and used sophisticated software to electronically stimulate muscles. VA researchers were the first to demonstrate that robot-assisted therapy is more effective than conventional treatment in restoring upper limb movement.

—*Psychoeducational Program for Stroke Family Caregivers.*—Most stroke survivors are helped in the recovery process by a family caregiver, usually the spouse. A pilot study testing a program to reduce physical and psychological demands on family caregivers found this intervention reduced depression and caregiver burden and better prepared them for their role. Initial results found that a telephone intervention may be as helpful as the in-home program. Execution of this program could have vital results for family caregivers of many of our 4.7 million stroke survivors.

HEART AND STROKE RESEARCH CHALLENGES AND OPPORTUNITIES FOR VA

Research advances have been made possible by congressional support of the VA Medical and Prosthetic Research program. Thanks to research, more Americans survive their heart attack or stroke. But, while more Americans are surviving, heart attack is still the single largest killer in the United States and stroke remains the No. 3 killer. The disability caused by heart attacks and strokes requires costly medical care and loss of productivity and quality of life. Clearly more work is needed if we are to win the fight against heart disease and stroke. These challenges create abundant research opportunities to advance the battle against heart disease and stroke. Examples of on going VA research are highlighted below.

—*Heart Failure.*—Nearly 5 million Americans suffer from heart failure, a major cause of hospitalization of Americans age 65 and older. A VA study is comparing the effects of three anti-clotting therapies (aspirin, warfarin or clopidogrel) in heart failure patients. Another study is creating a large DNA bank of sufferers to examine the genetic basis of heart failure. A third study, the first large scale, international, randomized clinical trial, is evaluating the effects of digitalis, a 200-year old treatment, in preventing heart failure deaths.

—*Inflamed Arteries.*—Many heart attacks and strokes are the end result of atherosclerosis or hardening of the arteries, the disease process that causes obstructed blood vessels. VA-supported research has shown that inflammation may cause atherosclerosis and may also cause previously stable atherosclerotic plaques in arteries to become unstable, which can lead to a heart attack or stroke. Scientists have identified large numbers of receptors in heart blood vessels that attract the blood cells that cause inflammation. If researchers can create a way to block that receptor, progression of atherosclerosis might be prevented.

—*Heart Attack.*—An estimated 1.1 million Americans suffer a heart attack each year. VA research is assessing cost-effective ways to diagnose patients at risk of heart attack without costly invasive procedures, including a computer analysis of the heart's electrical signals during exercise and a new scoring system in treadmill tests. They are examining long-term outcome and risk factors for heart attack sufferers, for those who have heart attack during surgery and for those who have heart bypass surgery. Researchers have identified a molecular marker that may help predict heart attack. They are studying if attacks can be prevented by increasing levels of a protein that stimulates blood vessel growth and helps repair damaged tissue. Findings could save money, improve health and reduce surgery.

—*Angioplasty.*—In the first study of its kind, the VA COURAGE trial is comparing the effectiveness of angioplasty with medical therapy versus aggressive medical therapy alone in patients with heart disease. The results of this study could revolutionize treatment of heart disease. In 2000, more than 1 million angioplasty procedures were performed to restore blood flow to the heart by widening narrowed arteries.

—*Heart Bypass Surgery.*—In 1999, VA doctors performed nearly 6,000 coronary artery bypass surgery procedures. VA researchers are comparing two coronary artery bypass surgical procedures—standard coronary artery bypass surgery using a cardiopulmonary bypass machine, versus surgery while the heart is still beating, without requiring the bypass machine, to assess, among other outcomes, how cognitive function is affected.

—*Stroke.*—Stroke strikes about 700,000 Americans each year, leaving about 1 in 4 survivors permanently disabled. Researchers found restricting use of limbs unaffected by stroke can help patients recover use of affected limbs more quickly and fully. Progress in deciphering language of the brain's motor cortex could lead to new technology that may reconnect damaged areas or communication pathways of the brain and may restore lost function after a stroke. Researchers are studying genetic susceptibility to carotid atherosclerosis, a major cause of stroke. A REAP will use an innovative approach to understanding stroke and its often-debilitating effects, drawing on medical research, exercise physiology and rehabilitation medicine. This REAP will also serve as a unique training vehicle for early-career stroke researchers.

The Medical Research programs highlighted below are of interest to the American Heart Association.

—*Investigator-Initiated Studies.*—During fiscal year 2002 this program constituted an estimated 73 percent of the Medical and Prosthetic Research appropriated budget. These investigators comprise the core of all VA research and provide the preceptorship for career development awardees.

—*Cooperative Studies.*—In fiscal year 2000 this program supported an estimated 38 clinical trials. The VA offers a unique opportunity for cooperative studies due to close linkage among hospitals. These studies provide a mechanism by which research on the effectiveness of diagnostic or therapeutic techniques can achieve statistically significant results by pooling data on patients from a number of VA hospitals. The Cooperative Studies Evaluation Committee evaluates proposals developed by teams of clinicians and biostatisticians. The VA has supported landmark clinical trials in the cardiovascular field (e.g. high blood pressure treatment and coronary artery bypass surgery).

—*Career Development Awards.*—Applications for these awards are reviewed both locally and by the VA Central Office. In response to the Research Realignment Advisory Committee's suggestion to rejuvenate this program, a renewed emphasis began in fiscal year 1997 for the VA's Medical Research Service, Health Services Research and Development Service and, for the first time, Rehabilitation Research and Development Service. This resulted in 188 Career Development Awards in fiscal year 2002.

—*Rehabilitation Research and Development Service.*—Dedicated to improving the quality of life of impaired and disabled veterans through a full range of re-

search, this intramural program has been very important to veterans suffering from heart disease, stroke and other cardiovascular diseases.

ACTION NEEDED

Investment in medical research will lead to future returns. These include continued decreases in death rates from heart attack, stroke and other cardiovascular diseases, reduced federal outlays for hospital and long-term care, a well-trained cadre of medical researchers and a healthier society. Consistent with the Friends of VA Medical Care and Health Research and the Independent Budget, we advocate an fiscal year 2004 appropriation of $460 million for direct costs of the Medical and Prosthetic Research program. This will allow maintenance of fiscal year 2003 initiatives and implementation of new initiatives, including continuation of research momentum in heart disease and stroke and maintenance of VA's vital role in this field. We urge the VA to expand a Rehabilitation Research Outcomes Center, targeting stroke patients, and augment the REAP into heart disease and stroke to advance the fight against heart disease, stroke and other cardiovascular diseases—America's No. 1 killer and a cause of permanent disability. Also, we recommend $45 million for facilities construction and renovation to enhance VA research and help recruitment and retention of quality investigators.

PREPARED STATEMENT OF THE AMERICAN PUBLIC POWER ASSOCIATION

The American Public Power Association (APPA) is the national service organization representing the interests of over 2,000 municipal and state-owned utilities in 49 of the 50 States (all but Hawaii). Collectively, public power utilities deliver electricity to one of every seven electric consumers (about 40 million people), serving some of the nation's largest cities. However, the vast majority of APPA's members serve communities with populations of 10,000 people or less.

We appreciate the opportunity to submit this statement outlining our fiscal year 2004 funding priorities within the VA–HUD Subcommittee's jurisdiction.

ENVIRONMENTAL PROTECTION AGENCY: ENERGY STAR PROGRAMS

According to data compiled the Environmental Protection Agency (EPA), its Energy Star program helped save American businesses and consumers more than $5 billion and substantially reduced greenhouse gas emissions (the equivalent of the emissions released by 10 million cars) in the year 2000.

Energy Star is a voluntary partnership program pairing EPA with businesses and consumers nationwide to enhance investment in underutilized technologies and practices that increase energy efficiency while at the same time reducing emissions of criteria pollutants and greenhouse gases. In particular, APPA member systems across the country have been active participants in a subset of the Energy Star program called "Green Lights." The Green Lights program encourages the use of energy efficient lighting to reduce energy costs, increase productivity, promote customer retention and protect the environment.

APPA appreciates the support of both the Administration and Congress for the programs encompassed by Energy Star and supports their continued robust funding.

ENVIRONMENTAL PROTECTION AGENCY: LANDFILL METHANE OUTREACH PROGRAM

APPA supports EPA's Landfill Methane Outreach Program (LMOP) and encourages the Subcommittee to continue its support as well. The Landfill Methane Outreach Program helps to partner utilities, energy organizations, states, tribes, the landfill gas industry and trade associations to promote the recovery and use of landfill gas as an energy source.

Landfill gas is created when organic waste in a landfill decomposes. This gas consists of about 50 percent methane and about 50 percent carbon dioxide. Landfill gas can be captured, converted, and used as an energy source rather than being released into the atmosphere as a potent greenhouse gas. Converting landfill gas to energy offsets the need for non-renewable resources such as coal and oil, and thereby helps to diversify utilities' fuel portfolios and to reduce emissions of air pollutants from conventional fuel sources.

As units of local and state governments, APPA's member utilities are uniquely poised to embark on landfill-gas to energy projects. EPA's LMOP facilitates this process by providing technical support and access to invaluable partnerships to our members and the communities they serve.

COUNCIL ON ENVIRONMENTAL QUALITY

APPA supports the Administration's request of $3.23 million for fiscal year 2004 for the White House's Council on Environmental Quality (CEQ). Public power utilities have experienced a general lack of consistency in federal government regulation, particularly involving environmental issues. While additional layers of government should be avoided, a central overseer can perform a valuable function in preventing duplicative, unnecessary and inconsistent regulation. CEQ is responsible for ensuring that federal agencies perform their tasks in an efficient and coordinated manner.

Again, we appreciate your consideration of our priorities for the VA–HUD Subcommittee's fiscal year 2004 appropriations.

PREPARED STATEMENT OF THE COALITION FOR EFFECTIVE NATIONAL SERVICE

Mr. Chairman and Members of the Committee, the members of the Coalition for Effective National Service, a membership organization composed of national nonprofit grantees of the Corporation for National and Community Service, thank you for the opportunity to submit testimony. We thank you for your leadership and commitment to national service. It is because of your vision and leadership that more than 300,000 AmeriCorps members in the last decade have dedicated themselves to serving the nation and their communities.

We are now almost two years removed from the tragedy of September 11, 2001. Yet in many ways, that awful time looms over us. According to the noted social scientist Robert Putnam "in the aftermath of September's tragedy, a window of opportunity has opened for a civic renewal that occurs only once or twice a century." In spite of this window and in spite of President Bush's leadership, we have made limited progress in realizing the President's goal of a nation of

". . . citizens, not spectators; citizens, not subjects; responsible citizens, building communities of service and a nation of character."

This is a wonderful, measurable goal that if met, will truly transform America for the better. We believe that by growing AmeriCorps, fully funding the challenge grant program, and eliminating the "cap" on national nonprofits we can create a comprehensive national service movement that generates community volunteers, reinvigorates citizenship and democracy and sparks a new culture of service, citizenship, and responsibility in the United States.

This has been a difficult year for AmeriCorps. The enrollment "pause" and the confusion surrounding the National Service Trust have seriously disrupted programs at the local level. In his fiscal year 2003 budget, President Bush called for an increase in funding to support 25,000 additional AmeriCorps members, but program funds were reduced and are now at their lowest level since 1994.

In his fiscal year 2004 budget, the President again calls on Congress to increase the size of AmeriCorps. We urge you to honor the President's request.

IN ORDER TO GROW AMERICORPS, WE WILL HAVE TO DRAMATICALLY EXPAND THE OPPORTUNITIES FOR AMERICANS TO SERVE

AmeriCorps is a proven program that works. Expanding by 25,000 members a year will be a terrific first step towards providing many more opportunities for Americans to serve, and we should continue to grow the program from there. Every American should be challenged and given the opportunity to serve. Many proven programs, such as Habitat for Humanity, YouthBuild, Jumpstart, Teach for America, the National Association of Service and Conservation Corps, City Year, are ready to go to scale and need only the resources to do so.

Since 1994, more than 300,000 AmeriCorps members have produced significant results-meeting critical needs in education, public safety, health and human services, and the environment in every state across the nation. The following examples are just a few of the contributions made by AmeriCorps members over the past nine years:

—Students tutored by AmeriCorps members improved their reading performance more than the gain expected by the typical child at their grade level;
—Established, expanded, or operated 46,000 safety patrols;
—Served more than 1 million at-risk youth in after-school programs;
—Provided food, clothing, and other necessities to more than 5 million homeless people;
—Provided job or career counseling to more than 550,000 people;
—Immunized more than 1 million people;

—Helped more than 650,000 seniors to live independently; and,
—Recruited, trained, or supervised more than 2.5 million community volunteers to help non-profits meet important community needs.

More specifically, examples of the impact of national nonprofits include:

—Teach For America participants have taught more than 1 million students in low-income communities throughout America since the inception of AmeriCorps;
—City Year has engaged more than 700,000 citizens of all ages in service around the country;
—Jumpstart has prepared more than 10,000 pre-schoolers from low-income families to be ready to read when they start school;
—The National Association of Community Health Centers has supported health care services to more than 350,000 residents of medically underserved areas;
—Habitat for Humanity built more than 11,000 homes;
—Public Allies has placed more than 1,000 future leaders in almost 600 partner organizations, served 300,000 people, and engaged 30,000 community volunteers; and,
—In 2001–2002, AmeriCorps members serving with the Youth Volunteer Corps of America recruited almost 5,200 Youth Volunteers for service-learning projects, an additional 5,000 to implement community service projects, and worked with 518 community partners.
—The National School and Community Corps has engaged more than 125,000 urban students in grades K–12 in programs during school, after school, and in the summer resulting in increased student achievement and attendance, reduced youth violence, and improved school climates.
—In 2001–2002, Northwest Service Academy AmeriCorps members and the volunteers they generated cleared 380 acres of non-native invasive plants, planted almost 175,000 native trees, plants, and shrubs, restored more than 1,700 miles of trail and provided environmental education to 36,000 students and community members.
—Over the past five years CLEARCorps members have protected more than 2,500 children by controlling lead hazards in the homers and have educated more than 75,000 parents and community members on the causes and prevention of childhood lead poisoning.
—Since 1995, approximately 600 bilingual AmeriCorps members serving with the Association of Farmworker Opportunity Programs have trained almost 300,000 members of farmworker families in pesticide safety. Serving in 23 states, and often working with local health clinics and churches, they have provided free environmental health training to growers, some of whom own family farms.
—In 2002 members of the National Association of Service and Conservation Corps enrolled more than 24,000 people, provided 18.3 million hours of service to their communities, and mobilized more than 11,000 community volunteers who contributed an additional 1.8 million hours of service.

All of this great work has been made possible by the federal government, not in running the programs, but in providing the resources and the umbrella organization to get this valuable work done.

There are now more than 800 AmeriCorps programs nationwide, including 42 fully stipended ones operated by national nonprofits that are laying the foundation for a much more comprehensive system for national service. Other national nonprofits operate large Education Award Programs. With expanded resources and an increase in the quantity and quality of service opportunities for Americans, we believe that service can become a common experience for every American and that we can realize President Bush's powerful vision.

Both the Commission on National and Community Service, established by President George H.W. Bush, and the Corporation for National and Community Service, established by President Clinton, took an innovative approach to developing national service in America. Rather than creating one single federal national service program, they recognized that national service is about citizenship; it should come from the bottom up, and the federal government should play the role of catalyst, resource provider, standard setter, promoter, and umbrella. Our programs respond to local needs.

We need to continue to nurture an environment in which investment, growth, and best practices are encouraged. The end result will be high quality, cost-effective programs that meet real needs. This environment can be stimulated by leveraging investment from all sectors and stakeholders and by recognizing the unique contribution of national nonprofit AmeriCorps programs to the entire movement.

FEDERAL INVESTMENT IS A POWERFUL CATALYST FOR DEVELOPING A COMPREHENSIVE SYSTEM OF NATIONAL SERVICE

Federal investment in national service, beginning with the administration of President George H.W. Bush in 1992, has allowed our organizations to grow to their current scale, serving communities all over the country. Federal investment hasn't displaced private investment; rather it has stimulated it, and national nonprofit programs have matched every dollar invested by the federal government through the Corporation for National and Community Service with private sector support, foundation funds, and fee-for-service work.

National service programs across the country leverage significant private sector funds, and have the capacity to do much more. In a 1999 survey, each AmeriCorps program was found to be involved with an average of 2–3 businesses. Programs like Public Allies match their federal monies 2:1, leveraging resources from partner nonprofit organizations that benefit from their services, and raising other contributions from individuals, foundations, and corporations.

National service programs also leverage considerable state and local public sector funds. AmeriCorps has benefited school systems, in particular. School systems inn Atlanta, Philadelphia, Chicago, Oakland, and dozens of other cities have invested in AmeriCorps because its members are skilled, enthusiastic, dedicated, and provide important services as tutors, mentors and after school and summer counselors.

The Coalition for Effective National Service enthusiastically supports President Bush's proposal to fund the challenge grant provision in the National and Community Service Act. A strategic use of federal matching fund challenge grants will leverage federal dollars and unleash private philanthropy to help established programs with proven track records to provide opportunities for young people to serve in many more American communities. We urge you to fully fund this initiative in fiscal year 2004.

NATIONAL NON-PROFITS ARE A STRONG AND EFFICIENT DELIVERY VEHICLE FOR NATIONAL SERVICE

National nonprofits that operate AmeriCorps programs have a unique role to play in the national service universe. Known as National Directs, these programs provide quality control and expertise, engage national companies as sponsors, and achieve economies of scale through centralized "back office" operations. However, in the spirit of experimentation and devolution, Congress placed a "cap" upon National Direct funding in 1997, shrinking it from 33 percent to about 17 percent of total AmeriCorps program funds in fiscal year 2002. Because we are convinced that National Directs are crucial to promoting innovation, quality, replication, and sustainability in the national service field we urge you to eliminate this limitation.

National Direct AmeriCorps programs operate in every state in the country. They share the following characteristics: they participate in a highly demanding national competitive process in order to receive funds from the Corporation for National and Community Service, they oversee operating sites in multiple states, and they are frequently housed within major national and international nonprofit organizations, such the American Red Cross and Habitat for Humanity. Others stand alone.

National Directs have significant advantages that enable them to play a key role in building a comprehensive system and infrastructure for national service in America. They bring significant resources to the national service field including: the ability to build strong infrastructures, deeply committed Board members, developed business practices, skilled professionals, programs tested and implemented on a national scale, and the potential to partner with national companies and foundations on important projects and initiatives. National Direct programs include:

—Teach for America, an independent nonprofit operating in 20 regions nationwide, which places outstanding recent college graduates in under-served urban and rural public schools to teach for two years;

—Habitat for Humanity AmeriCorps, housed within Habitat for Humanity International and operating in eighteen states, which builds and renovates houses with low-income families;

—Youthbuild USA AmeriCorps, of Youthbuild USA, operating in 23 states, which recruits disadvantaged youth to construct low-income area housing and "rebuild their neighborhoods as they rebuild their lives";

—Jumpstart for Young Children, Inc. which pairs federal work-study college students with preschool children struggling in early learning programs in four states;

—Community HealthCorps, operated by the National Association of Community Health Centers in fourteen states, the District of Columbia, and Puerto Rico

which provides culturally appropriate preventive and primary health care to medically underserved populations and communities; and

—National Collaboration for Homeless Veterans, operated by the United States Veterans Initiative, which provides services to homeless veterans to connect them with housing, employment, and treatment services and to help them successfully reintegrate into society.

Quality control.—Like successful franchises, National Direct AmeriCorps programs create replicable service models to adapt to any area. National Direct programs do not start from scratch; they establish new programs on the basis of years of experience building local community relationships and uniting local resources, and they work with local leaders to establish new sites. National Direct operating sites work with their respective State Commissions, lending resources, attending trainings and program director meetings, and ensuring that program funders are recognized in the state's portfolio. In addition, about twenty parent organizations for National Direct operating sites also receive funding through some State Commissions. Often, working with local champions such as CEOs and mayors, national nonprofit programs have begun operations in a new locality with national direct funding and then have been brought into the State portfolio by the State Commission through the competitive stream.

Expertise.—National Direct programs support community-based organizations by delivering federal resources while taking on the bureaucratic reporting and administration that go with it. Public Allies, for example, has placed AmeriCorps members in 550 community-based organizations in seventeen regions across the country to date; 93 percent of those organizations report strengthened capacity such that they will sustain the projects and relationships developed by their members.

National reach.—National Directs have the potential to leverage investment on a large scale. For example, Cisco Systems, Compaq Computer Corporation, MFS Investment Management, and the Timberland Company have each committed more than $1 million to the City Year AmeriCorps program because of its national reach. Sponsorship for national nonprofits is of significant interest to multi-state corporations because it meets their employees' and customers' interests in serving in more than one location. Furthermore, sponsorship in one city by nationally recognized corporations and foundations frequently influences potential sponsors in another city. These are dollars that would not otherwise be leveraged by local service programs. National Directs have a unique capacity to enlarge the share of philanthropic dollars spent on service.

Cost-effectiveness.—Because National Directs centralize standard operations, significant economies of scale and sustainability can be achieved. Centralized financial administration, such as single payroll and budget services, single audits, single legal representation, a shared line of credit, or a shared national endowment can sharply reduce costs per site. Standardized communications protocol leads to effective brand management, targeted research, and central evaluation, allowing reports on aggregate data from across the country. Also, national programs can quickly leverage and build upon local innovation. Best practices can be quickly and efficiently communicated across operating sites, shared corps recruitment and human resources systems leverage multiple applicants, and alumni have an instant cross-country network.

Demonstrable impact.—National Directs are able to aggregate their results on a large scale and unify a range of service activities from multiple programs through a focused mission. Lines of accountability for service outcome are that much easier to control, and results are easier to collect. Below are some examples:

—Teach for America reports that 96 percent of principals rated their members as excellent or good in terms of achievement, orientation, and drive to succeed; 97 percent would absolutely hire their members again;

—In 2001, members serving with the National Collaboration for Homeless Veterans provided more than 10,000 homeless individuals, of which nearly 6,500 were homeless veterans, with services including: intake, case management, group support, legal services, transportation, and housing;

—Over a three-year period, Community Health Center members provided a "medical home" for 27,644 residents of medically underserved areas, provided 47,266 patient encounters to improve health care utilization and cost effectiveness (including understanding benefits, doctor instructions and follow up), and generated 23,631 referrals to link patients with other health and social services.

Whether operated by national nonprofits, community- and faith-based organizations, universities, state and city departments, or foundations, AmeriCorps programs work. It is time to take national service to the next level through challenges to the private sector, increased resources, and restoration of the historical role for National Directs.

As Americans, we now have a historic, and perhaps unique, opportunity to call all Americans to give back to their communities. We look back at the Greatest Generation with admiration and reverence because they overcame the Great Depression and fought a world war for freedom and democracy. Today, while we fight a global war on terrorism there are still great challenges here at home. We must capitalize on this moment in our history to challenge each and every citizen to answer the call to serve our nation and we must build a system of national service that enables them to do so. If we build that system, every generation of Americans will become a Greatest Generation, because they will rise to serve causes larger than themselves. The moment is here, but it is brief. It is up to us, working together, to secure national service for the next generation of young people and all Americans.

The Coalition again thanks you for your leadership, your example, and your commitment to making service to community and country an opportunity for all Americans.

PREPARED STATEMENT OF TEACH FOR AMERICA

Mr. Chairman, Senator Mikulski and Members of the Subcommittee, thank you for the opportunity to submit testimony regarding the President's fiscal year 2004 budget proposal to provide $3 million for Teach For America. Mr. Chairman and Senator Mikulski, I applaud your commitment to national service and desire to help AmeriCorps realize its full potential. Thanks to your leadership and the work of this Subcommittee, Teach For America corps members have reached more than one million students in under-resourced school districts since the inception of AmeriCorps.

I would like to take this opportunity to discuss Teach For America and our current growth plans. I will also focus on the $3 million line item in the President's fiscal year 2004 budget and explain why it is critical to Teach For America's ability to grow to scale.

As you know, Teach For America is the national corps of outstanding recent college graduates of all academic majors who commit two years to teach in urban and rural public schools and become lifelong leaders in the effort to ensure that all children in our nation have an equal chance in life. We are a private, national nonprofit organization, as well as one of the original AmeriCorps programs. Our teachers receive a salary from their local school district as well as education awards through AmeriCorps. These education awards can be used for graduate level education courses necessary to obtain teacher certification, to pay back qualified student loans, or for future education. Mr. Chairman and Senator Mikulski, since these awards are such a valuable asset for Teach For America corps members, I want to let you know how much I appreciate your recent efforts to provide adequate funding in the National Service Trust for education awards.

Since 1990, when I founded Teach For America, our organization has grown from 500 corps members teaching in 5 regions to what will soon be 3,500 corps members teaching in 20 regions during the 2003–2004 school year. Teach For America corps members are having an impact throughout our nation, from St. Louis to Baltimore, and from New Mexico's Navajo Nation to the Rio Grande Valley in South Texas.

TEACH FOR AMERICA MEETS CRITICAL NEEDS

Our mission is to build a movement to eliminate the educational inequality that exists in our country today. By the age of nine, children in low-income areas are already three grade levels behind in reading ability (Source: National Center of Education Statistics, 2000). As these children progress in the educational system, this achievement gap only widens, to the point that a child who grows up in a low-income community is seven times less likely to graduate from college than a child growing up in a more privileged area (Source: Education Trust, 1998).

Our corps members help close the achievement gap for the students they reach during their two-year commitment. At the same time, they gain insight and added commitment that shapes them into an important leadership force, working from inside of education and from other sectors, for long-term change.

OUR PROGRAM

We recruit the most highly sought-after college graduates of all academic majors, career interests, and backgrounds from leading colleges and universities. We then select corps members who demonstrate records of achievement and leadership, as well as a commitment to expanding opportunity for children in low-income areas.

Admission to Teach For America is highly selective, with approximately 15 percent of our applicants gaining admission to the corps. Of our 2002 corps members,

89 percent held leadership positions on their campuses or in their communities. They earned average SAT scores of 1310 and average GPAs of 3.5. In addition, 38 percent of corps members are people of color.

This year, 15,700 young people applied for only 1,900 slots as first year teachers. At many top schools, Teach For America is considered one of the most prestigious post-graduate opportunities. This year, 19 percent of Spelman's senior class applied to the corps. And at top, larger universities, Teach For America attracted significant portions of the student body: 5 percent of Yale and Princeton seniors applied, as did 4 percent of seniors at Michigan and Harvard. All are competing for the opportunity to teach in America's neediest schools.

Corps members are selected into Teach For America if they demonstrate strong leadership characteristics such as achievement orientation, critical thinking, personal responsibility for success, and the ability to influence and motivate others, as well as high expectations for students and families in low-income communities and the desire to work relentlessly toward this particular mission.

Those selected attend a summer training institute where corps members teach in local public summer schools and participate in a full afternoon and evening schedule of professional development activities. We aim to ensure that corps members internalize the overarching approach utilized by the most successful teachers in urban and rural areas; and that they gain skills in instructional planning and delivery; building a strong classroom culture; literacy development; and teaching the specific content-area and grade-level they will be teaching.

Following the institute, corps members assume teaching positions in school districts in 20 urban and rural areas. They are clustered in schools and receive extensive ongoing support and professional development through Teach For America and through local teacher education programs.

Following their two-year commitments, corps members can remain in teaching (and about 60 percent teach for at least a third year). We expect that they will ask themselves how they can have the greatest possible impact on the challenges they and their students experienced during their two years, and we provide a network of resources and support that they can tap into as they continue working in educational and social reform throughout their lives.

IMMEDIATE IMPACT ON COMMUNITIES AND STUDENT ACHIEVEMENT

Our success in recruiting and preparing exceptional classroom teachers has led education policy makers to highlight our impact on disadvantaged communities. Reflecting on his tenure as Superintendent of the Houston Independent School District, Secretary of Education Rod Paige noted, "Every year, our best teachers came from Teach For America."

In a study released in August 2001, researchers at the Center for Research on Education Outcomes (CREDO) at Stanford University compared the impact of Teach For America corps members in Houston on their students' achievement to that of other teachers. Researchers found that the students of corps members, compared with students of other new teachers, achieved greater or equal gains on standardized tests in every subject and every grade level.

Another way we evaluate corps member impact is through a bi-annual survey of principal satisfaction conducted by Kane, Parsons & Associates, Inc., an independent research firm. In the spring 2001 survey by Kane, Parsons & Associates, principals credit Teach For America teachers as having positive effects on their schools and on student achievement. Almost four out of five principals reported that corps members are more effective than their other beginning teachers. An average of over ninety percent of these principals rated corps members as good or excellent on 22 indicators of effective teaching, including:

—96 percent—Achievement orientation and drive to succeed;
—94 percent—Knowledge of the subject matter;
—98 percent—Ability to think logically and critically;
—92 percent—Integrating into the school community; and
—93 percent—Assuming responsibility for student achievement.

LONG-TERM IMPACT

Teach For America is building a force of leaders and citizens with a lifelong commitment to addressing the issues they witness during their two years of service. Education Week, a leading national journal of K–12 education, profiled Teach For America's alumni in an article titled "Most Likely To Succeed" and called Teach For America a "leader-making machine."

According to a survey conducted in the fall of 2002, our alumni are deeply influenced by their Teach For America experience:

—Nationally, 63 percent of our alumni are working full-time in education, 37 percent as K–12 teachers and 26 percent as administrators, in higher education, education-related non-profits and other positions in the field of education; and
—Both within and outside of the education field, 79 percent of alumni have been influenced in their career decisions by their desire to expand opportunities in low-income neighborhoods, and 84 percent of alumni participate in civic activities motivated by this same desire.

Even more striking is the extent to which Teach For America alumni have already assumed leadership in the broader effort to improve education—they are running many of the most highly acclaimed charter schools in the country; they are turning around major urban schools as principals; they are winning some of the highest accolades teachers can win (as state and city teachers of the year); they are serving on school boards and advising Governors and Members of Congress on education policy; and they are leading model education reform, public health and economic development initiatives.

TEACH FOR AMERICA NEEDS INCREASED FUNDING TO GROW TO SCALE

Teach For America is in the midst of a 5-year expansion plan to more than triple the size of its teacher corps. Before this expansion effort, Teach For America had just over 1,000 teachers in 13 communities and a budget of under $10 million. In 2004, Teach For America will have nearly 4,000 corps members in at least 21 sites and will need to raise a budget in excess of $30 million. At that scale, Teach For America teachers will reach more than 300,000 public school students every day in this country's lowest-income neighborhoods.

Seventy-five percent of our funding comes from private sources, much of it from the local communities where our teachers teach. We have a highly diversified base of more than 2,000 private donors from all over the country. Top donors include Don and Doris Fisher's Pisces Foundation; the Broad Foundation; the Walton Family Foundation; the New Schools Venture Fund; Wachovia Corporation; and AT&T.

To raise our expanded budget, we must significantly increase our private funding base while growing our federal funding proportionately. With adequate federal funding, we can expand to reach more communities and engage more recent college graduates while continuing to provide highly qualified teachers for America's neediest classrooms. The Corporation for National and Community Service's $3 million fiscal year 2004 budget line item would allow us to maintain our current ratio of federal to private funding and enable us to execute our growth plan.

CONCLUSION

I hope you will agree that we have demonstrated all the characteristics of an exemplary AmeriCorps program: we recruit talented young people into competitive positions in critical areas of public need; we have a significant impact in the communities we serve; we influence the civic commitment and career path of our corps members; and we leverage our public support for significant private resources. As we continue our efforts to more than triple in size and reach hundreds of thousands of children each year, we seek your support so that Teach For America can expand its scale and impact. Mr. Chairman and Members of the Subcommittee, we hope you will support the President's request for $3 million for Teach for America in the fiscal year 2004 budget.

PREPARED STATEMENT OF THE AMERICAN THORACIC SOCIETY

The American Thoracic Society (ATS) is pleased provide our recommendations for programs in the Department of Veterans Affairs (VA) medical and prosthetic research program and the Environmental Protection Agency.

The ATS, founded in 1905, is an independently incorporated, international education and scientific society which focuses on respiratory and critical care medicine. The Society's members help prevent and fight respiratory disease around the globe through research, education, patient care and advocacy. The Society's long-range goal is to decrease morbidity and mortality from disorders and life-threatening acute illnesses.

Lung disease is a significant health problem in the U.S. Lung disease is the third leading cause of death in the U.S.—responsible for one in every seven deaths. More than 35 million Americans suffer from a chronic lung disease. Lung diseases cost the U.S. economy an estimated $144.9 billion annually in direct and indirect costs. Lung disease represents a spectrum of chronic and acute conditions that interfere with the lung's ability to extract oxygen from the atmosphere, protect against envi-

ronmental and biological assaults, and regulate a number of vital metabolic processes. Lung diseases include: chronic obstructive pulmonary disease (COPD—which includes emphysema and chronic bronchitis), lung cancer, tuberculosis, pneumonia, influenza, sleep-disordered breathing, pediatric lung diseases, occupational lung diseases, sarcoidosis, asthma, acute lung injury and severe acute respiratory syndrome (SARS).

DEPARTMENT OF VETERANS AFFAIRS

VA Research Medical and Prosthetic Research Program

The American Thoracic Society strongly supports the VA research program. The VA research program is a valuable tool for attracting and retain top-notch physicians to VA system. The VA research program also is an important source of training support for VA physicians. The VA research program also supports state-of-the-art research that is leading to better treatment and cures for all Americans. Most importantly, the VA research program is good for veterans. The research and training programs are focused on the unique needs of veterans.

We applaud the Bush Administration and Department of Veterans Affairs Secretary Anthony J. Principi for recognizing the invaluable contribution VA research makes to deliver high quality care for veterans and toward improving the health of veterans and the nation. However, the proposed $10.6 million (2.7 percent) increase in the direct costs of the program is inadequate to sustain the current level of effort or to accommodate new initiatives.

The Friends of VA Medical Care and Health Research (FOVA), a coalition of 82 medical, research, physician, academic, patient advocacy and Veterans organizations committed to quality care for veterans an fiscal year 2004 appropriation of at least $460 million for the direct costs of the VA research program and $45 million for research facility improvements. The ATS supports the FOVA recommendations for fiscal year 2004.

The $460 million allows overall growth of $63 million (16 percent) over fiscal year 2003. An increase of this size is justified by the need to accommodate biomedical research inflation and federal pay increases as well as a major new initiative in deployment health research and expansion in areas such as terrorism, emerging pathogens, special populations, quality improvement, chronic diseases and diseases of the brain. We urge to the Subcommittee to support continued, steady growth in the annual appropriation.

VA Research Facility Renovation

Separate from its recommendations for the VA research appropriation, FOVA also recommends the Committee to address the increasingly urgent need for improvements in VA's research facilities by recommending a specific allocation of $45 million for these needs. The ATS strongly supports FOVA recommendations for research facilities improvements.

The ATS notes that the House VA–HUD subcommittee designated $25 million for minor construction research facility improvements in the fiscal year 2003 VA–HUD bill. However, appears that conferees for the fiscal year 2003 Omnibus Appropriations legislation reduced the total minor construction budget to $15 million and did not make reference to funds available for research space rehabilitation.

Despite having top-notch researchers, the VA system has a sub-par physical infrastructure for supporting research. Substandard facilities make VA a less attractive partner in research collaborations with affiliated universities; reduce VA's ability to leverage the research and development (R&D) appropriation with other federal and private sector funding; and make it difficult to attract cutting edge researchers, both clinician investigators and laboratory scientists, to pursue careers in the VA. Facility R&D Committees regularly disapprove projects for funding consideration because the facility does not have the necessary infrastructure and has little prospect of acquiring it.

Under the current system, research must compete with other medical facility and clinical needs for basic infrastructure and physical plant support. Unfortunately, the minor construction appropriation is chronically inadequate to meet facility needs for clinical improvements much less research upgrades, and year after year the list of urgently needed research repairs and upgrades grows longer. The VA has identified 18 sites in urgent need of minor construction funding to upgrade their research facilities. These sites, plus the many facilities with smaller, but no less important needs, provide more than sufficient justification for an appropriation of $45 million specifically for research facility improvements.

The ATS strongly encourages the Subcommittee on Veterans Affairs to support a fiscal year 2004 appropriation of at least $460 million for the direct costs of the VA research program and $45 million for research facility improvements.

ENVIRONMENTAL PROTECTION AGENCY (EPA)

Nearly all lung diseases are impacted by air pollution. How well or poorly our lungs perform is contingent on the quality of air around us, making the impact of air pollution inescapable. Air pollution remains a primary contributor to a high prevalence of respiratory diseases.

For nearly 40 years, the ATS has conducted scientific, public health and educational programs to fight air pollution and to improve the quality of the air we breathe. We remain strong supporters of the Clean Air Act and its amendments. We can attest to the significant impact that the Clean Air Act has had in improving the quality of our nation's air.

However, much remains to be done. It is estimated that millions of Americans live in counties that do not meet current Clean Air Act health-standards, including our Nation's Capitol. EPA reports estimate that 170 million Americans live in areas that expose them to unsafe levels of ozone and particulate matter.

Research has shown that air pollution is causing the premature death of literally thousands of people each year due to complications from exposure to air pollution.

The Administration's Clear Skies Proposal

Despite its appealing name, the Administration's Clear Skies proposal will increase air pollution in the U.S. The proposal would delay the implementation of emissions standards and increase the overall amount of pollution released from industrial facilities. Enforcement of the existing Clean Air Act laws will reduce air pollution in the U.S. faster than the Administration proposal. Beyond delaying implementation and increasing total emissions, the Administration proposal would deny state authority to take action to address air pollution.

We recommend the Subcommittee to transfer the $7.7 million Administration Clear Skies budget proposal to EPA implementation and enforcement of the existing Clean Air Act standards.

EPA Enforcement

The ATS is encouraged that the Administration has proposed an increase in the EPA enforcement budget. However, we would note that cuts in the 2002 budget have eliminated over 100 positions from the EPA enforcement and compliance activities. A strong EPA enforcement program is needed to ensure all Americans can breath clean air.

We are pleased that the President's budget restores the 100 FTE enforcement positions cuts in the previous budget, however, we note that federal enforcement activities are still 100 positions FTE short of what is needed to adequately protect our nation's environment and health.

EPA Asthma Research

The ATS is pleased that EPA has launched an asthma research program. The medical community has long known that air pollution can exacerbate existing asthma. In fact, a recent study published in the February 2, 2002 issue of Lancet showed a relationship between exposure to high levels of ozone and the development of asthma in children.[1] Additional research is needed to confirm and define the links between air pollution and asthma. The EPA Asthma Research programs will identify:

—pollutants that contribute to the induction and exacerbation of asthma, such as air toxics, byproducts of combustion, aerosols, indoor allergens and environmental tobacco smoke;

—susceptibility factors that contribute to asthma: genetics, prior health problems, socioeconomic status, residence and exposure history; and

—risk assessment and risk management of environmental pollutants relevant to asthma.

The ATS recommends the Subcommittee provide $12 million for the EPA Asthma Research program.

NAAQS Research

The ATS strongly supports the EPA National Ambient Air Quality Standards (NAAQS) research program. The NAAQS research program provides valuable infor-

[1] R. McConnell, et.al., Asthma in Exercising Children Exposed to Ozone: A Cohort Study, Lancet, Feb. 2, 2002, p.386–391.

mation about the health effects of exposure to polluted air. The NAAQS also help develop the monitoring and pollution control technology that will ultimately lead to cleaner air of all of America.

We recommend a $50 million increase in the EPA NAAQS research program.

Fine Particulate Matter and Ozone

Recent studies have confirmed the significant adverse impact that existing levels of smog and fine particles have on lung health. Two recent studies have made clear the need to proceed with enforcement of the health-based Clean Air standard established 1997. The Lancet study, referenced before, establishes a link between ozone and the development of asthma.[2] A second study published in the March 6, 2002 edition of the Journal of the American Medical Association establishes a correlation between exposure to fine particulate air pollution and increased mortality from lung cancer and cardiopulmonary diseases.[3] Despite the growing body of evidence that air pollution plays a direct role in causing lung disease, the EPA has yet to implement the new, more protective standards finalized in July 1997.

As the members of the Subcommittee know, the state of the 1997 fine particulate matter and ozone rules had been tied up in courts until recently. In March 2002, the U.S. Court of Appeals ruled that the 1997 standards were a proper exercise of EPA's power. Now that all legal barriers have been removed, it is time EPA began enforcing its 1997 health-based Clean Air Act standards.

The ATS urges the Subcommittee to provide EPA with the resources to expeditiously implement and enforce the 1997 health-based standards.

New Source Review

We are extremely concerned about Administration initiatives to weaken the Clean Air Act and undermine the enforcement of the law. In particular, we are concerned about the effort to undercut the Clean Air Act's New Source Review Program. New Source Review (NSR) is a simple concept, made extremely complicated by those who want to avoid complying with the law. Simply stated, the NSR program requires facilities that undergo modification that significantly increase emissions to install pollution control equipment. If the facility does not increase pollution, NSR does not apply. This program only applies when pollution increases. The NSR program is reducing pollution and is saving lives this year and every year. Legislative proposals promising greater air pollution reductions are no substitute for NSR. Such proposals must be implemented in concert with NSR, just as the current acid rain reduction program is. The public demands cleaner air and this program provides substantial public health benefits.

We urge the Subcommittee to resist efforts by the Administration to weaken the implementation or enforcement of the EPA New Source Review program.

Tier 2 and Heavy Duty Vehicles Standards

In 1999, the EPA established new tailpipe and gasoline standards for cars, light trucks, minivans and SUVs. The EPA also established new limits on sulfur in gasoline. When fully implemented, this program would be the equivalent of taking 164 million cars off the road. EPA calculates that the final rule will prevent as many as 4,300 deaths, more than 10,000 cases of chronic and acute bronchitis, and tens of thousands respiratory problems a year.

In 2000, EPA established new emission standards for heavy-duty vehicles and diesel fuel. These standards provide dramatic pollution reduction. As a result of this program, each new truck and bus will be more than 90 percent cleaner than current models. The clean air impact of this program will be dramatic when fully implemented. This program will provide annual emission reductions equivalent to removing the pollution from more than 90 percent of today's trucks and buses, or about 13 million vehicles.

We encourage the Subcommittee to provide EPA the resources necessary to proceed with implementation and enforcement of the Tier 2 and Heavy-Duty Vehicle Standards.

Ozone Depleting Gases Transition

The ATS supports the work of the EPA and the Food and Drug Administration (FDA) to complete the transition process of removing ozone-depleting gases from the U.S. market place as called for the Montreal Protocol. One of the few remaining uses of ozone deleting gases is chlorofluorocarbon (CFC) propelled drugs used to treat asthma and chronic obstructive pulmonary disease. Last year, the FDA pub-

[2] Ibid.

[3] C. Pope, et.al., Lung Caner, Cardiopulmonary Mortality, and Long-term Exposure to Fine Particulate Air Pollution, JAMA, March 6, 2002, p. 1132–1141.

lished criteria for reviewing essential use exemptions for CFC propelled medications as non-ozone depleting drug formulations became available.

The ATS, in conjunction with the American Lung Association and several other physician and patient organizations, has filed a citizen petition asking the FDA to end the essential use exemption for CFC propelled albuterol sulfate—a drug used to treat asthma and other obstructive lung diseases. Currently, there are two manufacturers who produce a non-ozone deleting formulation of albuterol sulfate. A third manufacturer is seeking FDA approval of its non-ozone depleting formulation of albuterol sulfate. Data from the U.S. and European markets has proven the new formulations to be safe and effective.

We encourage the EPA to work with the FDA and the Department of State to develop a position to achieve adoption of a Protocol decision this year that deems albuterol non-essential for developed countries by 2005 and takes other steps to bring timely and effective closure to the Protocol's essential use exemption.

In conclusion, lung disease is a growing problem in the United States. It is America's number three killer, responsible for one in seven deaths. The ATS requests Congress' continued support for the VA and the EPA research programs to enable the pulmonology and critical care medicine community to continue with its efforts to find better ways to treat and prevent lung disease.

PREPARED STATEMENT OF THE AMERICAN LUNG ASSOCIATION

The American Lung Association is pleased to offer this testimony to the Committee on Appropriations Subcommittee on Veterans, Housing and Urban Development and Independent Agencies on the programs of the Environmental Protection Agency. The American Lung Association, established in 1904, is one of the nation's oldest voluntary health organizations. The American Lung Association is committed to fighting lung disease and promoting lung health.

Lung disease is the third leading cause of death in the U.S.—responsible for one in every seven deaths. More than 35 million Americans suffer from a chronic lung disease. These diseases cost the U.S. economy an estimated $144.9 billion annually. Lung disease represents a spectrum of chronic and acute conditions that interfere with the lung's ability to extract oxygen from the atmosphere, protect against environmental and biological assaults, and regulate a number of vital metabolic processes. We are talking about diseases that are very familiar—such as asthma, emphysema, chronic bronchitis, lung cancer, tuberculosis, pneumonia, and influenza—and others, which are much less well known. Lung disease touches virtually every American.

Lung diseases are made worse by air pollution. How well or poorly our lungs perform depends on the quality of air around us, making the impact of air pollution inescapable.

For nearly 40 years, the American Lung Association has conducted scientific, public health and educational programs to fight air pollution and to improve the quality of the air we breathe. We remain strong supporters of the Clean Air Act and its amendments. We can attest to the significant impact that the Clean Air Act has had in improving the quality of our nation's air.

However, much remains to be done. EPA's own estimates show that over 170 million people live in areas with unhealthy levels of smog and soot based on current standards. We know people living in these areas suffer air pollution-related asthma attacks, are hospitalized for aggravated lung disease, lose days at work, school and play, and even face an early death.

Research has shown that air pollution is causing the premature death of literally thousands of people due to complications linked to air pollution exposure.

ADMINISTRATION'S AIR POLLUTION LEGISLATION

The Administration's air pollution legislation, known as Clear Skies, will weaken the Clean Air Act and severely undermine efforts to curb air pollution. The plan will not reduce power plant emissions enough to clean the air or protect the nation's health. In fact, timely enforcement of the current Clean Air Act will provide greater pollution reductions sooner than the Administration's bill.

Unfortunately, the Administration is currently focused on attempts to avoid implementation of existing clean air regulations. The Administration's proposal, which would not be fully implemented for more than two decades, would delay reaching important clean air goals even further. The plan preempts state authority to aggressively pursue clean air for their citizens. Indeed, air pollution clean-up plans needed to meet public health standards for smog and fine particles issued in 1997 are still years away.

The American Lung Association strongly encourages the Subcommittee to redirect the $7.7 million proposed to fund Clear Skies into implementing the ozone and fine particle standards.

FEDERAL ENFORCEMENT FUNDING

We are pleased to see that the President's budget has proposed an increase for Environmental Protection Agency enforcement. The $21 million increase will add 100 positions. Unfortunately, due to previous cuts, the enforcement program is still down 100 positions from the fiscal year 2001 proposed level. We have much cleaner air today than we did in 1970 because of EPA's ability to enforce the law. Without strong continued federal leadership, the quality of our nation's air will suffer.

The American Lung Association strongly encourages the Subcommittee to increase the enforcement and compliance program to restore all the positions that have been eliminated.

ASTHMA RESEARCH STRATEGY

Last fall, the American Lung Association joined EPA Administrator Whitman to announce the release of the EPA Office of Research and Development's Asthma Research Strategy. The Asthma Research Strategy will guide EPA research efforts to address the significant issues of exposures, effects, risk assessment and risk management of environmental pollutants relevant to asthma.

The Asthma Research Strategy will address the following issues:

—pollutants that contribute to the induction and exacerbation of asthma, such as air toxics, byproducts of combustion, aerosols, indoor allergens and environmental tobacco smoke;

—susceptibility factors that contribute to asthma: genetics, prior health problems, socioeconomic status, residence and exposure history; and

—risk assessment and risk management of environmental pollutants relevant to asthma.

We were pleased that the Administration requested an additional $1 million for children's asthma research in this year's request bring the total request to $6.2 million.

The American Lung Association strongly encourages the Subcommittee to double the investment in children's asthma research to $12.4 million.

AMBIENT AIR RESEARCH

The American Lung Association strongly supports the EPA National Ambient Air Quality Standards research program. This research program provides valuable information on the health effects of exposure to polluted air. This research is essential for the development of the most cost effective strategies and technologies needed for protecting public health from air pollution.

The American Lung Association recommends a $50 million increase in the EPA National Ambient Air Quality Standards research program.

VEHICLES STANDARDS

This year, EPA will propose new standards for non-road diesel engines. Commonly referred to as heavy equipment, this category includes vehicles used in a variety of applications in construction and agriculture. We expect EPA to propose emissions standards and fuel standards for these vehicles that are comparable to the new standards for on road heavy-duty vehicles and fuels. This rule will save thousands of lives each year. This proposal builds on EPA's previous initiatives to clean up heavy-duty diesel trucks and buses and cars, light trucks and SUVs. We expect this program to provide even greater benefits than the on-road rule. The American Lung Association strongly supports this EPA initiative that will bring tremendous air quality and public health benefits. Some have suggested that EPA reopen the widely supported rule for on road heavy-duty trucks and buses. The American Lung Association strongly urges EPA to move ahead with the new non-road rulemaking without reopening the on-road rule.

The American Lung Association encourages the Subcommittee to provide EPA the resources necessary to proceed with non-road rulemaking and finalize the rule as soon as possible.

NEW SOURCE REVIEW

We are extremely concerned about Administration initiatives to weaken the Clean Air Act and undermine the enforcement of the law. In particular, we are concerned about the effort to undercut the Clean Air Act's New Source Review program. New Source Review, also known as NSR, is a simple concept, made extremely com-

plicated by those who want to avoid complying with the law. Simply stated, the NSR program requires facilities that undergo modification that significantly increase emissions, to install pollution control equipment. If the facility does not increase pollution, New Source Review does not apply. The NSR program is reducing pollution and saving lives this year and every year. Legislative proposals promising the potential of greater air pollution reductions in the years to come are no substitute for this effective clean-up program.

The American Lung Association urges the Subcommittee to resist efforts by the Administration to weaken the implementation or enforcement of the EPA New Source Review program.

FINE PARTICULATE MATTER AND OZONE

On March 26, 2002, the D.C. Circuit of the United States Court of Appeals rejected the last of the industry challenges to the National Ambient Air Quality Standards issued by the EPA in July 1997 for PM 2.5 (fine particles) and 8-hour levels of ozone smog. After a five-year delay caused by specious industry litigation, we expect EPA to treat implementation of these standards as a matter of great urgency. We urge this committee to ensure that the agency does so.

EPA's review of the health standards is once again overdue. The review of the National Ambient Air Quality Standards for Ozone and Particulate Matter was supposed to be completed by July 2002. It is critical that the EPA devote sufficient resources to complete the timely review of the health based air pollution standards.

The American Lung Association urges the Subcommittee to direct EPA to complete the timely review of the ambient air quality standards.

MDI TRANSITION

The American Lung Association is continues to work with the EPA and the Food and Drug Administration (FDA) to complete the transition process of removing ozone depleting substances from the U.S. market place as called for the Montreal Protocol. One of the few remaining uses of ozone depleting substances are CFC propelled drugs used to treat asthma and chronic obstructive pulmonary disease. Last year, the FDA published criteria for reviewing essential use exemptions for CFC propelled medications as non-ozone depleting drug formulations became available.

The American Lung Association, in conjunction with several of physician and patient organizations, has filed a citizen petition asking the FDA to end the essential use exemption for CFC propelled albuterol sulfate—a drug used to treat asthma and other lung diseases. Currently, there are two manufacturers who produce a non-ozone depleting formulation of albuterol sulfate. Data from the U.S. and European markets have proven the new formulations to be safe and effective.

The American Lung Association encourages the EPA to work with the FDA and the Department of State to develop a position to achieve adoption of a Protocol decision this year that deems albuterol non-essential for developed countries by 2005 and takes other steps to bring timely and effective closure to the Protocol's essential use exemption. We believe this action is an important step to fulfill the U.S. commitment to phase-out all uses of ozone-depleting substances.

The American Lung Association urges the Subcommittee to support the transition process to remove ozone-depleting gases.

The American Lung Association thanks the Subcommittee for consideration of its views. We look forward to working with you to further promote and protect the health of the American public.

PREPARED STATEMENT OF THE ASSOCIATION OF MINORITY HEALTH PROFESSIONS SCHOOLS

Mr. Chairman and members of the subcommittee, thank you for the opportunity to express the views of the Association of Minority Health Professions Schools (AMHPS).

I am Dr. John E. Maupin Jr., President of Meharry Medical College in Nashville, Tennessee and President of AMHPS. AMHPS is an organization which represents twelve (12) historically black health professions schools in the country. Combined, our institutions have graduated 50 percent of African-American physicians and dentists, 60 percent of all the nation's African-American pharmacists, and 75 percent of the African-American veterinarians.

AMHPS has two major goals: 1) to improve the health status of all Americans, especially African-Americans and other minorities; and 2) to improve the representation of African-Americans and other minorities in the health professions. We are

working toward achieving this goal by seeking to strengthen our institutions and fortify other programs throughout the nation that will improve the role of minorities in the provision of health care and research.

AGENCY FOR TOXIC SUBSTANCES AND DISEASE REGISTRY

Congress created the Agency for Toxic Substances and Disease Registry (ATSDR) to implement the health-related sections of law that protect the public from hazardous wastes and environmental spills of hazardous substances. The mission of ATSDR is to serve the public by using the best science, taking responsive public health actions, and providing trusted health information to prevent harmful exposures and illness related to toxic substances.

ATSDR works in partnership with Environmental Protection Agency, the Centers for Disease Control and Prevention, and the National Institute of Environmental Health Sciences to carry out its public health activities. Since the September 11th attacks, ATSDR has worked with other federal, state, and local agencies to respond to the enormous aftermath of this tragedy. Approximately, one-fourth of the agency's 430 employees were directly involved in the response to 9/11 at some time during fiscal year 2002.

ATSDR is performing critical work in the field of environmental and toxicological studies that has a profound impact on public health. In order to carry out the level of activity that is called for in its mission statement, AMHPS recommends an appropriation of $95 million for ATSDR in fiscal year 2004, an increase of $12.2 million over fiscal year 2003.

THE ATSDR/AMHPS COOPERATIVE AGREEMENT ON ENVIRONMENTAL HEALTH AND TOXICOLOGY RESEARCH

In 1992, ATSDR identified a need for enhanced information on 38 hazardous substances. Through a cooperative agreement between ATSDR and the Minority Health Professions Foundation (MHPF), the historically black health professions schools that I represent are engaged in research on twelve of these priority hazardous substances. They include:

—Lead
—Mercury
—Benzene
—Cadmium
—Benzo (a) pyrene
—Flouranthene
—Trichlorocthylene
—Toluene
—Zinc
—Manganese
—Chlordane
—Di-n-butylphthalate

The productivity of this research program is evidenced by the number of publication and scientific presentations made by the funded investigators. To date, more that 55 manuscripts reporting the finding of the various research projects have been published in peer-reviewed and prestigious scientific journals. These journals include: Brain Research, Neurotoxicology, Journal of Neurochemistry, and Environmental Health Prospectives.

Moreover, investigators have made more than 120 presentations at national and international scientific meetings, including the annual meeting of the Society of Toxicology, the Experimental Biology meeting, the International Congress of Toxicology meeting, and the International Society of Psyschoneuropharmacology meeting. Finally, the AMHPS/ATSDR Cooperative Agreement has contributed significantly to the training of students in toxicology and environmental health. Annually, more than 30 students, both graduate and undergraduate, are actively involved in the research program.

Mr. Chairman, AMHPS and ATSDR are completing ten years of successful research. We expect to continue with a new cooperative agreement in fiscal year 2003. In addition to basic toxicological research, the new cooperative agreement will focus on: 1) translation of environmental science into environmental medicine and public health practice; 2) development of a surveillance system to track disease, disability and dysfunction among targeted populations in communities of concern, and 3) investigations of the role of the environment in eliminating racial/ethnic health disparities.

Traditionally, the AMHPS/ATSDR research partnership has been supported by ATSDR at a level of $4 million a year. For fiscal year 2004, we encourage the sub-

committee to support this important collaboration by directing $4 million within the ATSDR budget for the cooperative agreement.

Thank you very much for the opportunity to present the views of the Association of Minority Health Professions Schools.

PREPARED STATEMENT OF THE EZ/EC FOUNDATION CONSORTIUM

I am Janet Levy, Executive Director of the EZ/EC Foundation Consortium. The Consortium is a partnership of ten foundations formed in 1997 to support successful implementation of the Empowerment Zone/Enterprise Community Initiative and to help others learn from the work of EZ/EC sites. Our foundation members have included the Annie E. Casey Foundation, Cleveland Foundation, East Bay Community Foundation, Ford Foundation, Greater Kansas City Community Foundation, William and Flora Hewlett Foundation, Robert Wood Johnson Foundation, W.K. Kellogg Foundation, John D. and Catherine T. MacArthur Foundation, and Rockefeller Foundation.

We appreciate this opportunity to respond to a request by the Empowered Communities Caucus to submit for both Senate and House Appropriations Committee consideration some insights about the Round II Empowerment Zones, based on effective approaches to community revitalization that the philanthropic sector has gained through its work over the past decade. Our experience points, in particular, to the importance of complementing incentives designed to create employment opportunities with strategies that help people prepare for and perform well in those jobs and that address other aspects of healthy community life. We also have learned of the important contribution to sustained success that comes from engaging all parts of the community in a strong partnership, a process that rarely is easy but which promises rich rewards to those who dedicate the required effort.

These insights bear directly on an issue that is before the Subcommittees—whether continued grant-funded strategies are necessary to complement tax incentives in achieving successful and sustainable revitalization. Tax incentives are a promising mechanism for encouraging businesses to expand employment opportunities. But these mechanisms are not designed to nor can they support the workforce development, quality of life, and engagement strategies that, as we indicate above, are an essential complement in a revitalization effort. These latter strategies require a direct outlay of dollars. By assuring the availability of grant funds which can be used for these purposes—whether for programming itself or to leverage even greater commitments of funds from state and local government and the nonprofit and philanthropic sectors—the federal government both secures and enhances the investment it is making through the provision of tax incentives. Based on our experience, we firmly believe that a combination of incentives and grants are the most promising route to achieve the laudable objectives of the EZ/EC Initiative.

FOUNDATION-SPONSORED COMMUNITY REVITALIZATION EFFORTS

The Consortium's member foundations, as well as many others, have a substantial history of commitment to low-income communities and of investment in efforts to revitalize areas of deep, persistent poverty.

Beginning about a decade ago, these foundations launched a new generation of such efforts. Among the most notable in terms of their contribution to the current state of knowledge about community revitalization have been the Casey Foundation's New Futures, Rebuilding Communities and current Neighborhood Transformation and Family Development Initiative, the Ford Foundation's Neighborhood and Family Preservation Initiative, and the Rockefeller Foundation's Community Planning and Action Program.

These experiments helped form the basis of new thinking about how best to challenge poverty and provide poor communities and their residents with greater economic opportunity and an improvement in the overall quality of life. Rather than focusing on fixing an isolated problem, such as housing, they considered the community as a whole. A vibrant community which supports its families and nurtures its children, offers jobs, decent and affordable housing, safety, good quality schools and outside-school opportunities for children and youth, and special supports when crises occur that threaten well-being. Effective revitalization likewise needed to be multifaceted, incorporating simultaneous and coordinated efforts to address economic opportunity, the skills and capacities of the community's residents, quality of life issues such as crime, and strengthening of the community's social fabric.

These foundation-sponsored experiments also took the position that how decisions are made about programmatic content may be as important as the content itself. On the one hand, acknowledging the unique understanding each community has of

its particular assets, opportunities and needs, the foundations gave their local partners a great deal of latitude in selecting the specific programmatic strategies they would pursue. But at the same time, the foundations pushed for a new kind of local decisionmaking, which would engage a broad range of stakeholders and would specifically encourage serious and consequential participation by residents of the targeted areas.

From these experiments emerged guiding principles for the revitalization approach that came to be known as "community-building":

—Significant and sustainable revitalization requires simultaneous and coordinated economic development, investment in a community's human capital, and help to strengthen the social fabric of the community.

—Successful, sustainable revitalization requires harnessing the knowledge, resources, capacity and commitment of all those with a stake in the well-being of the community—the public sector, the private sector, the nonprofit sector, and the residents.

—Successful, sustainable revitalization is not a quick process. It takes time and patience first to do the planning and build the partnerships that provide a solid foundation, and then to attract the jobs and implement the many projects that will be needed to counter what often have been many years of deteriorating conditions.

PHILANTHROPY AND THE EZ/EC INITIATIVE

No matter how ambitious the efforts of the philanthropic sector to improve conditions in low-income communities, the resources of that sector could never come close to addressing the true scope of need. Therefore, foundations were heartened at the renewed commitment of the federal government reflected in the EZ/EC Initiative, especially because that commitment was grounded in the principles of sound community-building cited above.

The philanthropic sector's experience was tapped even at the design stage of the EZ/EC Initiative, when the Carnegie Corporation convened a seminar for federal officials in which foundation executives, staff and experts shared the knowledge gained through a decade of experimentation. As the Initiative unfolded, foundations invested locally in the development of applications and then in implementation. Because it was the only entity trusted by the many diverse stakeholders, one community foundation even agreed to serve as the lead entity for the local effort.

Complementing these individual actions, a group of foundations formed the EZ/EC Foundation Consortium to support successful implementation of the Initiative and to help others learn from the work of the sites. Our work has included various forms of technical assistance to sites, with special emphasis on peer exchange. Most recently, for example, we convened a meeting of Round I and Round II EZ directors, giving them an opportunity to share experiences and ideas on topics such as the use of tax incentives, ways to measure and report results, and ways to sustain accomplishments over time. We also have produced or have under development a variety of publications. Some give an overview of the EZ/EC Initiative in ways that complement publications by the federal government and researchers—for example, presenting photographs by young people that show how the Initiative is affecting their families and communities. Other publications under development will explore in some depth particular aspects of the Initiative, such as strategies to promote broad participation and the use of tax incentives by sites.

LESSONS FROM THE WORK OF EZ/EC SITES

The Consortium has been a partner with and student of the work of EZ/EC sites since the early days of implementation. This work is a rich source of lessons that will be valuable guides for Round III Empowerment Zones and Renewal Communities, as well as for future efforts to revitalize distressed communities.

Most relevant for the immediate purposes of this Subcommittee, the long experience of the Round I sites in particular offers specific insights about the combined and complementary contributions to be made by both tax incentives and flexible federal grants. Those communities had the benefit of assured funding throughout the ten-year designation. Their experience suggests that tax incentives that are designed well and marketed effectively can be an important tool to foster economic revitalization of distressed communities, especially with respect to large businesses. But, just as economic development itself is not enough to achieve and sustain the deep-reaching change that is needed, so too is it important to complement tax incentives with resources through which critical areas beyond economic development can be addressed.

Federal grant dollars have been essential in allowing EZ/EC sites to pursue valuable components of revitalization such as:

—*Helping people prepare for, obtain and perform well in the jobs made available through economic development activities.*—Some community residents begin with the experience and personal wherewithal to take advantage of expanding economic opportunity on their own. But, for many others, help in developing a resume and presenting oneself to a potential employer, or in acquiring the skills that employers are seeking, or in overcoming barriers to employment may be essential. With federal grant dollars, EZ/EC sites have been able to address not just job development, but also workforce development, offering the pre-employment, connection to work, and on-the-job services that have helped many community residents take advantage of expanding opportunities to achieve real change in economic well-being.

—*Addressing key quality-of-life issues that affect a community's ability to attract and retain businesses and to nurture strong and healthy families.*—Businesses care about the financial "bottom line," which potentially is aided by tax incentives, but they also care about the environment in which they operate. A low crime rate assures safety and security for their workers and their physical plant. The ability of workers to find child care and help when crises arise reduces absenteeism and turnover that detract from a business's financial success. Young people who are getting a good education and developing their talents through positive activities stay out of trouble and promise businesses a strong and capable workforce in the future. EZ/EC sites have used federal dollars, sometimes directly for programming but more often to leverage major contributions from other sources and better coordination of existing services, to reduce crime, expand the availability and quality of child care, and offer children and youth healthy and productive ways to spend their time. At Detroit's Family Place and Louisville's Nia Center, families can readily find the services that once were scattered and difficult to access. In the Rio Grande Valley, a decrepit facility that lacked even running water has been replaced by a brand new Boys and Girls Club built with the aid of an Empowerment Zone challenge grant. At the United Teen Equality Center, developed with leadership from the Lowell Enterprise Community, adolescents of diverse ethnicities and backgrounds no longer face conflict on the streets, but now gather in a place that nurtures cooperation and positive growth.

—*Bringing all stakeholders together in effective partnerships that allow each group to tap its particular strengths to contribute to overall success.*—A community's residents, government, business, and nonprofit organizations all have a stake in revitalization efforts and the community's well-being. And each group brings assets to a potential effort—dollars to spend, the promise of new jobs, an understanding of the market that is created by a community's history, conditions, and desires. But each group also brings its own frame of reference, experiences, and operating style, and these must be woven together to shape a collaborative venture that can pursue an ambitious and complex agenda. These are not easy partnerships to form and sustain, and not all EZ/EC sites have been successful. But for those that have effectively used federal dollars to build the capacity of the community and to help the diverse voices find common ground in a shared vision for success, we see not only near-term progress but also a foundation of ongoing leadership. Village Centers in Baltimore and Community Trust Boards in Philadelphia, for example, are vehicles through which community residents have gained an understanding of economic development and which now provide a forum where developers, residents, and government can combine their assets to foster continuing expansion of economic opportunity and improvement in the community's quality of life for years to come.

In summary, the experience of the philanthropic sector with community revitalization efforts and the Consortium's observations of the EZ/EC Initiative to date point strongly to the importance of working simultaneously on multiple fronts—expanding economic opportunity, investing in the community's human capital, and strengthening the community's social fabric. To do so requires vehicles as varied as the strategies. Tax incentives are one tool. But equally important are flexible dollars through which issues other than economic development can be addressed. For this reason, we believe that the success of Round II Urban Empowerment Zones likely will rest in substantial measure on their ability to draw on the full range of benefits which were envisioned when they were created.

PREPARED STATEMENT OF THE NATIONAL SERVICE-LEARNING PARTNERSHIP

The National Service-Learning Partnership calls upon Congress to include young people in citizen service by increasing the Federal investment in Learn and Serve America.

I am Anthony Welch, Chair of the Board of Directors of the National Service-Learning Partnership. With more than 3,000 organizational and individual members, the Partnership is the nation's largest leadership organization devoted to strengthening service-learning. The Partnership urges you to increase funding for the Learn and Serve America program administered by the Corporation for National Service.

Youth Citizen Service.—In his inaugural address, President George W. Bush challenged Americans to be "citizens, not spectators" and to help build "communities of service and a nation of character." More recently, noted education historian, Dr. Diane Ravitch, noted that, "We must teach students to appreciate and defend our democratic institutions." During this time of great national purpose, we cannot overlook young people's eagerness to serve. In order to do so, however, they need the kind of opportunities and support that the educational method, service-learning, provides. The National Commission on Service-Learning, chaired by former Senator John Glenn, called service learning "the single best way to educate young people for active citizenship in a democracy." Service-learning offers unique support for the American commitment to public schooling as a necessity for creating an informed citizenry.

Service-learning.—Service-learning is a powerful form of service in which students design projects to meet community needs as part of their academic and civic studies. Using service-learning, elementary school students tutor younger students, and both improve their mastery of essential literacy skills. Math students make calculations that persuade the local authorities to install a traffic light near their schools so as to reduce accidents at a dangerous corner. History students research the local heroes identified on plaques in their community and share what they have learned at the annual Memorial Day ceremony. Language arts students hone their writing skills by organizing a campaign to reduce bullying on their school buses.

Service-learning offers students such as these the kind of balanced education Americans want for students, according to a poll conducted in the fall of 2000 by Roper Starch Worldwide. Americans believe that service-learning can help prepare young people for work, citizenship, and lifelong learning. Furthermore, service-learning elicits the kind of engagement with learning that reinforces students' motivation to learn. When students apply new knowledge and skills to real challenges outside the classroom, they are far less likely to ask their teachers "Why do I have to learn this?"

Prevalence of service-learning.—One third of public school students participate in service-learning. Most of this activity is supported by local resources. However, since former President George H.W. Bush signed the National and Community Trust Act of 1990, an important grant program under that law, Learn and Serve America, has engaged nearly 10 million students in serving others and their communities. Currently, 50 states and territories receive funds from Learn and Serve America, the only Federal program dedicated to promoting and supporting service-learning. Nearly 1.5 million students each year are involved in grassroots initiatives that address local concerns, and about 80 percent of each state's formula grant goes directly to support for school-community partnerships.

Impact of Service-Learning.—In addition to being a cost-effective, service-learning works. A growing body of scholarly research and other evaluations demonstrate that when well implemented, service-learning improves students' academic achievement, civic engagement, preparation for the world of work, and responsible behavior. Alan Melchior of Brandeis University estimates that each dollar invested in service-learning returns $4 in investment in the community. Service-learning research has identified many ways in which service-learning improves students' civic and academic engagement while strengthening their communities.

—*Service-learning promotes youth civic engagement.*—Service-learning is one of the most effective ways for young people to practice the habits of civic responsibility. Scholars from universities across the United States have found that students engaged in high quality service-learning projects showed an increase in the degree to which they felt aware of community needs, believed that they could make a difference, and were committed to service now and later in life. For instance, a study by Dr. James Younis at Catholic University and Dr. Miranda Yates at Brown University found that high school students who participated in service-learning are more likely to be engaged in a community organi-

zation and are more likely to vote 15 years after their participation in the program than those who did not participate.

—*Service-learning supports students' academic achievement.*—When rigorous study in academic disciplines is linked with serious work on real needs, students' motivation for learning increases. Students participating in service-learning have better grades and rates of attendance, as well as improved attitudes to school.

—*Service-learning strengthens communities.*—Community-based organizations can do more with the help of students engaged in service-learning. Furthermore, community members who participate in service-learning see youth as valued resources and positive contributors to community.

The Need for Federal Action in the Fiscal Year 2004 Appropriations Cycle.—Within the Corporation for National and Community Service, Learn and Serve America serves the most participants. Despite a record of success, Learn and Serve America funding has remained essentially flat for the past 10 years. Increasing the Federal investment in Learn and Serve America will give a larger proportion of younger Americans the support they deserve to answer the national call to serve neighborhood and nation.

Partnership asks for Increased Learn and Serve America Funding.—The Partnership asks this subcommittee to increase funding for service-learning through an incremental increase of $18 million during fiscal year 2004: $12 million to increase funding for grants made to K–12 schools, tribes, and community-based organizations as part of the Learn and Serve program and $6 million to increase designated resources for technical assistance for Learn and Serve America grantees, including preparing practitioners to link service-learning to the teaching of history, civics, and civic education.

A Time to Preserve and Protect Democracy.—Citizen service is for all of us. High-quality service-learning should become a core element of the educational experience of every elementary, middle, and high school student in the United States. By offering service-learning, policymakers, educators, and parents open the door to a multifaceted education so that students may walk through it to become better citizens, better learners, and better workers.

PREPARED STATEMENT OF THE ALLIANCE TO SAVE ENERGY

INTRODUCTION

My name is David Nemtzow. I am the President of the Alliance to Save Energy, a bi-partisan, non-profit coalition of business, government, environmental, and consumer leaders dedicated to improving the efficiency with which our economy uses energy. Senators Charles Percy and Hubert Humphrey founded the Alliance in 1977. The leadership of the Alliance is also a partnership between the private sector and government chaired by Senator Byron Dorgan (D-ND) and co-chaired by Dean Langford the former CEO of Osram Sylvania. Over seventy companies currently participate in the Alliance's Associates program and with your permission Mr. Chairman I would like to include for the record a complete list of the Alliance's Board of Directors and Associates. This list includes the nation's leading energy efficiency firms, electric and gas utilities, and other companies committed to promoting sound energy use.

Thank you for the opportunity to testify regarding the energy-related components of the Environmental Protection Agency's (EPA) fiscal year 2004 budget request. Specifically, I respectfully urge you to significantly increase your support for the EPA's Energy Star program. The Energy Star program is an entirely voluntary program that yields significant economic returns to our nation's consumers while generating considerable environmental benefits for our nation—all through energy efficiency.

The Alliance has a long history of advocating for, as well as researching and evaluating, federal efforts to promote energy efficiency. While many of these efforts include laws passed by this Congress and federal regulations and standards issued pursuant to those laws, we especially applaud efforts that rely on cooperative partnerships between government and business and between the federal and state governments, and not just government mandates. EPA's climate programs are entirely voluntary and address the national goals of broad-based economic growth, environmental protection, national security and economic competitiveness at the same time. The EPA's Energy Star program is a shining example of such a program. The Climate Protection Division at EPA which operates the Energy Star program works closely with the private sector manufacturers, retailers, building owners, and energy

service providers, as well as state and local governments, non-profits, and other organizations to promote energy efficient products and buildings. And they do it extremely well—for every tax dollar spent by the Energy Star program, $75 or more of energy savings are returned. Last year alone, Americans with the help of Energy Star saved enough energy to power 15 million homes and avoid the greenhouse gas emissions from 14 million cars—all while saving over $6 billion.

ENERGY EFFICIENCY AS A VALUABLE ENERGY RESOURCE

Mr. Chairman, over the past 30 years, energy efficiency has met more of the country's energy needs than any other single domestic energy resource. Energy efficiency is a significant and valuable resource. Furthermore, energy efficiency measures are powerful and dynamic policy tools through which prices, supply, and emissions can be radically adjusted. While the Alliance to Save Energy believes that an effective energy policy must include a combination of measures that provide electricity, heating fuel, and motor fuel to Americans, it also believes that we must first go after the resource that is cheapest, can be delivered most quickly, and can stand up to all environmental scrutiny—that resource is energy efficiency.

Energy efficiency gains have significantly improved the way we use energy. The U.S. economy grew nearly five times faster than did energy use from 1973 to 2001. A refrigerator sold today uses about 70 percent less energy than one built in the early 1970s. Since 1973, energy efficiency has saved the nation 27 quadrillion Btus (quads) of energy annually, more than one-fifth of total consumption, and about $150 billion each year. The energy efficiency industry has become a vibrant part of the American economy. More than 5,000 companies provide energy-saving equipment and services, contributing over $10 billion and a quarter-million jobs to our economy each year.

But despite these new technologies and the integration of energy efficiency into the nation's energy policies and economy, we have barely scratched the surface of energy efficiency's potential. Technologies that dramatically increase the efficiency of electric distribution lines, lighting systems, air conditioning and refrigeration, and other products are moving out of laboratories. It seems that every year technological developments bring more and better measures at our disposal to reduce electricity demand, make homes more energy-efficient, and go further on less gasoline. But Mr. Chairman, we must make sure that we are able to maximize these resources.

HOW ENERGY STAR CAPITALIZE ON THIS RESOURCE

Mr. Chairman, EPA's Energy Star program has proven to be an extremely effective way for this nation to capitalize on the potential of energy efficiency as a resource. In fact, over the last decade, Energy Star successfully promoted the use of advanced technologies that are quite common today such as power management systems for office equipment, LED traffic lights, and low standby energy use. The President's National Energy Plan even recommends that the Energy Star program be expanded to include schools, retail buildings, health care facilities, and homes, and that the Energy Star labeling program be extended to cover more products. And, Mr. Chairman, the President Bush has publicly declared his strong support of the program.

Energy Star's voluntary partnership program—which includes Energy Star Buildings, Energy Star Homes, Energy Star Small Business, and Energy Star Labeled Products—works by removing marketplace barriers to existing and emerging technologies, resulting in faster deployment of energy efficient technology into the residential and commercial sectors of the economy.

Rather than providing financial subsidies or tax breaks, Energy Star develops voluntary partnerships and provides clear, reliable information to the public. The Environmental Protection Agency is uniquely qualified to operate these voluntary programs in the public interest with the confidence of market participants. The program has proved successful in providing information on technology opportunities, generating awareness of energy efficient products and services, and educating consumers about life cycle energy savings so that consumers can make informed purchases. In fact, the Energy Star label is a nationally recognized label for energy efficiency, used by many (including retailers and utilities) to promote efficiency. According to the EPA, as of 2002, the label has achieved more than forty percent awareness among the public.

Providing the catalyst for many businesses, state and local government institutions, and consumers to invest in energy efficiency, Energy Star helps overcome market barriers through brand recognition, information, and positive publicity. Because Energy Star takes a strategic approach to energy management, it can produce twice the savings—savings for the environment and for consumers.

ABOUT THE ENERGY STAR PARTNERSHIPS

Energy Star is composed entirely of voluntary partnerships, and they have grown since the early 1990s to include thousands of partnerships with product manufacturers, private and public building owners and operators, homebuilders, small businesses, utilities, and retailers. The sheer number of these partnerships is a testament to the fact that energy efficiency delivers "pollution prevention at a profit."

Energy Star serves broad constituencies across every state in the country. Energy Star includes over 1,250 manufacturing partners of over 35 different product categories, who make and market over 18,000 different models of Energy Star qualified products. Energy Star assists over thousands of small businesses with their efforts to maximize the energy efficiency of their facilities. Energy Star's work with partners further advances the education of energy efficiency and the reduction in energy consumption. For example, by working with builders, Energy Star helps the customers of those builders make smart decisions—decisions that will save the consumer money and the country pollution—for as long as the home is standing. To date, more than 3,000 builders have built over 100,000 Energy Star-qualified homes, locking in financial savings for homeowners of more than $26 million annually. The Energy Star Building Partnership currently represents 17 percent of the U.S. building floor space.

Recently, the Alliance to Save Energy asked many of Energy Star's partners if they would support our request for a significant increase in funding for these important programs. The response was remarkable. Over 650 businesses, from large businesses like Merrill Lynch & Co., Inc., the Target Corporation, and Exxon Mobil to smaller businesses like Target Aluminum, Inc. and Thomas Homes, Inc. (in Bridgeton, MO and Dunkirk, MD, respectively) and even schools such as the Howard County Public School System in Maryland pledged their support for these important programs. Each member of the Subcommittee will receive a copy of this letter with the list of businesses. With your permission Mr. Chairman I would like to include for the record a copy of this letter.

Lowe's Companies, Inc., another company that has pledged their support for increased funding of the program, also recently committed to increasing nationwide sales of Energy Star qualified products in by twenty percent in 2003. While saving their customers money with reduced utility bills, Lowe's will also helped to reduce the emissions of greenhouse gases.

Energy Star proves that environmental protection can not only be achieved without harming the economy, but also that such protections can act to boost consumer savings and economic growth. Energy Star provides the catalyst for many businesses, state and local government institutions, and consumers to invest in energy efficiency, which in turn yields multiple private and public benefits. It does this by providing access to information, improving brand recognition, and reporting positive publicity. This voluntary partnership program reduces pollution through cost-effective measures; promotes economic growth by stimulating investment in new technology; and helps ensure the reliability of our electric system by reducing peak demand.

INVESTMENTS IN ENERGY STAR PAY BACK FOR YEARS

While consumers who purchase Energy Star-labeled products save through the life of the product, product manufacturers get the economic boost and incentives from the purchases of these products. According to EPA, consumers and businesses saved more than $6 billion in 2002 alone by investing in energy-efficient technologies. In addition, EPA predicts cumulative net energy bill savings for consumer and businesses of $85 billion through 2012.

Pollution savings are as dramatic as the financial savings. EPA estimates that emissions reductions averaging more than 35 million metric tons of carbon equivalent (MMTCE) per year between now and 2012 were locked in last year based on actions already taken by EPA's Climate Protection program's voluntary partners. Because many of the investments in energy-efficient technology promoted by Energy Star offer a life of ten years or more, these investments will continue to deliver economic and environmental benefits through 2012 and beyond.

The Energy Star program seeks to influence those capital investment decisions in a way that helps individual purchasers save money while simultaneously helping the nation meet its clean air and greenhouse gas emissions-reduction goals. All of this through voluntary participation in Energy Star, and the voluntary, market-based choices made by thousands of partners and millions of American consumers. No regulations, no government mandates.

MUCH HAS BEEN ACCOMPLISHED, BUT HUGE POTENTIAL REMAINS UNTAPPED

As noted earlier, Mr. Chairman, Energy Star ensures American consumers have access to information about the energy efficiency of the products they consume. However, Energy Star does not cover all products. The Alliance to Save Energy agrees with the President's National Energy Plan that notes, "energy efficiency would be further promoted if the Energy Star program were expanded to a broader range of products." We believe, Mr. Chairman, that the Energy Star program should have the appropriate resources to do just that.

While the Energy Star program has thus far made significant reductions in greenhouse gas emissions, opportunities to use energy efficiency to further eliminate pollution and cut energy bills remain untapped. Over 85 percent of the major air emissions in the U.S. are attributable to energy consumption. Furthermore, American families and businesses spend over $700 billion each year on energy bills according to the Energy Information Administration. As successful as the Energy Star programs have been, these programs could accomplish much more. According to EPA, a typical homeowner could save roughly thirty percent per year on their energy bills by using Energy Star-labeled products. Imagine how much Americans could save with the help of a stronger, even more effective Energy Star program.

Unfortunately, these important programs have received a virtual level funding request for the past three years, even as the number of products and manufacturers in the Labeling program has greatly expanded, and the number of partners in the Buildings, Homes, and Small Business programs have soared.

Appropriations to the Energy Star program go directly to fund the underlying research, program implementation, and technical assistance to partners. These funds are hugely leveraged through EPA's thousands of voluntary partnerships with product manufacturers, home builders, state and local government institutions, commercial building owners, and small businesses. For every federal dollar spent on these programs, EPA can show an average of $75 or more in energy bills savings and $15 in private sector investment in energy efficient technology, reductions in greenhouse gas emissions of 1.0 metric ton of carbon equivalent, and an addition of over $60 to the economy.

RECOMMENDATIONS

Mr. Chairman, I hope that I have helped to demonstrate the extensive value of EPA's Energy Star program. The Energy Star program has proven to be an extremely effective way to capitalize our nation's resource of energy efficiency and successfully make use of energy efficiency's ability to enhance energy security, reduce pollution, and provide economic value at the same time.

The Alliance to Save Energy would like to respectfully recommend the Subcommittee take the following actions to best maximize the successful efforts of EPA's Energy Star program.

—Last year, the Senate provided a $6.4 million increase in funding for this program over the fiscal year 2002 levels. Unfortunately, this was omitted in Conference. However, both the Senate and Omnibus report marks the first time the Energy Star program and its funding have been mentioned in a VA–HUD appropriations report. I strongly encourage the committee to again make its funding intent for the program clear with report language.

—In addition, due to the multiple benefits of the Energy Star program, I respectfully request a significant increase in funding for the program from the fiscal year 2003 levels of $49.8 million.

CONCLUSION

Over the past decade, the Energy Star programs have demonstrated their effectiveness by achieving great savings in the nation's collective energy bill and in energy-related pollution. They are well-run, they are cost-effective, they have consistently exceeded their goals, and they have the support, even explicit endorsement of businesses across the country.

While there are many demands on the countries financial resources, I respectfully urge greater support to what works. Energy Star has proven tremendously cost-effective and it can deliver even greater benefits to the nation with increased funding resources. Increasing funding for these programs in fiscal year 2004 is a high-return investment for the nation's economy and environment.

Thank you for the opportunity to testify.

PREPARED STATEMENT OF THE AMERICAN ASSOCIATION OF NURSE ANESTHETISTS AND ASSOCIATION OF VA NURSE ANESTHETISTS

The American Association of Nurse Anesthetists (AANA) is the professional association that represents over 28,000 certified registered nurse anesthetists (CRNAs) across the United States. The Department of Veterans Affairs (DVA) currently employs over 530 full time CRNAs with less than 50 representing contract or part time employees. We appreciate the opportunity to present our testimony to the subcommittee and to offer recommendations on ways to improve the retention and recruitment of CRNAs in continuing to provide access to quality of care for our nation's veterans.

BACKGROUND INFORMATION ABOUT CRNAS

In the administration of anesthesia, CRNAs perform the same functions as physician anesthetists (anesthesiologists) and work in every setting in which anesthesia is delivered including hospital surgical suites and obstetrical delivery rooms, ambulatory surgical centers, health maintenance organizations, and the offices of dentists, podiatrists, ophthalmologists, and plastic surgeons. Today CRNAs administer approximately 65 percent of the anesthetics given to patients each year in the United States. They are masters prepared and meet the most stringent continuing education and recertification standards in the field, helping make anesthesia 50 times safer now than 20 years ago according to the Institute of Medicine's 1999 Report, "To Err is Human." CRNAs are also the sole anesthesia provider in at least 70 percent of rural hospitals, which translates into anesthesia services for millions of rural Americans. In addition, CRNAs are the sole anesthesia providers in twenty percent of the VA facilities.

CRNAs have been a part of every type of surgical team since the advent of anesthesia in the 1800s. Until the 1920s, anesthesia was almost exclusively administered by nurses. In addition, nurse anesthetists have been the principal anesthesia providers in combat areas in every war the United States has been engaged in since World War I. Most recently, 364 CRNAs have been deployed to the Middle East to ensure military medical readiness during the "Operation Iraqi Freedom". Data gathered from the U.S. Armed Forces anesthesia communities' reveal that CRNAs have often been the sole anesthesia providers, both at home and while forward deployed. For decades CRNAs have staffed ships, isolated U.S. Bases, and forward surgical teams without physician anesthesia support. The U.S. Army Joint Special Operations Command Medical Team and all Army Forward Surgical Teams are staffed solely by CRNAs. Military CRNAs have a long proud history of providing independent support and quality anesthesia care to military men and women, their families and to people from many nations who have found themselves in harms way. CRNAs also provide anesthesia services in the medical facilities of the Department of Defense, the Public Health Service, the Indian Health Service, the Department of Veterans Affairs, and countless other public and private entities.

One of the differences between CRNAs and anesthesiologists is that prior to anesthesia education, anesthesiologists receive medical education while CRNAs receive a nursing education. However, the anesthesia part of the education is similar for both providers, and both professionals are educated to perform the same clinical anesthesia services. CRNAs and anesthesiologists are both educated to use the same anesthesia procedures and techniques in the provision of anesthesia and related services.

CRNAs continue to provide the same standard of quality care in the administration of anesthesia as their MDA counterparts. That is why patient outcome data has consistently shown that there is no difference in outcomes between these two providers. With CRNAs administering approximately sixty-five percent of the anesthetics given to patients each year in the United States, the Institute of Medicine reported in their 1999 Report "To Err is Human" that anesthesia is fifty times safer now than twenty years ago.

The practice of anesthesia is a recognized specialty within both nursing and the medical professions. Both CRNA's and anesthesiologists administer anesthesia for all types of surgical procedures; from the simplest to the most complex, either as single providers or in a "care team setting".

Patients are just as safe receiving their anesthesia care from CRNAs or physician anesthesiologists, working individually, or from CRNAs and anesthesiologists working in anesthesia care teams. An April 2003 study titled, "Surgical Mortality and Type of Anesthesia Provider," analyzed the effect of different types of anesthesia providers on the death rates of Medicare patients undergoing surgery. According to the study, surgical death rates were essentially the same whether anesthesiologists

or nurse anesthetists provided the anesthesia individually or worked together in anesthesia care teams.

INCLUSION OF AAS UNDER THE VA HEALTH SYSTEM: WHERE IS THE OVERSIGHT?

The VHA Handbook 1123 on Anesthesia Service expired on March 31, 2003, with a new draft to be finalized shortly. In 2002, the Anesthesiology Field Advisory Committee for the Veterans Administration made revisions and changes to the March 27, 1998 VHA Handbook 1123 through a collective method of meetings and conference calls. Proposals for changes were brought to the committee as a whole to ensure that any revisions considered would be discussed and voted on. Again, the directive for the Anesthesiology Field Advisory Committee is to ensure the best possible care in anesthesia for our veterans.

It is the understanding of AANA and AVANA that as of March 3, 2003 the latest revisions of the VHA Handbook 1123 were not approved in collective manner. Further, we were informed that Dr. Michael J. Bishop, MD, Director VA Headquarters Anesthesia included some revisions without committee approval. Specifically, Dr. Bishop included a new provider anesthesiologists assistants (AAs) under section (5) Local Facility Anesthesia Personnel marked (e) Ancillary Personnel in the VHA Handbook 1123 "Anesthesia Services".

We are concerned that there was no proper oversight to include AAs, especially since there are no national qualification standards under Title 38 or pay category under Title 5 for AAs. Before the inclusions of AAs were made in the VHA Handbook 1123, were any "quality of care studies" on the safety record of AAs performed? How can VA simply allow AAs to practice in their facilities if AA's have "no scope of practice" within the Federal Government system? It seems apparent to us that until a study is conducted on AA's practice, and financial impact, they should not become a new provider in the VA system.

There is little known about the practice of AAs, since they are not recognized providers of anesthesia in all 50 states. Further, only five states provide separate licensure for AAs (Alabama, Georgia, New Mexico, Ohio, and South Carolina). If most of the country does not recognize the AA practice, why should VA have AAs practice in a national arena on our men and women who have served in the military? The VA health system should continue to hold the highest standard of health care for the men and women who have served in our armed services. Therefore, we request that there is appropriate congressional oversight to include new providers under the VA system.

The scope of training for AAs is severely limited. For example, the Emory program in Georgia does not provide clinical instruction in the administration of regional anesthesia. The AA curriculum is characterized by training that allows them to "assist" the anesthesiologist in technical functions. By contrast, nurse anesthetists are capable of high-level independent function and receive instruction in the administration of all types of anesthesia including general and regional anesthesia, conscious sedation, and monitored anesthesia care. The ability to make independent judgments and provide multiple anesthetic techniques are critical to meeting an array of patient and surgical needs. AAs have a very limited scope of practice, as they are required by law to administer anesthesia only under the close supervision of an anesthesiologist. Since AAs must work under the close supervision of an anesthesiologist, they cannot act independently and quickly in an emergency situation. Immediate and independent action is required when providing anesthesia, especially for those patients in the VA health system. In addition, AAs will not resolve the anesthesia provider shortage within the VA because there is already an increased demand for anesthesiologists.

NURSE ANESTHESIA PROVIDER SHORTAGE: HOW THIS COMMITTEE CAN HELP

While both types of health professionals can provide the same or similar services, it costs the Department of Veterans Affairs (DVA) significantly less to retain CRNAs because they draw a significantly lower salary than their physician counterparts. It is in the best interest of the DVA, and this Committee, to implement policies and to support initiatives that assist in the effort to maintain adequate numbers of CRNA employees in the DVA. Therefore, this Committee can greatly assist in the effort to attract and maintain essential numbers of CRNAs in the DVA by their support of competitive salaries and nurse anesthesia education programs.

The current employment scenario for CRNAs and the DVA is complicated by the national nurse anesthesia provider shortage. The number of nurse anesthetist vacancies increased 250 percent from 1998–2001, according to CRNA managers' surveys. Health professions staffing firms report CRNA recruitment rising by up to tenfold from 1997–2000, making nurse anesthesia the second most recruited health

professional specialty. In addition, this is compounded by the baby boom generation approaching retirement. As the number of Medicare-eligible Americans climbs, it compounds the number of surgical procedures requiring anesthetics. The solution is to increase funding for our nurse anesthesia schools, which are currently at capacity.

As of the fall of 2002, the VA system had approximately forty to fifty CRNA vacancies. This is compounded by the number of CRNAs between the ages of fifty-two and fifty-four in the VA system that will be eligible for retirement by 2006, which is greater than fifty percent of the current work force. The DVA will not be able to keep up with the recruitment of CRNAs to meet the growing needs of the older veteran patient population at this rate. This workload will be exacerbated as the VA health system becomes the back up health system for the to the military medical system due to the military involvement in the war in Iraq. Therefore, this Committee can greatly assist in the effort to increase the number of CRNAs practicing in the VA through the support of nurse anesthesia education programs.

The DVA is also looking for innovative ways attract nurse anesthetists to work in their facilities through educational opportunities. The DVA proposed a nurse anesthesia program beginning June 2004 with both the military and VA at Ft. Sam Nurse Houston Anesthesia program in San Antonio, TX. The pilot program would create ten openings for VA registered nurses (RNs) to apply to and attend a graduate program in nurse anesthesia at Ft. Sam Houston. After, their didactics are completed these student would do their clinical training at accredited VA facilities. Bridging the two programs would cost the VA program money in the short term, but savings in the long term with these CRNAs obligated to practice in the VA for two to five years after their board certification. This is similar to the Department of Defense anesthesia programs, where officers receiving a nurse anesthesia education, are obligated to serve in the military for an obligated four-year pay back. The cost to run the program the first year would be $450,000 including both set up and administrative costs. After wards, the cost would be $300,000 annually to continue to educate ten VA RNs to become nurse anesthetists. Both funding for student CRNAs and a faculty director are required to making this pilot program a success. Funding support for a VA nurse anesthesia program in conjunction with the Army nurse anesthesia program at Ft. Sam Houston, San Antonio, TX is one viable solution to both educating and employing CRNAs within the Veterans' health system.

LOCALITY PAY AND RETENTION BONUS

One thing that consistently attracts and maintains good employees is an attractive salary. Competitive salaries would assist the DVA with retention of cost-effective CRNAs to provide anesthesia services for our nation's veterans. But providing competitive salaries for employees can be an ongoing battle, especially in the face of restricted budgets. This is where this Committee can help, by providing adequate funding for personnel through the locality pay adjustments, which are currently not competitive with the private market.

If salaries cannot stay competitive in the face of a national nursing shortage, then the DVA will surely continue to face a shortage of CRNAs. Historically, the cost to correct such a problem has been steep. The DVA faced a severe shortage of CRNAs once before in the early 1990s, which was moderately corrected with the implementation of a locality pay system in 1991. In 1992, Congress expanded the authority of the local medical directors and allowed them to survey an expanded area to determine more competitive average salaries for CRNAs, which boosted pay and morale. Implementation of this expanded authority helped assist the DVA in making great leaps in retention and recruitment of CRNAs at that time, but times have changed. Due to the nationwide shortage of CRNAs over the last few years, salaries have increased in the private sector to stay competitive in employing CRNAs. This means that the DVA locality pay system is no longer competitive with the private sector, with new nurse anesthetist graduates choosing not to work in the VA health system.

In a recent national survey conducted by Ms. Laura Cohen, the chief nurse anesthetist at the local New Orleans VA, showed only one of the hospitals surveyed had a competitive new graduating starting salary. The response rate for the VA CRNA salary survey was 76 (60 percent) of the 124 sites that employ CRNAs. Therefore the numbers only apply to those 76 stations, but it was felt that these stations are representative of the situation that exists regarding VA CRNA salaries. The results showed that our national average for both entry level pay and senior positions fall several thousand dollars below the national average. In some locations new graduate starting salaries are as much as $30,000 below the community. This is caused by the low pay categories for Nurse I/Step I to Nurse 4/Step 4, but also the fact

that many station directors for VA facilities continue to use locality surveys at their discretion without the input of CRNA staff or disregard the results completely in the locality surveys.

According to the CRNA Qualifications Standards, a new graduate CRNA should come into the VHA at Nurse I/Step 1. The results found that only one station could easily recruit a new graduate at the intended starting salary and 14 stations had beginning salaries that might be able to recruit, depending on location. Thus, a minimum of 61 stations and a maximum of 75 stations could not recruit a new graduate CRNA. Most stations facing this situation are bringing in a new graduate CRNAs at a much higher step in Nurse I to be competitive in the local market. This practice, while attractive to the new graduate, does nothing for retention of the current CRNA workforce with years of service and little hope of a salary increase.

This same analysis revealed that 29 stations (39.1 percent) have Nurse III salaries that reach the federal maximum. The rest of the stations (61.9 percent) require Nurse IV, which can only be reached by the Chief Nurse Anesthetist, before the federal maximum salary of $126.5 thousand can be attained. Raising the Nurse I/Step 1 to the current market value and increasing the federal maximum salary would not only increase recruitment but also help greatly to retain the CRNAs already employed and continue the high standards of anesthesia care that the VA health system demands for the veteran population.

Finally, creating a structure for recruitment and retention bonuses to help VA facilities attract and retain CRNAs. The VA needs to establish a bonus system for CRNAs, similar to the military structure for incentive special pay, to stay competitive in the marketplace.

We strongly encourage this Committee to continue their role in facing this nursing shortage head on, by providing adequate funding for personnel. With the current shortage of nurse anesthetists, we must insure competitive salaries and education funding to retain and recruit high quality, cost-effective anesthesia providers. We look forward to working with this committee to ensure that veterans have continued access to quality health care at the VA.

PREPARED STATEMENT OF THE AMERICAN SOCIETY FOR ENGINEERING EDUCATION

On behalf of the American Society for Engineering Education Engineering Deans Council (EDC), I would like to express appreciation for the opportunity to present written testimony on fiscal year 2004 appropriations for the National Science Foundation. I request that my testimony be made part of the record of the hearings on the fiscal year 2004 NSF budget. The Engineering Deans Council of the American Society for Engineering Education (ASEE) is the leadership organization of more than 300 deans of engineering in the United States. ASEE is a non-profit association established in 1893 and dedicated to the improvement of engineering and engineering technology education.

I want to begin by thanking the subcommittee Members for their commitment to a strong budget for the National Science Foundation. The NSF plays a vital role in supporting and advancing basic research in science and engineering and in developing the human capital needed to advance science and technology. Funding levels for the agency greatly impact engineering educators, as well as the country as a whole.

I want to thank Chairman Bond and Senator Mikulski for their leadership and persistence in advocating doubling the National Science Foundation's budget and their strong and continuing support for good budgets for the agency. I also want to extend the thanks of all the Engineering Deans Council to all of the other Members of the subcommittee for their support for doubling the NSF budget. The NSF Authorization Act of 2002 provides for doubling the NSF over a 5 year period. This Act represents a major milestone for the NSF and for the scientific community, because it authorizes increasing the budget of the NSF from its fiscal year 2002 level of approximately $4.8 billion to the level of $9.8 billion in fiscal year 2007.

For the fiscal year 2004 NSF budget, the EDC recommends an increase of $1.09 billion above the fiscal year 2003 level of $5.3 billion, to provide the agency with a budget of $6.39 billion, the funding authorized in the 2002 law.

At the outset I want to express the strong support of the Engineering Deans Council for the new 5-year Workforce for the 21st Century Initiative under which all the NSF directorates will be partnering in an integrated research and education effort to address science and engineering workforce needs.

The NSF occupies a unique position, with the ability to influence the economic strength of the nation through research and innovation. Basic research funded through the NSF opens the doors for further discoveries that can advance medical

care; improve communications equipment, and continue to create better civilian and military security systems. In the current climate of increasing global economic competition and a heightened need to protect our citizens and infrastructure, strong support of the NSF serves a vital national interest.

Science and technology have become a core component of economic strength and competitiveness. The NSF brings special expertise to the task of identifying and promoting the basic science and engineering research that underlies the United States' world economic leadership. A growing chorus touts the importance of this kind of federal engagement with science and technology, including Federal Reserve Chairman Alan Greenspan, the Council on Competitiveness, and Business Week, among many others. As Chairman Greenspan said in 2002, "there is just no question that if you're going to have technology as the base of your economy, which we do, research is crucial."

NSF is the sole federal agency charged with the important task of funding a broad range of research, spanning a wide variety of disciplines including basic science, engineering, mathematics, and computing. It provides necessary financial and intellectual support for scientists working on groundbreaking research, much of which will lead to innovations that could impact any number of emerging technologies. While NSF accounts for less than 4 percent of total federal research and development spending, the agency supports almost half of the non-medical basic research at American colleges and universities. In the field of engineering, NSF provides nearly one third of all federal support for basic research and has contributed to important developments such as computer-aided design, fiber optics, biotechnology, advanced composite materials, and magnetic resonance imaging (MRI). Renewing support for research and equipment will allow the nation to take advantage of the opportunities presented by these new technologies, creating further economic opportunities and improving overall quality of life.

NSF-sponsored research has led to many of the current developments in the area of homeland security. Recent NSF projects ranging from the study of the ecology of infectious diseases to the Scholarship for Service program, which trains students in information security, help bolster our nation's ability to prevent and respond to terrorist attacks. "The scientific and engineering community is aware that it can make a critical contribution to protecting the nation from catastrophic terrorism," Lewis M. Branscomb, emeritus professor, John F. Kennedy School of Government, said in a 2002 National Academies of Science report.

The benefits of a strong science investment are evident as the men and women of our armed forces respond to unprecedented threats to U.S. national security. Because of its superiority, much of it brought about by investments in S&T, this nation's military is successfully waging war against terrorism. In this new environment, characterized by unforeseen and unpredictable threats, maintaining and enhancing technological superiority will become even more imperative.

Across all fields, NSF support for research produces first-rate results on modest levels of investment. NSF-supported work is exceptionally well managed, and attracts additional funding from outside sources on a regular basis. For example, an additional $86 million in support from industry, other federal agencies, universities, and ten states leveraged NSF support for the Engineering Research Centers program. The agency has a diverse, responsive, results-oriented staff, efficient business processes that take advantage of staff knowledge and technology resources, and state-of-the-art business tools and technology. NSF has exceptional business practices, and won the only "green light" given out in the Office of Management and Budget's Executive Branch Scorecard report in December 2001. OMB Director Mitchell Daniels said that the NSF deserves to be strengthened, noting, "NSF is one of the true centers of excellence in the government where 95 percent of the funds that taxpayers provide goes out on a competitive basis directly to researchers pursuing the frontiers of science at a very low overhead cost." NSF's management successes include doubling its budget between 1990 and 2000 while simultaneously decreasing the number of employees at the agency.

Much of NSF's work looks beyond technological innovation by engaging new generations of students to aid in discoveries while gaining valuable skills that help prepare them for the cutting-edge research of the future. Many NSF grants require undergraduate students to be involved in performing federally funded research. K–12 teachers are invited to join in summer research programs at MIT's radio Haystack Observatory, and then are able to develop lesson plans that integrate modern scientific concepts and real life research processes. The NSF's Math and Science Partnership Program extends improved science education into classrooms by uniting local school districts with the faculties of nearby colleges and universities. NSF also helped to sponsor "Deans Summit II: Fostering Campus Collaborations," earlier this

year. The meeting catalyzed the formation of many partnerships between engineering and education deans to improve K–12 science and mathematics education.

Engaging students in science from their pre-kindergarten education through college will help endow growing generations of Americans with the skills and interests necessary both to maintain U.S. leadership in economic, health, and military fields, as well as to function as citizens in an increasingly technology-driven society. A vibrant engineering education enterprise benefits civic, economic and intellectual activity in the country. Engineering graduates learn to integrate scientific and engineering principles to develop products and processes that contribute to economic growth, advances in medical care, enhanced national security systems, ecologically sound resource management, and many other beneficial areas. As a result, students who graduate with engineering degrees bring highly prized skills into a wide spectrum of sectors in the American workforce. Some conduct research that results in socially or economically valuable technological applications. Others produce and manage the technological innovations said to account for one-third to one-half of growth in the American economy. Still more bring advanced analytical abilities and knowledge of high technology to fields as diverse as health care, financial services, law, and government. Within all of these groups, the diversity of engineering graduates' backgrounds and viewpoints contributes to their ability to achieve the advances in innovation, productivity, and effectiveness that make them valuable contributors to the American workplace. As former Presidential Science Adviser Neal Lane observed: "Chief executive officers of American industry say that the biggest threat to U.S. competitiveness in the next century is a shortage of technologically skilled workers. Those future scientists and engineers must come out of the nation's universities and colleges. The surest way to leave the United States vulnerable to this threat is to cut funding for the NSF."

Engineering graduates in particular bring highly prized skills into all sectors of the American workforce. The most advanced carry on the research that pays off in many surprising ways. Other engineering graduates produce and manage many of the technological innovations said to account for one-third to one-half of the recent growth in the American economy. Still others bring advanced analytical abilities and knowledge of high technology to fields as diverse as health care, financial services, law, and government. In the Addendum immediately following my testimony, I have attached additional documentation of the many ways NSF support is promoting engineering education and research at U.S. colleges and universities. This wealth of human capital owes much of its capacity to strategic NSF support for engineering education.

A succession of predictable, sizable increases to the NSF budget will permit even greater development of human resources. In addition to the Math and Science Partnership initiative, NSF programs have become important vehicles for broadening the participation of under-represented groups such as minorities and women in the fields of science, math, and engineering. Through programs like the Experimental Program to Stimulate Competitive Research (EPSCoR), NSF works to strengthen the research and development infrastructure of many rural and low-population states. Consistent growth in the NSF budget will permit the allocation and coordination of the activities needed to promote the broadest possible development of science, mathematics, and technology skills among all Americans.

A $1.09 billion increase for the NSF budget will enhance the value of the agency's other cross-cutting initiatives. New funding for multidisciplinary mathematics research will enhance the transfer of results and applications from mathematics and statistics research to science and engineering disciplines, expanding the cadre of researchers trained in both mathematics and science. Dynamic interdisciplinary work across engineering and science disciplines promises startling advances in, for example, medicine, manufacturing, and communications. The assurance of steady resources over extended periods of time for high-risk, high-reward endeavors—such as research in nanotechnology, biocomplexity, and high-speed computing—would greatly enhance their prospects for success. As Harold Varmus, former Director of the National Institutes of Health and currently President of the Memorial Sloan-Kettering Cancer Center, has said, "it is crucial that leaders of science agencies be able to anticipate several years of steady growth during periods of expansion. These agencies make multi-year awards and are responsible for training and research infrastructure, as well as the operational costs of doing research." In an increasingly interdependent research system, the NSF is uniquely situated to initiate and promote productive exchanges across the full range of scientific and engineering disciplines.

Thank you for the opportunity to testify. The Engineering Deans Council would be pleased to respond to any questions from you and your staff.

ADDENDUM: EXAMPLES OF NSF PROGRAMS AT ENGINEERING SCHOOLS

Securing Laptops.—As more and more sensitive information is carried on government laptop computers, theft or loss of these laptops becomes an issue of national importance. Zero Interaction Authentication (ZIA) technology developed by the University of Michigan with NSF support provides a way of automatically encrypting sensitive information on a computer when it is removed from the proximity of its authorized user. The technology combines a high level of security with a low level of user dependence to create a practical and easily implemented layer of protection.

Modeling Buildings in 3-D.—Researchers at the University of Virginia and the University of North Carolina are developing technology to build extremely detailed three-dimensional computer models of the real world using laser rangefinders and digital cameras. The project, funded by the National Science Foundation, partners academic researchers with the FBI to investigate forensic scanning of crime scenes, the Thomas Jefferson Foundation to examine laser scanning for historical preservation, and with the New Orleans Museum of Art to explore virtual tourism using the resulting 3-D computer models.

Improving Structural Engineering.—Lehigh University's ATLSS Center is one of 15 major experimental installations linked through the internet to make up the George E. Brown, Jr. Network for Earthquake Engineering Simulation (NEES) project. This project, funded in part through the NSF, involves ATLSS scientists in experimentation to improve the seismic design and performance of the nation's civil and mechanical infrastructure systems. Researchers from the ATLSS Center were recently involved in conducting inquiries into the collapse of the World Trade Center.

Detecting and Fighting Breast Cancer.—Researchers at the University of Wisconsin-Madison, funded in part by the NSF, are developing non-invasive techniques for early stage breast cancer detection, monitoring, and treatment. Breast carcinomas significantly scatter microwaves, so an array of antennas sequentially transmits a low-power, ultra-short microwave pulse into the breast and collects the backscatter signal. The group hopes to adapt space-time signal processing algorithms for detecting and localizing small malignant lesions.

Creating Higher Strength Steel.—The use of higher strength steels in automobiles is an economical way to reduce oil consumption and increase safety. Unfortunately, the use of higher strength steels is hindered by changes in other properties of the steel that increase with strength. Changes in processing and steel composition, being studied by researchers at Seattle University through a grant from NSF, will result in large savings of energy and other resources for the manufacturing sector and safer, more fuel efficient vehicles for consumers.

Touching Virtual Objects.—Researchers at Georgia Tech are working with a grant from the NSF to develop "Virtual Clay", a new type of computer device that will allow users to see and feel a virtual 3-D surface. The device will not only be able to display a surface for the user to feel and touch, but it will also be able to be molded by the user and the resulting surface can be reproduced within the computer model. Potential applications range from design, scientific data visualization, and arts for use by the visually impaired.

Reconfiguring Manufacturing Systems.—The NSF Engineering Research Center for Reconfigurable Manufacturing systems designs and studies equipment for the next generation of manufacturing facilities. In 2002, engineers at the University of Michigan unveiled the worlds' first full-scale reconfigurable machine too- an important step to designing more flexible and efficient factories for the future. Factories built around reconfigurable manufacturing technology will be able to respond to market demand more quickly, ultimately offering consumers more product choices at lower prices.

Improving Airport Baggage Security.—A three-year NSF grant awarded in September 2001 is funding an examination of the nation's aviation security system. A University of Illinois professor of engineering is developing operations research models for aviation security operations and performing a computational analysis of algorithms for designing aviation security systems. The models will help security personnel target more quickly and accurately potential risks that might be lurking in baggage, passenger manifests, service routines, and other operations related to air traffic.

Water Contaminant Removal.—Scientists at Penn State University are working to alleviate a common type of water contaminant called perchlorate which has been detected in the water supplies of approximately twelve million people, and has proved difficult to remove through conventional water treatment technologies. Penn State researchers are investigating biological treatment of perchlorate where microbes reduce the contaminant to innocuous oxygen and chloride. The commercial effect of

this would be to save large amounts of money, which has been currently ear-marked for water purification to be used for both future development and current residential and commercial usage.

PREPARED STATEMENT OF THE HUMANE SOCIETY OF THE UNITED STATES

On behalf of our over 7 million members and constituents, The Humane Society of the United States (HSUS) appreciates the opportunity to submit testimony regarding fiscal year 2004 appropriations for the Environmental Protection Agency (EPA). We wish to thank the Subcommittee for directing the EPA to spend $4,000,000 for the research, development, and validation of non-animal, alternative chemical screening and prioritization methods. Prioritizing funding for non-animal test methods is a critical step, encouraging the EPA to promote and support these more humane, often faster, less expensive, and more scientifically sophisticated procedures. We wish to commend the Subcommittee for improving federal regulatory decision-making processes on chemical safety and for helping to reduce needless animal suffering. Our testimony for fiscal year 2004 focuses on the EPA's Office of Research and Development (ORD) and the agency's Endocrine Disruptor Screening Program (EDSP).

The EDSP is the largest of several chemical testing programs administered by the EPA. These programs will collectively subject millions of animals to suffering and death in painful toxicity tests. Indeed, the EDSP itself is perhaps the largest government-sponsored animal testing program in history. Yet without the Subcommittee's intervention, the EPA's ORD budget has no identifiable program to develop alternative tests that can replace, reduce, or refine existing animal-based tests. We are still not seeing sufficient commitment from EPA to provide the initial investments needed to produce alternatives (or batteries of alternatives) to address issues such as the Endocrine Disruptors. Eli Lilly and Company eliminated its cat test for glucagon, replacing it with an alternative test, and calculated that it was saving $1 million a year as a result of the new test. However, it cost Eli Lilly $2 million to develop and validate the alternative. There will be a need for similar up-front investment by the EPA.

The EPA, moreover, is not taking full advantage of an existing interagency committee with expertise in assessing new testing methods to evaluate their acceptability for regulatory use. The Interagency Coordinating Committee on the Validation of Alternative Methods (ICCVAM) is the federal government's focal point for assessing the validation and regulatory acceptability of new test methods. The EPA is a participating member of ICCVAM and was very involved in developing and approving the ICCVAM structure. Yet the EPA is bypassing the ICCVAM's review mechanism for many of the new tests in its EDSP, instead relying on in-house assessments. This move has worried many animal protection advocates as well as other stakeholders.

The HSUS respectfully urges this Subcommittee to request that the ORD establish a substantial program to research and develop alternative methods (as it already committed to do for the High Production Volume chemical testing program but has not yet pursued), and that the EPA take full advantage of ICCVAM's expertise in evaluating new testing methods of multi-agency interest.

RESEARCH AND DEVELOPMENT OF ALTERNATIVE TESTING METHODS AT EPA'S ORD

The ORD budget in recent years has been approximately $500 million. Within these appropriations, it has been nearly impossible to identify funding by the ORD for non-animal alternative testing methods to meet EPA's specific needs in new testing programs. We believe that innovative non-animal alternative testing technologies would benefit from research and development funding. Therefore, we respectfully request that at least $10 million either from the existing budget or over and above the President's budget request be appropriated for research, development and validation of non-animal, alternative testing methods. Given the potential long-term benefits of such investment in alternatives development, it is surprising to us that the EPA is not already actively pursuing this approach. Activities funded by these allotments should be designed in consultation with the Office of Pollution Prevention and Toxic Substances.

It would be appropriate for this funding to be targeted at testing methods with direct application to recent and new EPA testing programs, which include the EDSP, High Production Volume (HPV) chemical testing program, and the Voluntary Children's Chemical Evaluation Program (VCCEP). For example, there is a specific rat neurological development test that is widely regarded as inadequate but is still being proposed as one of the battery of tests under the VCCEP.

The HSUS also asks that the Subcommittee require the EPA to submit a report to the Subcommittee by March 30, 2004 regarding expenditures and plans for additional expenditures for fiscal year 2004 funds under the EDSP.

The request for $10 million represents approximately 2 percent of ORD's total budget, a modest but nonetheless significant commitment by EPA to alternative test methods. The HSUS would like to emphasize that, in making this request, we believe this course of action would also be in the best interests of human and environmental safety.

THE ENDOCRINE DISRUPTOR SCREENING PROGRAM (EDSP)

Under the 1996 Food Quality Protection Act (FQPA) and the Safe Drinking Water Act Amendments, Congress mandated that EPA determine whether certain substances may have an effect in humans that is similar to an effect produced by a naturally occurring estrogen, or such other endocrine effects as EPA may designate. The congressional mandate came as a response to public concern that exposures to synthetic chemicals in the everyday environment may be adversely affecting the endocrine systems of wildlife and humans, thereby causing reproductive and developmental anomalies.

In response to Congress' mandate, the EPA formed the Endocrine Disruptor Screening and Testing Advisory Committee at the close of 1996. This entity devised the testing framework for the EDSP. Currently, the proposed EDSP testing scheme consists of a battery of 16 tests designed to assess the toxicity of up to 80,000 chemicals. These tests are largely animal-based. Some scientific estimates have projected that between 600,000 and 1.2 million animals will be killed for every 1,000 chemicals tested.

Animal protection organizations and members of the public have serious concerns about the process by which the proposed EDSP tests will be evaluated. The FQPA stated that all screens and tests used in the EDSP should be properly validated, to ensure their relevance and reliability for assessing endocrine disruption. The proposed EDSP testing methods are all either new or revised for new endpoints, and therefore each should be evaluated for the EDSP as a matter of sound science. The natural entity to conduct this evaluation is the ICCVAM. Since its creation in 1994, the ICCVAM has benefited EPA and many other federal agencies, as well as research entities, by successfully evaluating the validity of new and revised testing methods (alternatives included) that have cross-agency relevance.

In December of 2000, Congress upgraded ICCVAM from an ad hoc committee to a standing body, thereby solidifying its crucial role. It is clear that ICCVAM can provide a standardized assessment of the validity and regulatory acceptability of all EDSP tests and screens. This would be particularly appropriate given the level of interest in these methods by other federal agencies such as the Food and Drug Administration and other national and international organizations, including the Organization for Economic Cooperation and Development.

However, EPA has developed a bifurcated validation plan for the EDSP that calls upon its own Science Advisory Board (SAB)/Science Advisory Panel (SAP) to review all the animal-based tests and screens, while asking the ICCVAM to review only the non-animal testing methods. This approach has many observers worried that the animal-based methods will be evaluated using lower standards than the non-animal methods. In addition to qualms voiced by animal protection advocates, the Advisory Committee on Alternative Toxicological Methods (ACATM) for the National Toxicology Program passed two unanimous resolutions questioning the EPA's plan and supporting the mission of ICCVAM. The Committee's primary concern was that both in vitro and in vivo methods be subjected to the same rigorous peer review and validation process to ensure the highest likelihood of acceptance by the regulatory agencies, the scientific community and the public.

The HSUS strongly urges the Subcommittee to call on the EPA to use ICCVAM's expertise to assess the validity and regulatory acceptability of all EDSP tests and screens, with appropriate fiscal support from the EPA. Furthermore, ICCVAM should collaborate with EPA's SAB/SAP to avoid any unnecessary delay in the program. Among other things, ICCVAM's review of the EDSP testing methods can serve to ensure that proper consideration is granted for the replacement, reduction, and refinement of the use of animals in these proposed tests and screens.

CONCLUSION

The HSUS respectfully requests that the VA–HUD Appropriations Subcommittee provide funding to the EPA with the direction that the ORD expand its research and development activities to include alternative methods. We also urge the Subcommittee to ensure that any new or revised testing methods with multi-agency or

international interest be evaluated through the Congressionally-established ICCVAM for sound science and consistency with the replacement, reduction, or refinement of animal use.

Finally, The HSUS requests language in the report accompanying the fiscal year 2004 VA–HUD and Independent Agencies Appropriations bill stating that no funds for the EPA may be used for the purpose of assessing data from an animal-based testing method when a non-animal test for the desired endpoint has been validated/accepted by the OECD or its member nations. This request will ensure that the EPA not only honors its stated concern for animal welfare, but also honors its international commitments to the latest scientific methods.

PREPARED STATEMENT OF THE AMERICAN PSYCHOLOGICAL SOCIETY

Mr. Chair, Members of the Committee: Thank you for this opportunity to present the views of the American Psychological Society (APS) on the fiscal year 2004 appropriations of the National Science Foundation (NSF). I am Alan Kraut, Executive Director of APS. We are a 15,000-member organization of scientists and academics, most of whom are located in colleges and universities across the country. The NSF supports many members of the American Psychological Society, and much basic research in our field could not exist without NSF funding.

—As a member of the Coalition for National Science Funding (CNSF), APS strongly supports CNSF's recommendation of $6.39 billion for the National Science Foundation in fiscal year 2004.

—Within the NSF Budget, we ask the Committee to fully fund the President's request for the Social, Behavioral and Economic Sciences (SBE) Directorate.

THE NATION'S PREMIERE BASIC RESEARCH ENTERPRISE

CNSF's recommendation for fiscal year 2004 is based on the level of funding authorized for NSF in HR 4664, passed in the 107th Congress and signed by the President. This level of funding is the first step toward a much-needed doubling the Nation's premiere basic research enterprise. NSF is the primary funding source of non-medical basic research conducted at colleges and universities in the United States. Last fall, Congress passed an historical authorization bill for NSF, supporting a schedule of increases in NSF's budget from the fiscal year 2002 level of $4.79 billion to $9.84 billion in fiscal year 2007. The basic science community now turns to you, the appropriators, and asks you to make this authorization a reality.

Both Congress and the Administration have expressed a high degree of confidence in NSF's mission and its efficient management of resources. The House Committee on Science made a clear case clear for the importance of basic science to our progress as a nation. As Chairman Boehlert noted, "NSF-supported research [is] integral to progress in priority areas such as health care and national security, among others," could not be more accurate. He also noted, "Science and technology have the potential to cure numerous domestic and global social ills—disease, poverty, hunger, cultural isolation and environmental degradation, just to name a few." But perhaps most relevant is this final statement by Mr. Boehlert: "Advances in science and technology do not come cheap, or without focused effort." The increase that you and your colleagues in the Senate provided for NSF in fiscal year 2003, and the increase that we are recommending in fiscal year 2004, are important steps in offsetting the comparative underfunding that has characterized NSF's budget in the past several years. The scientific community is grateful for your support and it is our hope that you will continue to endorse the much-needed expansion of NSF's budget.

THE SOCIAL, BEHAVIORAL AND ECONOMIC SCIENCES (SBE) DIRECTORATE

Within the NSF budget, we ask the Committee to continue its history of support for behavioral and social science research at NSF. This Committee was instrumental in encouraging NSF to establish its Social, Behavioral, and Economic Sciences (SBE) Directorate a decade ago, and over the years has encouraged many of the initiatives coming out of that directorate. The fiscal year 2004 budget request to Congress contains a 10.8 percent increase for SBE, which would bring it to $211.7 million. (And of course to the extent that you appropriate funds for NSF above the requested amount, we ask that the SBE directorate share proportionately in such increases.)

In fiscal year 2003 the President proposed a 6.3 percent increase for SBE. Unfortunately, when the dust settled, SBE received an increase of only 3.9 percent over fiscal year 2002. We are concerned about this shortfall, given the enormous potential of behavioral science to address many critical issues facing the Nation. To offset the previous year's underfunding, the SBE directorate received the largest proposed

increase of any directorate in 2004. We ask this committee to fully fund the President' budget request for SBE in fiscal year 2004.

Before addressing specific activities of the SBE directorate, I first want to provide a brief overview of basic psychological research, to give you an idea of the scope and breadth of the field that I represent.

An Overview of Basic Psychological Research: Programs and initiatives that involve psychological science are our best chance to solve the enigma that has perplexed us for so long: How does the human mind work and develop? APS members include thousands of scientists who conduct basic research in areas such as learning, cognition, and memory, and the linked mechanisms of how we process information through visual and auditory perception. Others study decision-making and judgment; mathematical reasoning; language development; the developmental origins of behavior; and the impact of individual, environmental and social factors in behavior. The basic psychological research conducted by APS members has implications for a wide range of applications, including designing technology that incorporates the perceptual and cognitive functioning of humans; teaching math to children; improving learning through the use of technology; developing more effective hearing aids and speech recognition machines; increasing workforce productivity; and ameliorating social problems such as prejudice or violence. While this is a diverse range of topics, all of these areas of research are bound together by a simple notion: that understanding the human mind, brain, and behavior is crucial to maximizing human potential. That places these pursuits squarely at the forefront of several of the most pressing issues facing the Nation, this Congress, and the Administration.

Progress and investments in psychological science will not simply lead us to a better understanding of how humans think, decide, evaluate, and adapt. It will lead us to revolutionary advances in our powers to predict, detect, and prevent. In this time of uncertainty, where we can come to rely so heavily on technology to keep us safe and confident, we must turn to cognition in order to maximize this technology. An understanding of how people process information will enable us to design technology and computers that fit our needs and make us comfortable when using them. The potential for advances would be limitless.

HIGHLIGHTS OF SBE INITIATIVES

Turning now to the SBE Directorate, I'd like to highlight some of its programs. These initiatives exemplify SBE's essential leadership on the cutting-edge frontiers of research, and they illustrate the important work that will only flourish if adequately funded.

Cognitive Neuroscience Initiative.—Theoretical work in behavioral science has greatly advanced our understanding of the basic mechanisms underlying memory, emotion, learning, and other psychological and cognitive processes. Recognizing the potential contributions of neuroscience to these and related areas, the directorate has added funds to these programs for the express purpose of bringing more neuroscience perspectives to bear on these topics, and to map these psychological mechanisms onto the physical dimensions of the brain. Cognitive neuroscience, within the last decade, has become an active and influential discipline, relying on the interaction of a number of sciences, including cognition, neurology, neuroimaging, physiology and others. The cross-disciplinary aspects of this field have spurred a rapid growth in significant scientific advances. Research topics examined under the program so far have included sensory processes, higher cognitive functions, language, learning, memory, and the list goes on. Cognitive neuroscientists are able to further clarify their findings by examining developmental and transformational aspects of these phenomena across the lifespan.

NSF, with the right support, will have the ability to link advances in human thought and behavior to the natural and social sciences. Now, with brain imaging and other non-invasive techniques, we are poised to confirm and extend these theories through studies of the living brain. The Cognitive Neuroscience program solicits innovative proposals aimed at advancing an understanding of how the human brain supports thought, perception, affect, action, social processes, and other aspects of cognition and behavior. Scientists from a range of areas will be able to test theories about normal brain functioning; assess the behavioral consequences of brain damage; and reach new levels of understanding of how the brain develops and matures, in terms of both structure and function. The program is particularly interested in supporting the development of new techniques and technologies for recording, analyzing, and modeling complex brain activity.

On a related note: A stable, long-term commitment to the study and development of new technology ensures continued advances in all fields, including our own dis-

cipline of psychological science, which is part of the broader behavioral and social science research enterprise. Emerging fields, such as behavioral genetics and cognitive neuroscience—which employ the latest in imaging and computing technology to unlock the mysteries of the mind and the origins of behavior—are examples of where gains in technology are necessary if we are to see a return on our investment in science. In addition, addressing human factors in the design of technology is essential; advances in technology will be severely undermined unless we incorporate what we know about perception, learning and memory, and other behavior-based processes that people draw on when using technology. Advances in science and technology will not only make the U.S. a world leader in many arenas, but will also contribute to better homeland security and a stronger economy.

Developmental and Learning Sciences.—This initiative supports studies that increase our understanding of cognitive, social, and biological processes related to children and adolescents' learning in a variety of settings. Additional priorities are the support of research on learning and development that incorporates multidisciplinary, multi-method, microgenetic, and longitudinal approaches. This program will lead to the development of new methods and theories, and assess peer relations, family interactions, social identities, and motivation. It examines the impact of family, school, and community resources, as well as assesses adolescents' preparation for entry into the workforce; and investigates the role of demographic and cultural characteristics in children's learning and development. The results of this initiative will add to our basic knowledge of children's learning and development and, ultimately, will lead to better educated children and adolescents who grow up to take productive roles as workers and as citizens.

NSF's Children's Research Initiative.—Recognizing that a combination of perspectives—cognitive, psychological, social, and neural—is needed to fully understand how children develop and how they acquire and use knowledge and skills, the SBE directorate supports new interdisciplinary research centers that will focus primarily on integrating traditionally disparate research disciplines concerned with child development. Known as the Children's Research Initiative (CRI), this program is bringing together such areas as cognitive development, cognitive science, developmental psychology, linguistics, neuroscience, anthropology, social psychology, sociology, family studies, cross-cultural research, and environmental psychology, to name only some of the relevant disciplines.

Psychology researcher Stephen J. Ceci, of Cornell University, who is also an APS Fellow, leads one of the CRI's four research centers. The Cornell Institute for Research on Children will conduct rigorous multi-disciplinary research on issues of significance to children and their families. Specifically, the center will commission national teams of the nation's most distinguished developmental scientists to study policy relevant questions, and to create a consensus position for dissemination to the public. Ultimately, this project will place science-based information in the hands of Congress and other policymakers. On a different front, the North Carolina Child Development Research Collaborative is preparing to launch an interdisciplinary longitudinal study of early childhood, aimed at examining linguistic, emotional and intellectual changes from birth to school entry. The focus is on the individual in the context of social relationships. These two centers are just a sampling of what the CRI can accomplish. Over 80 proposals for new studies were received last fall, and this spring will see another round of competition for collaborative projects and more centers.

The initiatives I just described are in the Division of Behavioral and Cognitive Science. Basic behavioral science supported by this division traditionally has included research in cognition, perception, language, development, emotion/affect, and social psychology. SBE's other main component, the Division of Social and Economic Sciences, also supports a substantial amount of basic psychological science. Examples of research topics being addressed in that division include: human dimensions of global change, group and individual decision making, risk management, and human factors. Research in these areas has the potential to increase employee and organizational productivity, improve decision making in critical military or civilian emergency situations, and inform the public policymaking processes across a range of areas.

CROSS-CUTTING BEHAVIORAL INITIATIVES

The Science of Learning.—How people think, learn and remember is a core area of interest at NSF. Known as the science of learning, this field draws from a variety of research topics across psychology, such as brain and behavior, learning, memory, perception, social psychology, and development. The basic challenge for both the

science and education communities is this: How can we apply and extend our knowledge of how people think, learn and remember to improve education?

Last year, as this program was in the planning stages, we asked for your support. In the fiscal year 2003 appropriations report, you stated, "the Committee recognizes that investment in basic, multidisciplinary research on learning is crucial to both successful educational reform and effective workforce development. In this regard, the Committee's recommendation includes support for the NSF Science of Learning Centers." We thank you for your support last year, and we ask that you continue to support this program in fiscal year 2004.

NSF's Science of Learning program has two broad goals: improving our understanding of the learning process, and transferring that understanding into application. We have the knowledge base and a critical mass of top-flight scientists to help solve the educational and learning issues that have been identified by the government as high priorities. But getting that knowledge into the classroom is going to require a multi-disciplinary, multi-agency effort. This will be facilitated via investigations in human-computer interactions, cognitive psychology, cognitive neuroscience, and other activity related to child learning and cognitive development. Through the establishment of three or four multi-disciplinary Science of Learning Centers, NSF will for the first time attempt to focus the full range of science and research onto a scientific workforce objective. These centers will also provide a research base for the President's Math and Science Partnership.

Human and Social Dynamics.—NSF's newest priority area, Human and Social Dynamics, will support multi-disciplinary approaches to better understand the causes and impact of social change, as well as to increase understanding of behavior and the human mind. This new priority area will expand knowledge of the cognitive and social structures that create and define change. Decision making under uncertainty and enhancing human performance are just two examples of topical areas that will be addressed in the early stages of this effort.

One of the biggest challenges facing behavioral scientists is the better understanding of everyday human performance and action, and how such performance is influenced by rapid change. NSF is currently seeking research proposals that will examine this challenge. Research on cognition, development, behavior, emotion and language is converging with advances in biology, engineering, and technology. This convergence can be used to illustrate how we can improve performance in the face of rapid change. The early stages of research in this new area will enhance our fundamental understanding of basic research on human performance in the behavioral sciences, and will strengthen the links between this research and other relevant scientific communities, especially biology, engineering, and information technology. This priority area seeks to refine our knowledge about decision-making, risk, and uncertainty, and then take this new knowledge and translate it into improved decision-making techniques. Now more than ever, we live in a world where science such as this cannot afford to fail.

In closing, I want to note that building and sustaining the capacity for innovation and discovery in the behavioral and social sciences is a core goal of the National Science Foundation. We ask that you encourage NSF's efforts in these areas, not just those activities I've described here, but the full range of activities supported by the SBE directorate and by NSF at large. Your support in fiscal year 2004 will help NSF lay the groundwork for this long-overdue emphasis on these sciences.

Thank you again for the opportunity to appear before you to present our recommendations. I would be pleased to answer questions or provide additional information.