AMERICAN
Concrete Pressure Pipe
ASSOCIATION

Actionline

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ACPPA Seeks Clarification on Bureau of Reclamation Prestressed Pipe Policy

ACPPA has fired the first shot across the bow in an effort to resolve long-standing uncertainty surrounding the Bureau of Reclamation's ("the Bureau") policy on the use of prestressed concrete pipe. In a Freedom of Information Act (FOIA) letter filed on April 21, ACPPA requested records from the Bureau including:

- A 1990 memorandum from the chief of the Bureau's Water Conveyance Branch to design managers establishing a temporary moratorium on the use of use of prestressed concrete pipe ("the 1990 memorandum");
- Agency records supporting the moratorium on the use of concrete pressure pipe established by the 1990 memorandum;
- Agency records altering or rescinding the moratorium on the use of concrete pressure pipe established by the 1990 memorandum;
- Agency records reflecting the results of research regarding concrete pressure pipe, including design, corrosion, and protection issues; and,
- Agency records reflecting the Bureau's current policy on the use of concrete pressure pipe.

The Bureau supplies water to more than 31 million people and provides one out of five Western farmers with irrigation water. It's also the second largest producer of hydroelectric power in the western United States and provides guidance on water infrastructure issues to other divisions of the Department of the Interior.

ACPPA's FOIA request is the first step in an effort to determine whether the Bureau is unfairly discriminating against concrete pressure pipe in favor of less effective and more expensive competing products. The agency has 20 days in which to provide an initial response to ACPPA's letter. Standby for more as this story develops.

Dispatch from the Budget Wars:
CRs, Budget Resolutions, and What They Mean for You

The nation's capital has been in the grip of budget fever for weeks. After coming within hours of a government shutdown on April 8, the president and congressional leaders reached an agreement and backed away from the brink of mutually assured political destruction. Both ends of Pennsylvania Avenue grumbled about not getting everything they wanted in the deal, but there was also a palpable sense of relief that neither the House GOP nor President Obama would have to endure the uncertain political backlash from the government closing its doors.

However, as acrimonious as the fight over federal spending for the remainder fiscal year (FY) 2011 seemed, it was just the first skirmish in a much bigger battle. Within days of the appropriations deal (and before it had passed either the House or Senate), House Republicans and President Obama fired the first salvos in the next round by laying out competing visions for federal spending in 2012 and beyond. Here's our take:

What does the CR mean for infrastructure investment?
The $1.049 trillion continuing resolution (CR) approved by the House and Senate on April 14 funds the federal government for the rest of fiscal year 2011 (Sept. 30). It will result in an overall reduction in government spending of close to $40 billion from last year. While ACPPA generally applauds the House GOP leadership and Obama administration for reaching a deal that trims the budget deficit and puts the nation on more responsible fiscal footing, it's important to understand what the CR means for infrastructure investments in the near term.

28 percent cut in water infrastructure funding. Water infrastructure lost big in the budget deal. The CR reduces water infrastructure investment by $997 million in FY 2011. That's a 28 percent cut from the $2.1 billion and $1.4 billion that the Clean Water and Safe Drinking Water State Revolving Funds (SRFs) received in FY 2010 ($3.5 billion total). Given the hundreds of billions of dollars in water infrastructure needs nationwide, the cuts reinforce the importance of attracting private money for investment (e.g., by lifting private activity bond caps) and creating a new, sustainable funding stream to support investment in this critical area.

Highway funding rescission. Despite the chaos surrounding highway reauthorization and Highway Trust Fund (HTF) revenue shortfalls, the road and bridge program emerged from FY 2011 budget negotiations relatively unscathed. The CR rescinds $2.5 billion in highway contract authority. Congressional appropriators claim that because states don't have enough obligation authority to use all their contract authority, the rescission won't affect their ability to invest in roads and bridges this year. The CR also confirms that the HTF won't be getting a special $650 million transfer from the general fund like the one in FY 2010 and rescinds roughly $630 million in older, unused transportation project earmarks.

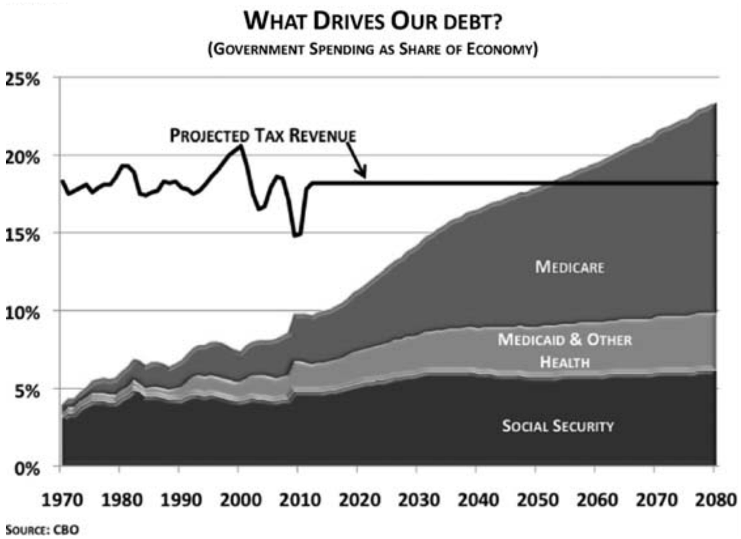
Other federal construction cuts. The CR also slashes several other federal construction programs. Among the biggest cuts are $414 million from the Army Corps of Engineers' construction budget,

Click here to take a closer look at the cuts.

For a summary of the CR from the House Appropriations Committee, visit here.

Drawing new battle lines
Whereas the recent spat over FY 2011 will affect government spending for just the next five months, the next budget battle could echo for a generation.

On April 15, the House approved a bold proposal developed by Budget Committee Chairman Paul Ryan (R-WI) that starts to tackle the issue at the heart of the budget crisis: entitlements.



The report paints the budget debate as a fight for the nation's sovereignty and character:

> *A government that loses sovereignty to its bondholders cannot long guarantee its people's prosperity – or secure their freedom. A government that buries the next generation under an avalanche of debt cannot claim the moral high ground in the world. A government that allows economic destinies to be determined by political considerations rather than merit cannot lead the world in productivity and growth. A government that promotes dependency and undermines the institutions of faith and family will inevitably weaken the Nation's greatest strength: the exceptional character of its entrepreneurial, self-reliant, and hard-working citizens.*

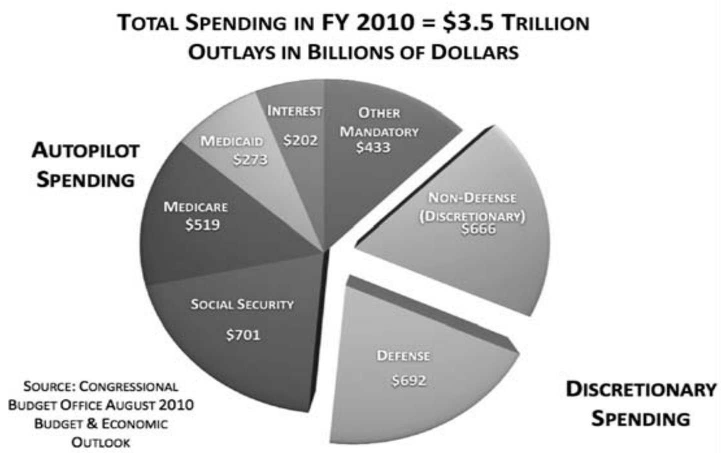
The theme of the Ryan plan is that discretionary spending (the part Congress controls on an annual basis) is just 40 percent of the federal budget. More than half of that goes to defense. "Auto pilot" spending (Social Security, Medicare, Medicaid, and interest on the debt) consumes 60 percent. To eliminate budget deficits and bring down the debt, Congress must confront entitlements. The report accompanying the legislation describes in vivid terms how these programs threaten to overwhelm the budget:

> *Medicare, Medicaid, and Social Security will soon grow to consume every dollar of revenue the government raises in taxes* [see chart above]. *At that point, policymakers would be left with no good options. Making do without any Federal Government departments, including the military is not really an option, and neither is raising taxes to a level that no free and prospering economy could sustain.*
>
> *Of course, if Congress continues to delay, it will lose even the ability to make its own choices on its own terms. The foreign governments and institutional lenders that finance America's debt would cut up the Nation's credit cards before things got that far. That would mean sudden, steep cuts in entitlement benefits to current seniors, less help for the poor, and a crushing tax burden on young families.*

To address these challenges, the Ryan plan proposes to:

- Bring federal spending to below 20 percent of gross domestic product (GDP), which is consistent with the post-war average, and reduce deficits by $4.4 trillion;

- Bring spending on domestic government agencies to below 2008 levels and freeze this category for five years;
- Replace Medicare, starting in 2022, with a premium supported model that gives beneficiaries a choice of health insurance plans like those available to members of Congress and providing subsidies to pay insurance premiums;
- Convert the federal share of Medicaid into a block grant that would let states design health care options for low-income Americans; and
- Focus on growing the economy by reforming the tax code, consolidating brackets, and fixing the top individual and corporate tax rates at 25 percent.



The boldness of the Ryan plan forced President Obama to reconsider and restate its own budget priorities in a speech on April 13.

Although the president identified a few opportunities to reduce spending (e.g. finding additional savings in the defense budget and reducing health care costs), he spent considerable time discussing what he didn't want to cut. One major contrast with the House plan was the focus on tax increases to close the budget gap. For example: "[W]e cannot afford $1 trillion worth of tax cuts for every millionaire and billionaire in our society. We can't afford it. And I refuse to renew them again," Obama said. "So my budget calls for limiting itemized deductions for the wealthiest 2 percent of Americans -- a reform that would reduce the deficit by $320 billion over 10 years."

What would the budget resolution mean for infrastructure?
While some ACPPA members would likely agree with Chairman Ryan's positions on deficits, entitlements, and tax reform, the House budget resolution would have some harsh consequences for government programs that affect construction markets.

For water investments, the resolution points to the need for an independent financing mechanism, as the large infusions of cash necessary to support the Drinking Water and Clean Water State Revolving Funds (SRFs) will become increasingly harder to secure in a strained budgetary environment. Even attempts to maintain present funding levels will face severe challenges, as the 28 percent cut in water funding from the FY 2011 CR demonstrates.

In recent years, annual federal highway appropriations have exceeded the highway user fee revenues to the HTF. As a result, the HTF received a $35 billion general fund transfer over the life of SAFETEA-LU (the most recent multi-year highway law). Republican leaders are determined to limit annual highway spending to the level the HTF can support.

The bottom line
In the final analysis, the budget resolution's practical near-term impact is limited. The version crafted by the GOP House leadership is likely dead on arrival in the Democrat-controlled Senate and even if the House and Senate were, by some miracle, to come to an accord, it wouldn't have the force of law and would only serve as a blueprint to guide appropriations and authorization bills in the years ahead.

The longer-term impact will likely be more profound. Chairman Ryan has defined in concise terms the fiscal crisis the nation is facing and he's started to put forth bold solutions. If that wakes Americans up to the crisis at hand, that's a good thing.

To read more about the House budget proposal and watch a video explanation by Chairman Ryan, visit here.

Fly Ash Bill Introduced in House

Rep. David McKinley (R-WV), a freshman member of Congress with an engineering background, has taken a stab at prohibiting the Environmental Protection Agency (EPA) from classifying fly ash as a hazardous waste by introducing the Recycling Coal Combustion Residuals Accessibility Act (H.R. 1391).

The bill would block recent EPA plans to reclassify fly ash and other coal combustion residuals as a hazardous waste. Regulating coal ash – which is recycled and used to supplement Portland cement in concrete production – would have a number of unintended consequences with no public health benefit. For concrete manufacturers, the EPA move would drive up costs by removing a key element in production. Its classification as a hazardous waste would trigger an increase in disposal expenses for coal-fired power plants and other coal ash generators, removing a long recycled element from the supply chain and hiking consumer energy prices.

In November 2010, ACPPA joined our allies at the North American Concrete Alliance in comments to the EPA's proposal encouraging the agency to promote the continued beneficial use of fly ash and challenging the agency's Regulatory Impact Analysis.

The House Energy & Commerce Committee will now consider H.R. 1391. As the bill works its way through the legislative process, ACPPA will monitor its progress. Stay tuned for updates.

ACPPA, Allies Urge Appropriators to Spare Water Infrastructure from Budget Ax

ACPPA recently joined our allies at the Clean Water Coalition (CWC) in urging Senate Appropriations Committee members to maintain fiscal year (FY) 2010 funding levels for state revolving fund (SRF) programs ($2.1 billion for the Clean Water SRF program and $1.4 billion for the Drinking Water SRF program) in the FY 2011 continuing resolution (CR).

In a letter sent to the Hill during the height of the government funding debate, the CWC encouraged Senate appropriators to restore cuts made by the House to critical water infrastructure programs.

Unfortunately, lawmakers did not heed ACPPA's warning. The compromise reached by House and Senate leadership and President Obama, adopted the House's position and cut the SRF programs by a total of $997 million for FY 2011 (see related story in *Actionline* on the budget battle).

ACPPA will continue to educate lawmakers about the importance of investing in water projects and the difference between wasteful spending and long-term investment. In fact, the SRF has been praised as one of the most fiscally efficient government financing programs.

While ACPPA will keep up the pressure on the Hill, it is essential that lawmakers hear from you about the significance of maintaining SRF funding. Visit www.ACPPA-Action.org to send your lawmakers a quick note urging them to support water infrastructure investment.

ACPPA Scores with 1099 Repeal

Following months of congressional back and forth, President Obama signed the Comprehensive 1099 Taxpayer Protection & Repayment Exchange Subsidy Overpayments Act (H.R. 4) into law on April 14. The law repeals the onerous 1099 reporting requirements from last year's health care law.

Obama signed the legislation following Senate approval, 87-12, on April 5. The Senate's actions came a month after the House passed the bill. The president's support for repeal of the provision was a significant indicator of its unpopularity, as H.R. 4 is the first bill enacted scrapping any portion of the health care law.

The burdensome mandate would have forced companies to report every transaction with an outside vendor totaling more than $600 on an IRS Form 1099 beginning in 2012.