



INLAND WATERWAYS USERS BOARD

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

May 10, 2019

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
H-222, Capitol Building
Washington, D.C. 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
H-204, Capitol Building
Washington, D.C. 20515

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

The Honorable Charles E. Schumer
Minority Leader
U.S. Senate
S-221, Capitol Building
Washington, D.C. 20510

Dear Speaker Pelosi, Leader McConnell, Leader McCarthy and Leader Schumer:

Pursuant to Section 2002(d) of the Water Resources Reform and Development Act¹ (Public Law 113-121, June 10, 2014, hereinafter referred to as WRRDA), the Inland Waterways Users Board (“Board” or “Users Board”) hereby submits its fifth annual post-budget-submission “advice and recommendations” concerning investment in the Nation’s inland waterways system. The Users Board is a federal advisory committee established more than 30 years ago by the Water Resources Development Act of 1986 (Public Law 99-662). Comprised of a balanced, regionally-varied mix of the primary users and shippers utilizing the inland and intracoastal waterways for commercial purposes, the Users Board was created to give commercial users a strong voice in the investment decision-making the users are supporting with their continuing diesel-fuel-based cost-sharing tax payments.

¹ “ADVICE AND RECOMMENDATIONS. – For commercial navigation features and components of the inland waterways and inland harbors of the United States, the Users Board shall provide –... (D) not later than 60 days after the date of submission of the budget proposal of the President to Congress, advice and recommendations to Congress regarding construction and rehabilitation priorities and spending levels.” Sec.2002(d).

Executive Summary

Again this year, the Users Board expresses its deep gratitude to the Congress for the strong level of funding support provided in recent years for the Nation's inland waterways transportation system. This Congressional leadership, in response to a series of Administration budget proposals that have been egregiously deficient, has produced remarkable progress and avoided serious degradation throughout the inland waterways system. Unfortunately, the President's Fiscal Year (FY) 2020 Budget proposal for the U.S. Army Corps of Engineers (Corps) Civil Works Program follows the ill-advised pattern of the past and proposes to significantly underfund modernization of inland waterways locks and dams. The Board hopes that Congress, as it has in the past, will reject the Administration's minimalist budget proposal for FY 2020 and, instead, continue to provide full use of Inland Waterways Trust Fund (IWTF) revenues for the construction of ongoing modernization projects and strong funding support of inland waterways operation and maintenance activities throughout the system. The Board unanimously urges Congress to maintain the progress and positive program momentum that Congress has created and toward that end offers the recommendations contained in this report for consideration.

INLAND WATERWAYS USERS BOARD RECOMMENDATIONS

- **For FY 2020, and exclusive of any additional funding that might be forthcoming in one-time "Infrastructure Investment" legislation, Congress should base IWTF project funding recommendations and funding decisions on assumed annual inland waterways fuel tax revenues deposited into the IWTF at a level of \$115 million during FY 2020.** As explained later in this report and in our 31st Annual Report issued five months ago, this \$115 million amount is supported by the level of IWTF receipts actually experienced during the four years that the current 29 cents per gallon diesel fuel tax has been in effect and is much more consistent with actual experience than the Administration's proposed \$107 million for FY 2020.
- **For FY 2020, each of the three ongoing priority projects other than Olmsted Locks and Dam, that have not been funded thus far to construction completion should receive full and efficient funding to the maximum extent practicable, including \$111 million for the Monongahela River project, \$66 million for the Kentucky Lock Addition, and \$92 million for the Chickamauga Lock.** The Board understands that these amounts are not static and for a number of reasons may change some prior to Congress finalizing FY 2020 appropriations legislation for the Corps Civil Works Program. For example, the above-recommended amounts are similar to but slightly different than the recommended amounts we included five months ago in our 31st Annual Report. We have revised our recommendation in this report based on updated information from the Corps and to be consistent with hearing testimony recently presented to Congress by the Chief of Engineers. Also, as the Administration has proposed in the FY 2020 President's Budget request, Congress should fund from general revenues the \$24.087 million required to complete the deficiency correction at Melvin Price Locks and Dam on the Mississippi River.

- **For FY 2020, Congress should continue to increase the robust levels of funding provided during each of the past six fiscal years for the Operation and Maintenance (O&M) activities of the Corps affecting inland and coastal navigation throughout the nation.** Additional funding will help address the Corps deferred O&M and will be totally consistent with the broadly-supported objective of improving our national standard of living, growing the nation’s economy, and increasing our international competitiveness.
- **Significant funding for preconstruction engineering and design (PED) should be provided in FY 2020 for each of three authorized priority lock and dam modernization projects: the Three Rivers Navigation Project in Arkansas, the Upper Ohio Navigation Project in western Pennsylvania, and the Navigation and Ecosystem Sustainability Program (NESP) on the Upper Mississippi River and Illinois Waterway.** While the FY 2020 President’s Budget request does propose that \$1.5 million be appropriated to perform PED for the Three Rivers project, no FY 2020 PED funding is proposed for either Upper Ohio or NESP, both of which have received significant PED funding in the past. In developing the Energy and Water Development and Related Agencies Appropriations Act for FY 2020, Congress should provide additional funding to the Corps’ Investigations account to ensure significant new PED funds are made available for the Upper Ohio, NESP and Three Rivers to position those projects to be ready for construction to begin as soon as future construction funding can be made available.
- **As it succeeded in doing for FY 2019, Congress should again follow “regular order” and finalize the Energy and Water Development and Related Agencies Appropriations Act for FY 2020 prior to October 1 of this year.** When annual funding legislation for the Corps is not finalized prior to the start of the fiscal year, the agency must rely on temporary funding through one or more Continuing Resolutions, as happened so often before last year’s FY 2019 success. This wreaks havoc on program scheduling and performance. Rather than following a practical engineering-based timeline, project managers are required to schedule construction activity and milestones that conform to short-term appropriations, sometimes for periods of only a few weeks or months. Under these circumstances, contractors are unable to plan for efficient construction sequences. Construction projects are sometimes shut down only to be re-started during the next fiscal period. Work is suspended, workers are laid off, and construction is delayed. These artificial punctuations in construction scheduling can dramatically increase both the cost of a project and its time to completion. Private sector market forces would never allow large capital construction projects to be executed in such an unnecessary, wasteful, and entirely preventable fashion.
- **Congress should modify the cost sharing for future spending on IWTF-financed construction projects to require 25 percent of the project cost to be derived from the IWTF and the remaining 75 percent to come from General Treasury revenues.** This change recognizes that the inland waterways diesel fuel tax was increased by 45 percent to 29 cents per gallon in April 2015. Modifying the cost sharing would mirror the same cost share change that Congress made in the Water Infrastructure Improvements for the Nation Act of 2016 and the Water Resources Development Act of 2016 (Public Law 114-322) for the construction of ports to depths between 45 and 50 feet. It is a logical programmatic

follow-on to the cost share change made for the Chickamauga Lock project by Congress in the FY 2019 Energy and Water Development and Related Agencies Appropriations Act (P.L. 115-244). It would eliminate the existing unintended barrier to needed infrastructure investment that the current inland waterways construction cost sharing requirement creates for future years. With this cost sharing change, there will be sufficient funds in the IWTF to continue full and efficient funding for the ongoing inland waterways projects already under construction and to allow consideration of additional important and time sensitive projects. Adoption of the recommended change will enable annual investment in the modernization of the nation's lock and dam infrastructure to remain at or above the levels achieved since 2014 and will ensure that the schedule and efficiency successes experienced in the recent years can be maintained in the future.

Congressionally-Led Progress

For far too long, annual Administration budget submissions to Congress have proposed grossly inadequate funding levels for the modernization of locks and dams on the nation's inland waterways system. Experience over the six most recently completed federal appropriations cycles (FYs 2014 to 2019) illustrates this travesty.

Table 1, compiled by the U.S. Army Corps of Engineers (Corps), displays the FY 2014 to FY 2019 history of Administration-budget-requested amounts for Inland Waterways Trust Fund (IWTF) project construction, compared with the amounts actually appropriated by Congress each year and provided to those projects in the respective year's Corps Work Plan.

**Table 1: President’s Prior Budgets and Total Allocations for IWTF Projects
(Thousands of Dollars)**

<u>Project</u>	<u>Funding Item</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>6-Year Total</u>
Olmsted	President's Budget	\$163,000	\$160,000	\$180,000	\$225,000	\$175,000	\$35,000	\$938,000
	Total Allocation	\$165,712	\$212,710	\$268,000	\$251,000	\$175,000	\$50,000	\$1,122,422
Lower Mon 2-3-4	President's Budget	\$1,960	\$9,032	\$52,000	\$0	\$0	\$0	\$62,992
	Total Allocation	\$72,673	\$55,888	\$58,900	\$82,010	\$98,000	\$89,000	\$456,471
Emsworth	President's Budget	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Total Allocation	\$2	(\$2,518)	\$0	\$1,000	\$0	\$0	(\$1,516)
Kentucky	President's Budget	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Total Allocation	\$0	\$14,700	\$45,700	\$36,000	\$41,200	\$43,600	\$181,200
Chickamauga	President's Budget	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Total Allocation	\$1,815	\$3,000	\$29,600	\$40,000	\$76,500	\$89,700	\$240,615
LaGrange	President's Budget	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Total Allocation	\$0	\$0	\$0	\$0	\$10,000	\$57,500	\$67,500
Total	President's Budget	\$164,960	\$169,032	\$232,000	\$225,000	\$175,000	\$35,000	\$1,000,992
	Total Allocation	\$240,202	\$283,780	\$402,200	\$410,010	\$400,700	\$329,800	\$2,066,692
	Additional Funding	\$75,242	\$114,748	\$170,200	\$185,010	\$225,700	\$294,800	\$1,065,700

Over the course of this six-year period, the total amount requested in Administration budget proposals to construct IWTF projects was \$1.001 billion, an average of a little less than \$167 million per year. Almost 93 percent of the total Administration request, \$938 million, was for a single project, Olmsted Locks and Dam on the Ohio River.

Congress rejected the Administration-proposed levels for each year in the six-year period, more than doubling IWTF project investment by appropriating the requested \$1.001 billion plus a total of \$1.065 billion in additional funds for the IWTF projects and increasing in each successive year the amount being added to that year’s deficient Administration budget request for these projects. For the last four years (FY 2016-FY 2019) of the six-year period, it was evident the particularly strong level of Congressional appropriations was made possible by full-year collection of the 45 percent increase in the inland waterways diesel fuel tax, made effective mid-FY 2015, and from cost share re-alignments made for the Olmsted and Chickamauga projects.

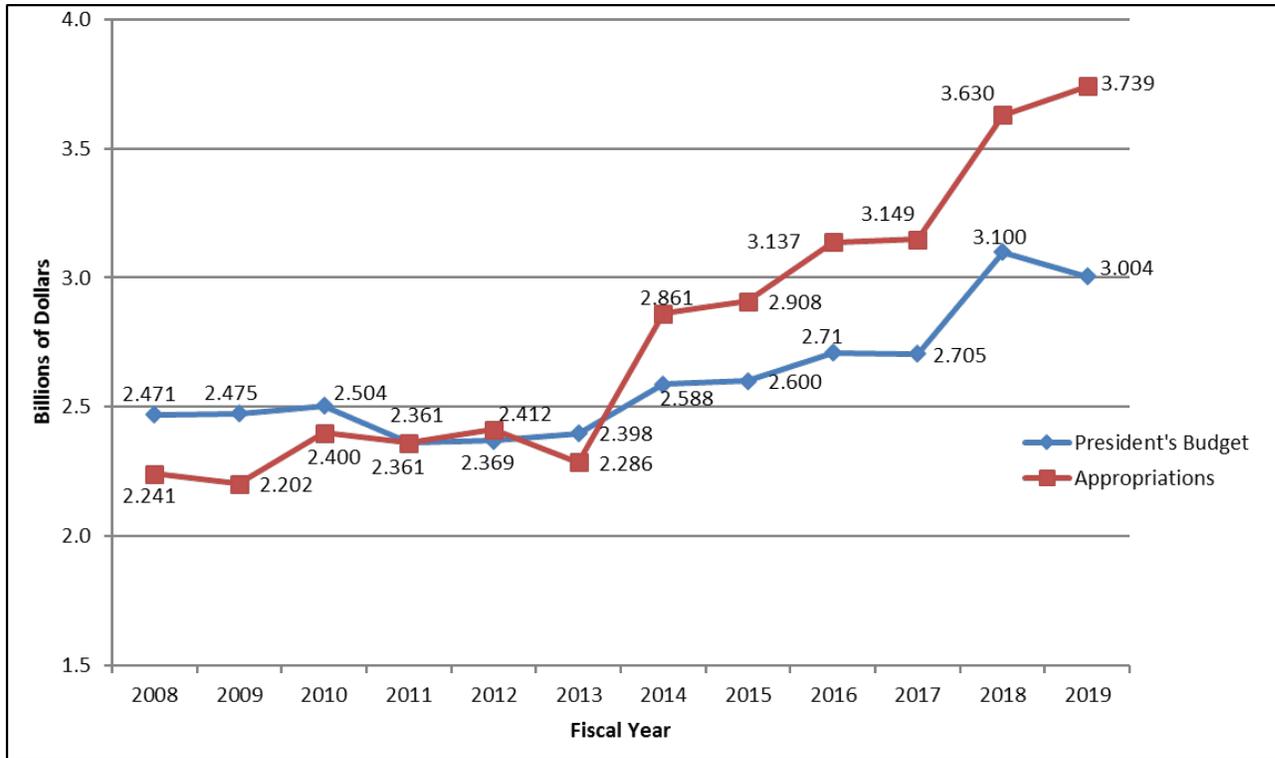
Adhering to the Administration spending prescriptions for these six years would have produced significant adverse consequences for the inland waterways system and the nation’s economy. Examples of some of those adverse consequences include:

- Instead of being operational today, as Olmsted is -- four years ahead of the schedule laid out in the project's post-authorization change report (PACR) and hundreds of millions of dollars below the PACR cost estimate -- Olmsted would still require at least \$183 million in FY 2020, and probably much more -- and at least another year or longer for the project to become operational and able to replace the failed Lock and Dam (L&D) 52 project and the failing L&D 53 project on the Ohio River.
- Four of the six years would have seen little or no funding for the Monongahela River Locks and Dams 2-3-4 Replacements (Lower Mon) project near Pittsburgh, Pennsylvania. Instead only \$111 million is required to fund the project's construction completion in FY 2020. Without the funding received, \$394 million in achieved construction progress would have been lost, adding at least four years to the Lower Mon's completion date and at least \$164 million in project cost increases on top of the \$394 million in lost construction progress.
- Instead of the \$179.5 million allocated to the project because of additional funding appropriated by Congress, the Kentucky Lock project on the Tennessee River would have received no funding during any of the six years, causing enormous economic turmoil and economic damage to the construction workforce and local economy, adding hundreds of millions of dollars to the costs needed today to complete construction of the project, and delaying by at least six years the date that the project could begin delivering to the national economy the economic benefits the project is designed to deliver.
- Like the Kentucky Lock project, the Chickamauga Lock project would have been zero-funded for all six years during this period, delaying the project's completion until at least 2030, adding \$240 million plus inflation-caused tens of millions of dollars to today's estimate of the delayed project's remaining cost, and further risking the closure of the entire upper reach of the Tennessee River if the crumbling concrete at the existing lock were to cause a catastrophic project failure.
- The major rehabilitation of the 80-year-old LaGrange Lock and Dam on the Illinois Waterway, the nation's top-priority lock and dam major rehabilitation project, would remain unfunded and not started instead of being on its current schedule to be completed next year.
- Each year that a project's construction completion was delayed, the nation's economy would lose the national economic development (NED) benefits that project was built to deliver, such as Olmsted's Corps-calculated \$640 million estimated average annual net NED benefits and Lower Mon's \$220 million estimated average annual net NED benefits.

Fortunately, Congress did not follow the Administration spending prescriptions for making capital investments in the modernization of the nation's lock and dam infrastructure.

Nor during the six-year FY 2014 to FY 2019 timeframe did Congress limit the funding provided for Corps Operation and Maintenance (O&M) activities to the amounts recommended in proposed Administration budgets. Figure 1 depicts the relationship between Administration-requested Operation and Maintenance account funding levels and amounts actually appropriated by Congress for FY 2019 and each of the previous 11 fiscal years.

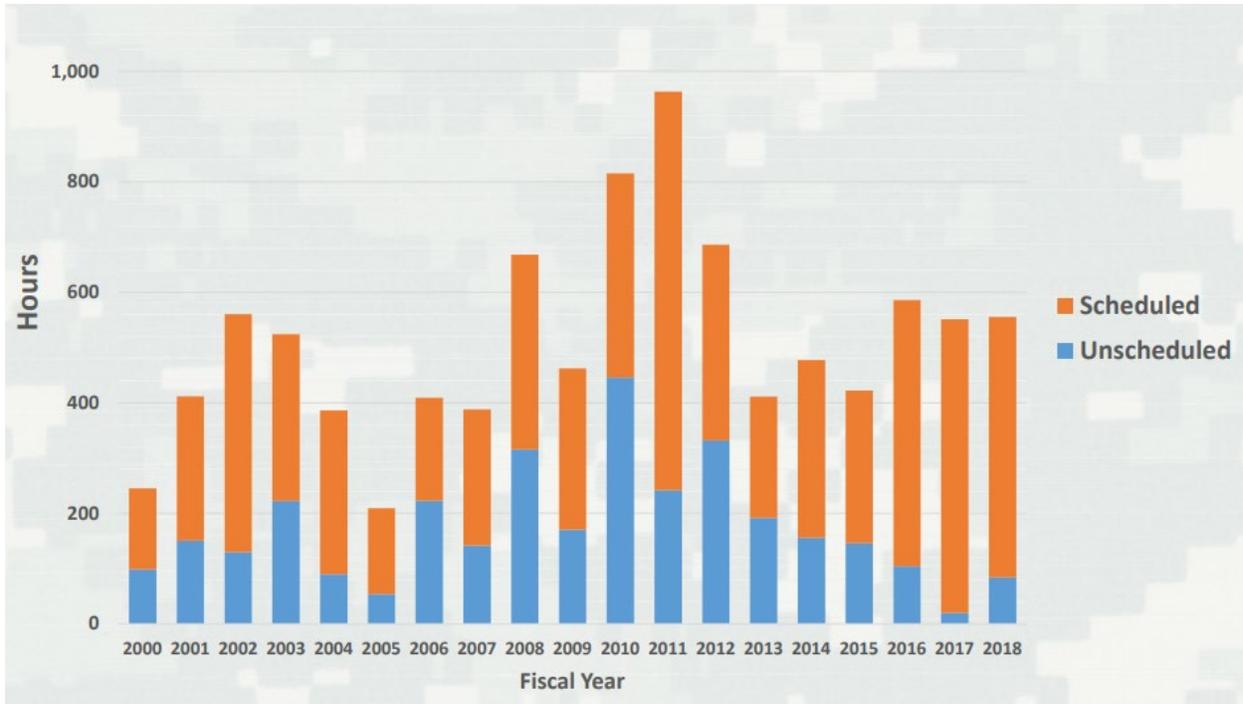
Figure 1: Annual Funding for the Operations and Maintenance account
Fiscal Years 2008-2019



After showing relatively flat Administration funding requests in the early years of the 11-year period, Figure 1 illustrates a recent Administration awareness of the growing Corps Civil Works Program’s O&M need, reflected in the upward-trending budget requests of the six-year FY 2014-FY 2019 timeframe. More importantly, Figure 1 shows that, in each of the six most recent annual appropriations cycles, Congress has significantly increased the amount it has appropriated for O&M, providing ever-increasing record-level funding for the Corps O&M account, culminating with a \$3.739 billion O&M appropriation for the current fiscal year.

Not surprisingly, this additional Congressionally-appropriated funding appears to be making a significant positive impact. Figure 2, which was included in a mid-February presentation by the Corps to waterways industry representatives, tracks lock main chamber unavailability due to mechanical problems. A clear decline in unscheduled outages, the kind that are generally most disruptive and most economically damaging, is evident in recent years as additional scheduled work, which can be planned for in advance to minimize transportation disruptions, is able to be funded and performed.

Figure 2: National Lock Portfolio Service Trends
 Main Chamber Mechanical Unavailable Hours
 (Events Longer than 1 Day)



President’s Budget Proposal for Fiscal Year 2020

On March 11, 2019, the Administration announced the broad outline of its proposed federal budget for FY 2020, followed by the release the next day of the programmatic and project-specific proposals for the Corps Civil Works Program, and, on March 18th, by the publication of the FY 2020 Budget Appendix providing additional detailed information on the various appropriations accounts and funds that constitute the budget. Table 2 below provides a prior-year comparison at the appropriation account level of the Trump Administration’s detailed FY 2020 proposed budget for the Corps Civil Works Program.

Table 2: FY 2020 Corps Civil Works Program Budget Request Comparison
(Millions of Dollars)

	FY 2019 Request	FY 2019 Enacted	FY 2020 Request	FY 2020 Request vs FY 2019 Request	FY 2020 Request vs FY 2019 Enacted
Investigations	82.0	125.0	77.0	5.0 (-6.1%)	48.0 (-38.4%)
Construction	876.1	2183.0	1,170.2	294.1 (+33.6%)	1,012.8 (-46.4%)
[Inland Waterways Trust Fund]	[35.0]	[329.8]	[111.0]	[76.0 (+117.1%)]	[218.0 (-66.3)]
Mississippi River & Tributaries	244.7	368.0	209.8	34.9 (-14.3%)	158.2 (-43.0)
Operation and Maintenance	3,042.0	3,739.5	2,895.4	146.6 (-4.8%)	844.1 (-22.6%)
[Harbor Maintenance Trust Fund]	[965.1]	[1,613.0]	[965.0]	-	[648.0 (-40.2%)]
Other*	539.0	583.0	474.6	64.4 (-11.9)	108.4 (-18.6%)
TOTAL	4,784.1	6,998.5	4,827.0	42.9 (+0.9%)	2,171.5 (-31.0%)

*Regulatory, Expenses, Flood Control & Coastal Emergencies, Formerly Utilized Sites Remedial Action Program (FUSRAP), and Assistant Secretary of the Army (Civil Works) (ASA (CW))

The FY 2020 President’s Budget proposal for the Corps Civil Works Program is very similar to the President’s Budget proposed Civil Works Program for FY 2019, which Congress resoundingly rejected on a bicameral, bipartisan basis. The President’s FY 2020 Budget proposes a 31 percent cut in the overall Civil Works Program compared to the \$6.999 billion that Congress appropriated for the current fiscal year. The Construction account is particularly hard hit experiencing more than a billion dollar reduction, 46.4 percent below the FY 2019 enacted appropriations. Within the Construction account, funding for lock and dam modernization projects is proposed to be cut by an even-more-extreme 66.3 percent from the \$329.8 million appropriated by Congress in FY 2019. Worse, the FY 2020 President’s Budget proposal funds only one ongoing lock and dam modernization construction project, (Monongahela River Locks and Dams 2-3-4 Replacements) and leaves two other ongoing projects (Kentucky Lock Addition and Chickamauga Lock) with no additional funding in FY 2020 and in serious and wasteful danger of being shut down, resulting in entirely preventable job loss and economic damage. The Corps reported during the February 2019 meeting held in Galveston, Texas that the Kentucky Lock project has had \$585.7 million appropriated and allocated to construction of the project through and including FY 2019, while Chickamauga Lock has received \$421.6 million for its construction. With funds available in the Inland Waterways Trust Fund, as is the case, the Administration’s proposed zero-funding for these two projects in FY 2020 makes no sense in the Board’s view and should not be followed.

The President’s FY 2020 Budget request does include proposed construction account funding for one other lock and dam navigation project, which the Users Board supports. A deficiency correction, at full federal expense, is proposed for Mel Price Locks and Dam on the Mississippi River near Alton, Illinois, to rectify uncontrolled seepage being experienced at nearby Wood River Levee, which was originally authorized as a flood risk management structure but has now been integrated into the Mel Price navigation project as a saddle dam to ensure operating pool is maintained. The Board’s support for the \$24.087 million Mel Price under-seepage-control project is based on the Board’s understanding that, because it is a deficiency correction, all of the necessary funds will be derived from general revenues and not the Inland Waterways Trust Fund.

Inland Waterways Trust Fund

In our 31st Annual Report, the Users Board recommended that Congress base appropriations for IWTF projects in FY 2020 on the assumption that \$115 million will be deposited into the IWTF during FY 2020. More than half-way through FY 2019 now, the Board continues to be comfortable with that recommendation.

Table 3 summarizes the IWTF receipts as reported by the U.S. Treasury Department for the first six months of the current fiscal year, compared to Treasury-reported receipts for the same six-month period for each of the previous three fiscal years. Those previous three years were the first to reflect full-year collection of the 45 percent increase in the inland waterways diesel fuel tax -- to 29 cents per gallon -- that went into effect April 1, 2015.

Table 3: Inland Waterways Trust Fund Revenues (millions of dollars)

	FY 2016	FY 2017	FY 2018	FY 2019
Diesel Fuel Tax	\$57.228	\$51.040	\$54.428	\$56.527
Interest	\$0.074	\$0.179	\$0.555	\$1.803
6-Month Total	\$57.302	\$51.219	\$54.983	\$58.330

As indicated in the table, FY 2019's six-month revenue total is higher than the total for the comparable six-month period during each of the preceding three years, and appreciably higher for the past two years (13.9 percent higher than FY 2017 and 6.1 percent higher than FY 2018). The 12-month IWTF receipt totals for FY 2016 through FY 2018 were, respectively, \$111.1 million for FY 2016, \$114.4 million for FY 2017, and \$116.8 million for FY 2018. Thus, with FY 2019's highest-so-far six-month receipt total of \$58.33 million, the Board believes a full-year estimate of \$115 million for FY 2020 continues to be a reasonable and conservative estimate on which to base IWTF project appropriations decisions for FY 2020.

The Users Board continues to observe with concern the trend that has manifested itself in recent years of annual IWTF revenue assumptions contained in proposed Administration annual budgets that consistently and increasingly underestimate IWTF diesel tax revenues for budget proposals. Table 4 illustrates this troubling situation.

Table 4: Administration-Proposal IWTF Receipt Assumptions Compared to Actual Performance (millions of dollars)

	FY 2016	FY 2017	FY 2018	FY 2019
Administration	\$107.0	\$106.0	\$105.0	\$105.0
Actual	\$111.1	\$114.4	\$116.8	\$115.0 (est)

The Users Board believes that reliance on the Administration's consistently-too-low IWTF annual revenue estimates would lead to unnecessary under-investment in the inland waterways system's modernization and recommends against such reliance.

Noteworthy

Olmsted Locks and Dam. Late last year, the Corps reported and the Users Board included in our 31st Annual Report of December 2018 the good news that the funding Congress provided to the Corps for FY 2019 was expected to be sufficient to complete construction of the Olmsted project in the next few years. The expectation was based on continued favorable construction weather during FY 2019. Unfortunately, Mother Nature has not cooperated. Like many other regions throughout the nation, unusually wet weather has persisted within the Ohio River Basin such that, as the Corps reported at the Users Board meeting held in February in Galveston, “we have basically been shut down on the Olmsted project since last September,” effectively losing four months of the anticipated construction season. As of the publication date of this 60-day report, the Corps is reviewing project plans, work schedules, and funding requirements. While at the Users Board meeting, the Corps reported that, despite the weather-related setbacks, “things are looking very good to complete Olmsted this year...the project 100 percent complete, the Lock and Dam 53 demolition effort completed this year.” The Users Board is aware of the possibility that some additional funding may be needed beyond FY 2019 to complete the project and will be monitoring that situation closely as the year unfolds. A possible source of funding to cover the additional needs could be the proceeds from the disposition of Olmsted construction equipment no longer needed for the project. The process to dispose of this equipment is in progress in accordance with applicable regulations. The Corps reported at the meeting in Galveston that they expect to see between \$15 and \$25 million resulting from the disposition of Olmsted’s excess equipment.

Capability Versus Efficient Funding. In referring to project-specific funding requirements, depending on the appropriations cycle, the Corps in the past has used different terms to communicate to Congress, the Users Board, and others how much new funding was needed by individual projects in the applicable fiscal year. This has led to some confusion over time and occasionally imprecision among parties discussing the amount of funds to have appropriated for specific projects. In Galveston, it was explained to the Board that “capability funding” is the amount of money the Corps can spend in a given fiscal year, essentially the amount required to fully fund a construction contract. “Efficient funding,” on the other hand looks at the critical path of a project, typically breaking a construction contract into pieces and only funding those portions/options that a contractor can actually execute in that year. Capability funding conceptually provides more contractor flexibility and increases the prospect of delivering the associated work ahead of schedule and at a lower cost, but it can tie up the contract’s appropriated funds for a longer period of time and lead to higher carry-over of unspent funds from one fiscal year to the next. Efficient funding often is a lower amount than full funding but, because it’s less flexible, can lead to delays and cost increases when unanticipated construction “hiccups” occur. The Board believes that it would be productive for the Corps to be tasked with examining the advantages and disadvantages of the two approaches and reporting to Congress on which approach is most likely to deliver these lock and dam modernization projects on time and within budget.

Great Lakes and Ohio River Division (CELRD) Budget Request Trial. At the Board meeting in Galveston, the Corps reported that the Great Lakes and Ohio River Division (CELRD) is planning on changing on a trial basis the way it budgets for lock and dam modernization project construction for CELRD projects in the FY 2020 Work Plan and the FY 2021 budget request. The change as described proposes to fully fund options or contracts but to only include project

contingencies at the 50 percent confidence level as opposed to the 80 percent confidence level currently being used. Additionally, the change would only request one year's worth of labor for engineering and design (E&D) and supervision and administration (S&A) instead of the current practice of requesting the entire amount of E&D and S&A for the duration of the contract. Such changes according to the Corps will result in less money being requested for these projects and less unobligated funds being carried over from one fiscal year to the next, hopefully without adversely affecting actual construction schedules or costs for the projects as the Corps arguably makes better use of the reprogramming authority it has been granted to optimize construction of all three ongoing CELRD projects (Mon River, Kentucky, and Chickamauga). While the Users Board applauds the stated objective of better using available funding to construct these projects, the Board also notes that all-too-frequent project construction delays and cost increases have typically been the result of the Corps having too little, not too much, project funding. The Board believes that, if Congress agrees with these changes, very close oversight should occur to ensure the changes are truly helping and not hurting Corps project delivery performance.

New Construction Projects. “The Users Board believes it is imperative that necessary preconstruction engineering and design (PED) funding be provided in FY 2020 and beyond for three lock and dam modernization projects that can be initiated as soon as construction of the ongoing projects is completed and construction funding for the new projects can be made available. The FY 2020 President’s Budget request proposes funding PED for only one new lock and dam modernization project, the Three Rivers project at the intersection of the Arkansas, White, and Mississippi Rivers. Additional funding should be added to the \$77 million President’s Budget request for the Corps Investigations account so that PED for two other inland waterways system modernization projects -- the Upper Ohio Navigation (Upper Ohio) project in western Pennsylvania and the Navigation and Ecosystem Sustainability Program (NESP) on the Upper Mississippi River and Illinois Waterway -- can continue. Both Upper Ohio and NESP have received significant PED funding in the past and are strongly supported candidates for construction new starts as the ongoing lock and dam modernization projects reach construction completion in the next few years. Further, providing PED funding for all three projects in the FY 2020 Energy and Water Development and Related Agencies Appropriations Act (E&WD Act) would be entirely consistent with the direction provided to the Corps in the conference report accompanying the FY 2019 E&WD Act “to take the preparatory steps necessary to ensure that new construction projects can be initiated as soon as can be supportedas ongoing projects approach completion.”

Project Cost Reduction Progress. The Users Board is pleased to note the significant progress the Corps has made in recent years to expedite and lower the cost of constructing lock and dam modernization projects on the inland waterways system. Much of this progress has resulted from action by the Congress to increase funding for these important projects, as discussed earlier in this 60-day report. Previous Users Board reports have highlighted the dimension of that progress for the Olmsted project. In Galveston, the Corps briefed the Users Board on substantial cost savings, amounting to more than \$1.1 billion, identified through an in-depth value engineering review for construction of the Upper Ohio Navigation project. Significant savings are also targeted for the Kentucky Lock and Chickamauga Lock projects. The Corps is to be commended and the Congress deeply thanked for helping to make this progress a reality.

Sincerely,

Inland Waterways Users Board

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