

**STATEMENT OF ARLEN LANCASTER, CHIEF
NATURAL RESOURCES CONSERVATION SERVICE
U.S. DEPARTMENT OF AGRICULTURE
BEFORE THE
HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT, FOOD AND
DRUG ADMINISTRATION, AND RELATED AGENCIES**

MARCH 6, 2007

Madam Chairwoman, thank you for the opportunity to appear before you today to discuss our fiscal year (FY) 2008 budget request for the Natural Resources Conservation Service (NRCS).

As we look ahead to FY 2008, and the contents of the Administration's budget request, I want to take a moment to reflect on NRCS' successes of the past year and what we are doing to continue moving the Agency forward. It has been a productive year for NRCS, our partners, and landowners across America. We have assisted landowners to treat over 42 million acres with conservation measures and applied over 5,000 Comprehensive Nutrient Management Plans (CNMP) in FY 2006 for livestock manure management. This brings the total CNMPs applied with NRCS support since 2002 to approximately 28,400. In addition, last year NRCS and our partners:

- Served more than 1 million customers around the country;
- Completed or updated soil survey mapping on 35 million acres, of which, 1.8 million acres were on Native American or Native Alaskan lands;

- Committed to over 41,000 new Environmental Quality Incentives Program (EQIP) contracts for multi-year conservation obligations;
- Enrolled over 2,700 Wildlife Habitat Incentives Program (WHIP) contracts;
- Expanded the Conservation Security Program across more watersheds to recognize outstanding land stewards and enable them to do more;
- Helped land managers create, restore, or enhance more than 247,000 acres of wetlands primarily through the Wetlands Reserve Program (WRP);
- Facilitated nearly 1 million hours of Earth Team volunteer service; and
- Maintained registration for more than 1,600 Technical Service Providers to assist in conservation planning and implementation efforts, obligating \$62.6 million in FY 2006. This provided the equivalent of 905 staff years, over the entire program life, to attain additional conservation achievements.

As we look ahead to this year and beyond, we will direct our efforts toward ensuring that all of the potential conservation gains are fully realized. What I mean by that is NRCS will be focusing on fine-tuning our business tools and solidifying the progress we have made in working with farmers and ranchers across America to implement conservation programs. We want to make sure everything works smoothly—for our employees and our customers. We want our decisions and processes to be transparent. We want to be even more efficient, effective and focused on meeting our customers' needs.

Helping People Help the Land

For over 70 years, NRCS has been committed to locally led, voluntary cooperative conservation. Last year, one of our district conservationists from Iowa suggested that we describe our mission as “helping people help the land.” The phrase is succinct and it effectively describes what we do, so our Agency has adopted “helping people help the land” as our new mission statement.

Strategic Plan, 2005 – 2010

In FY 2005, the NRCS initiated an aggressive strategic planning process to develop a roadmap to guide the Agency over the next 10 to 20 years. This process produced a strategic plan that refines and builds on the goals and successes of its predecessors and directly supports the new USDA Strategic Plan.

This plan introduces new mission and vision statements that articulate 1) the Agency role to assist private landowners and managers, as they work to achieve productivity and natural resource quality objectives; and 2) the essential connection between retaining a viable agricultural presence on the landscape and sustaining a healthy environment.

The plan emphasizes three overarching strategies – cooperative conservation, and watershed and market-based approaches – that directly support the Department of Agriculture’s (USDA) Strategic Plan.

The six mission goals address both existing and emerging natural resource challenges.

Three Foundation Goals, which reflect long-standing conservation priorities, include: high quality, productive soils; clean and abundant water; and healthy plant and animal

communities. There are three Venture Goals in the plan that reflects emerging areas of natural resource concern, posing challenges for niche definition and capacity building.

These Venture Goals include: clean air; an adequate energy supply; and working farm and ranch land preservation. The plan identifies Key Tasks to move forward on the goals. The tasks include continued commitment to proven strategies and strategic emphasis on new or accelerated actions.

The Strategic Plan also includes Management Initiatives that align with the President's Management Agenda. The initiatives will enable us to maintain efficient program operations that provide high-quality customer service and make effective use of the public investment in conservation.

In FY 2006, the strategic planning process entered the implementation phase. Progress was made in implementing the three overarching strategies.

Examples of steps to implement the cooperative conservation strategy included:

- Cooperating with other Federal agencies to improve cooperation and coordination at the Federal level. One new mechanism for cooperation is the Partnership Agreement signed with EPA in FY 2006 to coordinate programs and activities related to water quality trading;

- Entered into an agreement through the Cooperative Conservation Partnership Initiative (CCPI) with the Ohio Division of Soil and Water Conservation for the St. Joseph Water Project for the implementation plan to protect and restore wildlife habitat and water quality using a cooperative conservation approach;
- Entered into an agreement through Grazing Lands Conservation Initiative with the American Sheep Industry Association to conduct regional workshops on contract grazing for invasive weed management; and
- Entered into a WHIP agreement with the Kansas Department of Wildlife and Parks to deliver agricultural programs that are apart of the 2002 Farm Bill to improve wildlife habitats on private lands.

Examples of actions to implement the watershed approach included:

- Developed interim guidance on processes and procedures to conduct rapid watershed assessments and awarded \$3 million of Cooperative Conservation Partnership Initiative (CCPI) funds to carry out rapid watershed assessment projects with a broad array of partners.
- Continued efforts to develop methods and systems for reporting data by important basins or watersheds, such as the Chesapeake Bay.
- Provided States the ability to meet enrollment targets in the WRP by offering a Reverse Auction initiative.

Examples of actions to develop the capacity to utilize a market-based approach included:

- Leading or sponsoring national and international conferences, including the Second National Water Quality Trading Conference
- Awarding more than \$4 million to 11 projects in 28 States to implement an array of market-based approaches to promote conservation. Some examples are:
 - Market Incentives for tree-fruit growers in the northeast (CT, MA, NH, NY, VT); and
 - Community conservation and sustainability developing through biodiesel fuel sources in CO and WY.

In FY 2006, we integrated the concept of business lines and the new Agency goals into the business planning process, ensuring that functional units focused efforts on achieving Agency priorities. Within each business line, day-to-day activities were guided by strategic goals and objectives, which provide the basis for annual performance targets.

Our business lines for Conservation Implementation and for Conservation Planning and Technical Consultation deliver site-specific technical information and advice directly to customers. In these business lines, annual performance goals were set for activities to support each of the mission Foundation Goals. The FY 2006 rate of progress in conservation planning and implementation keeps us on target to meet the long-term objectives established in our strategic plan.

Our business lines for Natural Resource Inventory and Assessment and for Natural Resource Technology Transfer provide the information and tools needed to manage natural resources well. In FY 2006, we met our annual performance targets for providing basic information on soils, water resources, and plant materials to support our mission Foundation Goals. We also made progress in developing methods to provide data and tools for addressing Venture Goals.

In our Financial Assistance (FA) business line, we administered the funds that the public invests in conservation of natural resources, continuing to streamline our procedures for managing programs and ensuring that participants are treated fairly.

In FY 2006, NRCS allocated FA dollars to States in a more productive and transparent manner. All program formulas were designed with a natural resource, fact-based foundation consistent with program statutory purpose. The allocation formulas and methodologies were more defensible, repeatable, and transparent which reflects national priorities in a State-specific manner.

Human Capital Strategic Plan

NRCS is known for its technical expertise and the strong relationship it has with farmers, ranchers, and other stewards of the land. Yet, as with any organization, it is only as good as its employees.

NRCS has developed a comprehensive *Strategic Human Capital Plan* that complements the *NRCS Strategic Plan*. This plan will provide direction for the management of our workforce and help us meet the goals outlined in the *Strategic Plan*. Over the next 5-years, more than 50 percent of Federal employees will be eligible to retire. As an Agency, we must meet the challenges associated with the potential loss of our most experienced employees and position ourselves to maintain our knowledge base and compete for talented newcomers.

This comprehensive human capital plan will guide us as we seek to attract new employees, and retain experienced employees. It assures that NRCS will continue to embrace diversity and offer new opportunities for our employees to excel in their professions—all with the goals of better serving the public, building partnerships, and providing all Americans the benefits of healthy and productive natural resources.

Implementation of the Strategic Human Capital Plan will be key in building and maintaining an outstanding and diverse Agency, one that recruits, acquires, motivates and rewards a high-performing, quality workforce. It is my expectation that the Strategic Human Capital Plan will be a helpful tool for all of us in fulfilling NRCS's mission of "helping people help the land."

Emphasis on Energy

Energy conservation and on-farm production continue to be priority issues with NRCS. NRCS was active in this area on many fronts. First, NRCS continues to be supportive of efforts underway by other USDA agencies and other Federal departments.

NRCS continues to build and make available the kinds of web-based tools that I discussed last year. Besides the tools to help producers determine the kinds of savings possible in changing their tillage practices, nitrogen application method, and irrigation usage, NRCS also made available an energy tool looking at possible energy savings in their livestock housing units. This tool deals with energy use in dairy, swine, and poultry housing units. Additional tools are on the drawing board. It is envisioned that these tools will address topics such as crop drying and manure management.

NRCS also is viewing an adequate energy supply as a venture goal in our strategic plan, and will consider possible energy savings in our conservation planning as we address soil, water, and air resource conservation concerns. As such, we are attempting to incorporate a tracking system for possible energy savings in our program accounting packages.

NRCS will continue to develop conservation enhancements in our programs, notably CSP and EQIP, which address energy-related issues. In FY 2006, NRCS offered an energy initiative through the EQIP. The energy initiative was announced January 19, 2006, by the Deputy Secretary. This initiative offered a one-time, limited window of opportunity to

increase the amounts to be paid to EQIP participants with 2004 and earlier contracts. Payments were increased 15 percent to help offset spikes in energy costs. Due to fund availability, only the practices most severely affected by rising costs of energy were approved. Over \$14 million was used for this initiative.

NRCS also awarded grants to projects that address energy-related concerns through our Conservation Innovation Grant (CIG) Program. These grants funded pilot projects and demonstrations that show energy savings through different tillage and fertilizer application methods.

Web Based Soil Survey

One of the fundamental building blocks of conservation is knowledge. We know that farmers, ranchers, contractors, and homeowners need sound data about the land where they live. In continued efforts to make conservation data as transparent and available as possible, we launched a Web Soil Survey to make soils data available upon demand through the Internet. Soil survey maps and related information are available online for more than 95 percent of the Nation's counties.

As we move forward in FY 2007, there is some innovative technology that can help farmers and ranchers realize even bigger gains in their conservation efforts. We look forward to building upon the technology foundation achieved this year to implement even more voluntary conservation on America's private lands.

Discretionary Funding

The President's FY 2008 budget request for NRCS reflects our ever-changing environment by providing resources for the ongoing mission of NRCS and ensuring that new opportunities are realized.

Conservation Operations

The President's FY 2008 budget request for Conservation Operations (CO) proposes a funding level of \$801.8 million, which includes \$678.9 million for Conservation Technical Assistance (CTA), \$91.3 million for Soil Surveys, \$10.8 million for Snow Surveys, and \$10.9 million for the 26 Plant Materials Centers.

Madam Chairwoman, while for years we have stated that CO is the heart of everything our Agency does, we need to do a better job describing the program's scope and effect. The Office of Management and Budget's Program Assessment Rating Tool (PART) process has been an important step in NRCS developing meaningful, quantifiable long-term performance measures. This review assisted the Agency in streamlining the program and focusing on national priorities, including the development of CNMPs that will help landowners meet regulatory challenges; reduction of non-point source pollution (nutrient, sediments, pesticides, or excess salinity); reduction of emissions, such as particulate matter, that contribute to air quality impairment; reduction of soil erosion from agricultural lands; and promotion of at-risk species habitat conservation.

Madam Chairwoman, I am pleased to report that NRCS has implemented a comprehensive CTA Program policy that has improved transparency and clarified the program's mission in an era of increased accountability. In FY 2006, NRCS revised the allocation process for the CTA Program to ensure that dollars go where the needs are greatest. This methodology provided a more transparent allocation that addresses resource issues. The allocation formula also aligned with the CTA policy and national priorities, and integrated program performance measures that were developed in the PART process.

In FY 2005, nine pilot States participated in NRCS's first conservation planning sign-up. Each State completed a conservation planning sign-up in FY 2006. Six of the pilot States are continuing the conservation planning efforts that resulted from planning applications received during the FY 2005/2006 initiative. This initiative emphasizes the importance of conservation planning to help producers be better prepared to apply for conservation programs and to comply with Federal, State, tribal and local governmental regulations. The sign-up enabled landowners to plan more realistically to implement practices and apply for conservation programs in a more comprehensive approach.

All of these improvements will ensure that the most pressing conservation needs on America's private lands are addressed and will help NRCS meet its strategic planning objectives and improve accountability.

Watershed and Flood Prevention Operations

The Administration proposes to terminate funding for Watershed Operations in FY 2008 to enable NRCS to focus limited resources to other higher priority conservation program activities of national interest. It is expected that those high-priority watershed projects not yet completed will continue to receive strong local support from project sponsors, and that progress on them will continue to be made.

Second, in 2004, the Administration compared the benefits and costs of three Federal flood damage reduction programs operated by NRCS, the Corps of Engineers, and the Federal Emergency Management Agency. The analysis found that of the three programs, the Watershed Operations program provided the least net flood damage reduction benefits.

Finally, the amount of funding earmarked by Congress in the past for this program nearly equaled the amount appropriated. This seriously hampers the Department's ability to effectively manage the program, and does not permit the Agency to prioritize projects based upon merit and local need.

Watershed Surveys and Planning

The Watershed Surveys and Planning authorities are directed toward assessment of natural resource issues and development of watershed plans to conserve and utilize natural

resources, solve local natural resource and related economic problems, avoid and mitigate hazards related to flooding, and provide for advanced planning for local resource development. This includes Floodplain Management Studies, Cooperative River Basin Studies, Flood Insurance Studies, Watershed Inventory and Analysis, and other types of studies, as well as PL-566 Watershed Plans.

With the elimination of Watershed and Flood Prevention Operations, continuation of this planning component is no longer necessary. The FY 2008 budget proposes to redirect this program's resources to other higher priority programs.

Watershed Rehabilitation

The Watershed Rehabilitation program addresses the problem of aging dams, especially those with a high risk for loss of life and property. Currently, NRCS has 113 dams that have rehabilitation plans authorized, and the projects are completed or implementation of the plans is underway. This number is part of the 808 rehabilitation assessment reports already completed.

The Administration requests \$5.8 million for technical assistance to address critical dams with the greatest potential for damage to life and property.

Resource Conservation and Development Program

The purpose of the Resource Conservation and Development (RC&D) Program is to encourage and improve the capabilities of State, local units of government, and local nonprofit organizations in rural areas to plan, develop, and carry out programs for resource conservation and economic development. The program provides technical assistance to local communities to develop strategic plans that address their locally identified natural resource and economic development concerns. The budget proposes to reduce funding by \$36.4 million and consolidate the number of RC&D coordinators from 375 to about 50. The number of authorized RC&D Areas nationwide will be maintained at the current 375. The responsibilities and duties of the RC&D Coordinator position would be modified to provide more coordination and oversight duties instead of hands-on, day-to-day activities.

The reduction in funding for the RC&D Program will require that coordinators be more focused on multi-county/parish planning, intergovernmental relations, serving as the Federal Government Representative on any Federal contracts with the RC&D Councils, and coordinating USDA assistance available toward implementation of RC&D Area Plans. The overall proposed budget for RC&D in FY 2008 is \$14.7 million.

Farm Bill Authorized Programs

Wetlands Reserve Program

The Wetlands Reserve Program (WRP) is a voluntary program through which landowners are paid to retire cropland from agricultural production if those lands are restored to wetlands and protected, in most cases, with a long-term or permanent easement.

Landowners receive fair market value for the rights they forgo associated with protecting the land, and are provided with cost-share assistance to cover the restoration expenses.

The 2002 Farm Bill increased the program enrollment cap to 2,275,000 acres. WRP also is the principle USDA program to help meet the President's Wetlands Initiative goal to create, restore and enhance 3 million acres of wetlands by 2009.

The President's 2008 budget proposes \$455 million for WRP, an increase of \$173 million over the 2007 level. This will allow an annual enrollment of 250,000 acres and will bring total cumulative enrollment to the authorized enrollment cap of 2,275,000 by the end of FY 2008.

Environmental Quality Incentives Program

The purpose of the Environmental Quality Incentives Program (EQIP) is to provide flexible technical and financial assistance to landowners that face serious natural resource challenges that impact soil, water, air, and related natural resources on agricultural lands,

including cropland, grazing lands, wetlands, and non-industrial private forestlands, and to encourage enhancement on agricultural lands in an environmentally beneficial and cost effective manner to assist producers in complying with environmental regulations.

In FY 2006, EQIP funding was more than \$1 billion. Over 41,000 long-term contracts were written to assist landowners in treating an estimated 21 million acres.

Madam Chairwoman, in addition, NRCS assumed all contracting and administration responsibilities for EQIP (including payments to participants) that were previously made through the Farm Service Agency (FSA) in FY 2004. All functions were carried out through a Web-based contracting software program called “ProTracts.” We continue to see efficiency gains from the use of ProTracts and are currently managing over 250,000 contracts with the tool. In FY 2006, we introduced an Application Evaluation and Ranking Tool which we fully implemented in FY 2007, and will further build on the efficiency gains realized through ProTracts. This streamlining of procedures eliminated duplication of effort and resulted in real-time access to contract data to better manage the program.

Technical Service Providers (TSPs) were used to a greater extent last year and have more than doubled since FY 2003. NRCS obligated over \$31.9 million in EQIP for TSPs to help design and implement conservation practices carried out under this program.

Authorized under EQIP in the 2002 Farm Bill, NRCS also offers the Conservation Innovation Grants (CIG) program. CIG is a voluntary program intended to stimulate the

development and adoption of innovative conservation approaches and technologies while leveraging Federal investment in environmental enhancement and protection, in conjunction with agricultural production. Under CIG, competitive grants are awarded to eligible entities, including State and local agencies, non-governmental organizations, tribes, or individuals. CIG enables NRCS to work with other public and private entities to accelerate technology transfer and adoption of promising technologies and approaches to address some of the Nation's most pressing natural resource concerns. CIG will benefit agricultural producers by providing more options for environmental enhancement and compliance with Federal, State, and local regulations.

In FY 2006, CIG was implemented with three components: National, Chesapeake Bay Watershed, and State. Awards that were made under the three components are as follows:

- National: \$16,002,797 awarded to 57 recipients in 38 States;
- Chesapeake Bay Watershed: \$3,790,780 awarded to 8 recipients in 5 States; and
- State: \$5,591,241 awarded to 96 recipients in 20 States, the Caribbean, and the Pacific Basin.

The grants will stimulate the development and adoption of innovative technologies and approaches through pilot projects and conservation field trials. CIG awarded projects address a broad range of natural resource concerns, including nutrient management, water conservation, air quality, and grazing land and forest health.

The President's budget proposes a level of \$1 billion for EQIP, about the same level as in 2007.

Grassland Reserve Program

The 2002 Farm Bill authorized the Grassland Reserve Program (GRP) to assist landowners in restoring and protecting grassland by enrolling up to 2 million acres under easement or long-term rental agreements. The 2002 Farm Bill authorized \$254 million for implementation of this program during FY 2003 through FY 2007. No additional funding was requested in the President's budget for GRP in FY 2008, as the program reached its statutory funding limit in FY 2005.

The NRCS and FSA jointly administer GRP. NRCS has lead responsibility on technical issues and easement administration. FSA has lead responsibility for rental agreement administration and financial activities

Conservation Security Program

The Conservation Security Program (CSP), as authorized by the 2002 Farm Bill, is a voluntary program that provides financial and technical assistance for the conservation, protection, and improvement of natural resources on tribal and private working lands. The program provides payments for producers who practice good stewardship on their agricultural lands and incentives for those who want to do more.

In 2006, CSP was implemented in 60 new watersheds nationwide and resulted in about 4,400 new contracts covering more than 3.7 million acres of privately owned land. In FY 2004, NRCS initiated the program in 18 watersheds within 22 States. In FY 2005, NRCS expanded the program to 220 watersheds within every State including Puerto Rico and Guam. In the 3-year period since, NRCS has offered the program in 280 watersheds and has rewarded nearly 19,400 stewards on 15.5 million acres of working agricultural land.

Through the CSP enhancement provisions and the application of intensive management measures, producers are achieving even greater environmental performance and additional benefits for society. Several new conservation activities will allow producers to further enhance their operation and the natural resources. For example, the energy component of CSP is rewarding farmers and ranchers for converting to renewable energy fuels such as soy bio-diesel and ethanol. Because CSP enhancements go beyond the minimum requirements, innovative producers are pushing conservation technology to produce even greater conservation benefits.

FY 2007 funding for CSP will continue to support existing contracts. The FY 2006 announcement marked the third CSP sign-up.

The President's FY 2008 budget requests \$316.2 million in program funding, an increase of \$57 million to support existing contracts and to continue expanding the program and rewarding excellent conservation stewards.

Wildlife Habitat Incentives Program

The Wildlife Habitat Incentives Program (WHIP) is a voluntary program that provides cost-sharing for landowners to apply an array of wildlife practices to develop or improve habitats that will support upland wildlife, wetland wildlife, threatened and endangered species, fisheries, and other types of wildlife. The President's budget proposes no funding for WHIP in FY 2008 because the funding authority for the program expires under the 2002 Farm Bill at the end of FY 2007.

Farm and Ranch Lands Protection Program

Through the Farm and Ranch Lands Protection Program (FRPP), the Federal Government establishes partnerships with State, local or tribal government entities or nonprofit organizations to share the costs of acquiring conservation easements or other interests to limit conversion of agricultural lands to non-agricultural uses. FRPP acquires perpetual conservation easements on a voluntary basis on lands with prime, unique, or other productive soil that presents the most social, economic, and environmental benefits. FRPP provides matching funds of no more than 50 percent of the purchase price for the acquired easements. The President's budget proposes no funding for FRPP in FY 2008 because the funding authority for the program expires under the 2002 Farm Bill at the end of FY 2007.

Emergency Response to Hurricane Katrina

In addition Madam Chairwoman, the NRCS helped communities across the Gulf Coast region recover from the devastation caused by the 2005 hurricanes through the Emergency Watershed Protection (EWP) Program. The purpose of the EWP Program is to undertake emergency measures, including the purchase of floodplain easements, for runoff retardation and soil erosion prevention to safeguard lives and property from natural disasters. The typical process for delivery of this program starts with the local sponsor requesting assistance for a disaster recovery effort. NRCS then conducts a damage assessment to identify if the project is eligible and develops an estimated cost. Typical work under this program consists of debris removal from clogged streams caused by flooding; installing conservation measures, like reseeded native grasses to prevent soil erosion on hillsides after a fire; or replanting and reshaping streambanks due to erosion caused by flooding. The FY 2006 Supplemental Appropriations provided an additional \$350.9 million for the EWP Program recovery efforts from Hurricanes Katrina, Rita, Wilma and Dennis. At the request from communities across the Gulf region recovering from the 2005 Hurricanes, NRCS has committed the \$350.9 million and obligated more than \$200 million in recovery work under the EWP Program.

In January 2007, \$42.5 million was provided through the EWP Program to assist with natural disaster recovery efforts in 13 States that occurred between December 2005 and June 2006. The funds will provide critical assistance and continue the Federal partnership for environmental restoration projects on private lands damaged by natural disasters. This

funding will also help restore agricultural and community infrastructure disrupted by flooding, severe stream bank erosion and debris deposits.

As part of USDA's hurricane relief efforts, NRCS assisted hurricane-impacted States by providing maps used by first responders to assess ground conditions during the search and rescue of survivors. Current satellite and airborne imagery is used to locate possible dangers, such as fires, and the safest route to rescue survivors. Soil survey data layers are used to locate the best areas for animal debris disposal and burial that will not endanger water sources. NRCS continues to work with other USDA agencies, the Federal Emergency Management Agency (FEMA), and State emergency agencies to assist with post-disaster cleanup and restoration projects in Louisiana, Florida, Mississippi, Texas, and Alabama.

The FY 2008 President's Budget does not propose funding for this program. Historically, Congress has elected to fund this program through emergency supplemental appropriations as disasters occur.

Conclusion

As we look ahead, it is clear that the challenges before us will require the dedication of all available resources – the skills and expertise of the NRCS staff, the contributions of volunteers, and continued collaboration with partners and TSPs.

I am proud of the work and the conservation ethic our people exhibit day in and day out as they go about the job of getting conservation on the ground. Through Cooperative Conservation, we have achieved a great deal of success. We are sharply focusing our efforts and will work together with our partners to consolidate our gains this coming year. I look forward to working with you, as we move ahead in this endeavor.

This concludes my statement. I will be glad to answer any questions that Members of the Subcommittee might have.