

The Committee on Energy and Commerce
Sub-Committee on Oversight and Investigations
Honorable Ed Whitfield, Chairman

Paducah City Hall
Commission Chambers

January 19, 2005



Combined Testimony By:

Danny B. Orazine, McCracken County Judge-Executive
William F. Paxton III, Mayor, City of Paducah

INTRODUCTORY COMMENTS

{Comments by Mayor Paxton}

Good morning. My name is Bill Paxton and I am the Mayor of Paducah. My role this morning is to co-represent our local governments before this committee. You will hear this morning from Judge-Executive Danny Orazine and myself. I assure you, Judge Orazine and I are of one mind on the various issues we wish to address with the committee today. I should also mention that the McCracken County Fiscal court as well as the Paducah City Board of Commissioners has previewed my remarks and Judge Orazine's remarks.

I would like to thank Congressman Stupak for traveling to Paducah today with Congressman Whitfield. I am pleased to see Assistant Secretary James Rispoli here today. It is one thing for Congress to discuss these matters with the department in Washington, D.C., it is quite another to visit these sites and the communities in which they reside. By doing so, I think you are better able to see and hear directly from the people that are most affected by your decisions. I would especially like to thank Congressman Ed Whitfield for your leadership and ongoing efforts regarding the various concerns facing the Paducah Gaseous Diffusion Plant. The plant has helped drive the economy in Western Kentucky for over fifty years. Two

generations of Paducah's workers have gained their livelihoods at the plant. Some have sacrificed a great deal more than just their time. Congressman Whitfield, I wish to thank you personally for your efforts in securing funding of over \$200 million for the sick workers and their families. We are proud of the work that is done at the plant. We are proud that the dedicated workers of the plant have contributed to the national interest by making the United States safe, prosperous, and energy independent. My remarks to the committee will not have anything to do with the pension plan or phosgene issues we heard about earlier. However, Congressman Whitfield, I deeply appreciate your hard work in protecting the benefit and retirement levels for our local workers. I applaud your interest regarding the phosgene cylinders and the public safety concerns they represent.

I realize the pressing demands on the committee's time and that we do not have an unlimited amount of time today. So it is time to get to the point. All of the community issues that the Judge will discuss with you today are done with an eye toward the future. While many positive things have happened at the plant, there are really only two options for Paducah. This community can either continue to wring its hands about the host of problems facing the site; or we can create a new partnership and vision with DOE for Paducah. I think you know which choice I prefer. To accomplish this, we

need leadership of this Congress. If and when our plant is finally decommissioned, the blow to the local economy will be enormous. It must be softened. The leadership in Paducah and McCracken County has been working diligently for years to diversify and expand the local economy. Over the last ten years, the city of Paducah and McCracken County have invested over \$20 million dollars in developing new industrial parks, industrial spec buildings, and marketing. Our local Greater Paducah Economic Development Council has embarked on an ambitious campaign to raise \$6 million dollars in the next four years just to market and showcase this community to prospective companies. All of those dollars will be raised locally. It is only logical that we must look at the plant site for new opportunities to provide investment and employment for the next generation of Paducah's families.

Given the time constraints, there are several other details and issues important to the community that we will submit to the committee in the form of written comments. I will turn now to Judge Orazine for the details on the pressing matters facing us. Thank you.

{Comments by Judge-Executive Orazine}

Honorable Chairman Whitfield. Honorable Congressman Stupak. Good morning. My name is Danny Orazine. I am the McCracken County Judge-Executive. Thank you for conducting this hearing in Paducah. Congressman Whitfield, I too share the Mayor's gratitude for all of your assistance in representing our workers.

On behalf of the Paducah-McCracken County community, there are three areas of concern I wish to address with the committee today. They are:

1. Re-industrialization of the plant site,
2. Metal Recovery, especially nickel, as decommissioning occurs;
and
3. Payments in Lieu of Taxes.

FIRST: RE-INDUSTRIALIZATION

In this post privatization period, it is not likely that this plant will enrich uranium indefinitely. USEC has announced that their next generation centrifuge plant will be in Ohio. We simply cannot just sit still and wait for that to happen. We must be working now to develop strategies to successfully benefit from the infrastructure and land assets that will be left behind.

The Department of Energy uses a formal process called “End States” to help determine the environmental cleanup process for a site. The level to which a site will be cleaned determines how it can be used in the future. As the entities most affected by the future of these sites, what is the proper role for local governments in the end state decision-making process? Rightly or wrongly we feel disconnected from the so-called “End States” process. In an important decision for local government involvement in DOE cleanup, a Federal District Court in the Eastern District of Washington has recently ruled that pursuant to CERCLA, local governments have legal standing to be able to participate in the planning and selection of a remedy at a CERCLA cleanup site. Pursuant to that decision, local governments must be allowed to participate in the planning and selection of a remedy. How does the community help determine cleanup priorities? How can communities balance public health and environmental concerns with potential reindustrialization opportunities? Regrettably, Paducah continues to suffer from its national reputation as being a “dirty” site. National publications like *National Geographic* and the *Washington Times* spotlighted Paducah with feature articles regarding contamination and threats to public health. I am sure you can imagine that this does not help in the recruitment of new industries in to the region.

Our local government is charged with specific legal mandates under state and federal laws to serve as stewards of all land resources and infrastructure assets. It is our local government that is responsible for land use planning and control and as such should represent its citizens to DOE on site decisions. Currently, the city of Paducah and McCracken County are engaged in the process of formulating a new comprehensive plan. The basic tenant of the plan is to devise a land use policy that protects all of the land resources by determining the most logical pattern of development. We must go through a process of asset utilization that helps secure our economic future. This community and DOE must work together to have safe, secure, and compatible land uses surrounding the sites. To achieve this, it is our recommendation to create a different formal mechanism for working with local governments.

In a letter to you, Congressman Whitfield, and the rest of our congressional delegation dated December 14, 2005, we requested that a DOE position be formed in the Paducah office to work exclusively on economic development and reindustrialization issues at the Paducah site. We repeat this and ask for your assistance today. We do not believe this type of arrangement is unprecedented for DOE. We have visited with local officials and DOE officials at the K-25 facility in Oak Ridge. We think

DOE's economic development efforts at K-25 are a model for Paducah. Resources must be made available to support the local government's need to have a substantive role in land use planning on DOE facilities, especially in Paducah where DOE and USEC have stated they are downsizing the facility.

Your colleague, Senator McConnell was instrumental in securing statutory language to study the "water policy box" at the site. It is our request that DOE take an expansive view of the current approved study for the existing site in addition to potential uses of land that may be voluntarily acquired. At least 4,000 acres of land in and around the plant site should be "Master Planned". The Master Plan should evaluate the reindustrialization opportunities of the gaseous diffusion site and vicinity. It is imperative that local government and the community be closely involved in this process. It all ties together. Environmental remediation is linked to re-industrialization.

SECOND: NICKEL, METALS, AND OTHER ASSET RECOVERY ON SITE

After 50 years of solid support for DOE and doing our part for national security, the Paducah community and region should receive equitable treatment compared to other sites such as Hanford, WA, Pinellas County, FL, and most recently Oak Ridge, TN that have experienced success through

the transfer of assets through the “Hall Amendment” to bring back value to the community.

The urgency of establishing a position for the community in the disposition or sale of the nickel, other metals, and other assets on site appears to be building. Recently DOE included metal recycling in the scope of the new plant cleanup contract just awarded. It is our hope that it is logical for DOE to lift the moratorium on metal recycling soon.

It is our recommendation to immediately work to reestablish the position of the community, that the value of certain assets be reserved for the economic benefit of the community. Our position regarding the disposition of assets, especially the nickel, has been made known to DOE. That process was initiated in 1998, was reinforced in 2000, again in 2003, 2004, and again was supported again by Kentucky’s congressional delegation in 2005.

It is not our intention to use any funds for “general government” purposes. Rather, the community could use a portion of those funds for additional cleanup; re-industrialization of select parts of the site; or provide incentives and infrastructure for the Graves County Regional Park. If we secure funds from the sale or transfer of assets, it is our goal to reduce the constant request for Congressional appropriations for the region as they

relate to mitigating the obvious negative impacts that come with the plant being downsized or closed.

PAYMENTS IN LIEU OF TAXES

Less than two weeks ago, a large wild fire was started near the plant site. Local firefighters from McCracken County responded to and controlled the blaze that was potentially threatening to the plant site. While DOE real estate holdings encumber thousands of acres in McCracken County, real estate property taxes are not paid to any local units of government including the county, the fire protection district, or the school district. These local units of government bring services and value to the plant site. In 2006 McCracken County will formally request DOE for payments in lieu of taxes. The purpose of the payments would be to offset the loss of property tax revenue associated with the acquisition of the properties by the United States. Property tax revenues pay for essential local services. By way of comparison, the Tennessee Valley Authority site located adjacent to the gaseous diffusion plant pays McCracken County nearly \$800,000 annually in lieu of property taxes. Here again, we will only be seeking equitable treatment by DOE. At least 20 communities across the nation that have had a DOE presence have received payments in lieu of taxes.

CONCLUSION

Honorable Chairman, Congressman Stupak, and staff, this concludes my prepared statement. If you have any questions or concerns, I can address them now, or of course you may contact my office at your convenience. I sincerely appreciate you coming to Paducah. It makes a real difference to the Fiscal Court, the Mayor, the City Board of Commissioners, and the community we are so fortunate to serve, when you take such a keen interest. Keep up the good work. The Mayor and I look forward to working with you and DOE as we move this community forward. We know you are sincere in your desire to help us help ourselves. As we are fond of saying around here, Paducah's best days are still ahead us. Thank you.

Respectfully Submitted this 19th Day of January 2005

William F. Paxton III, Mayor

Danny B. Orazine, McCracken County Judge-Executive