

DEPARTMENT OF THE ARMY

COMPLETE STATEMENT

OF

THE HONORABLE MIKE PARKER

ASSISTANT SECRETARY OF THE ARMY (CIVIL WORKS)

BEFORE

THE SENATE COMMITTEE ON THE BUDGET

ON

THE ARMY CIVIL WORKS PROGRAM

FISCAL YEAR 2003

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Mr. Chairman and distinguished members of the Committee:

INTRODUCTION

Thank you for the opportunity to testify before this Senate Budget Committee and to present the President's budget for the Civil Works program of the Army Corps of Engineers for Fiscal Year (FY) 2003.

Accompanying me this morning is Lieutenant General Robert B. Flowers, Chief of Engineers.

ARMY CIVIL WORKS PROGRAM FOR FISCAL YEAR 2003

The President's FY 2003 budget confronts a two-front war against terrorism while taking steps to restore economic growth. In order to finance the war against terrorism it moderates spending in the rest of government. This year's budget also takes the significant step of assessing performance in government, and begins to tie what works and doesn't work to spending decisions. This will help ensure that government programs that fail to achieve their purpose can be held accountable and, perhaps, be reformed or ended as a consequence.

The FY 2003 budget for Army Civil Works provides funding to continue the development and restoration of the Nation's water and related resources, the operation and maintenance of existing navigation, flood damage reduction, and multiple-purpose projects, the protection of the Nation's regulated waters and wetlands, and the cleanup

of sites contaminated as a result of the Nation's early efforts to develop atomic weapons. The budget includes new appropriations of \$4.29 billion. The new appropriations are expected to result in FY 2003 outlays of approximately \$4.47 billion.

Three legislative initiatives support the FY 2003 Army Civil Works budget. First, the Administration is proposing government-wide legislation under which the full costs for Federal retirees will be allocated to agency programs instead of the Office of Personnel Management. Under this proposal, \$115 million of the \$4.29 billion represents retiree costs not previously borne by the Army Civil Works program.

Second, the Administration is proposing legislation under which three Federal power marketing administrations will finance hydropower operation and maintenance costs directly, in a manner similar to the mechanism currently used by the Bonneville Power Administration in the Pacific Northwest. This proposal is described below in greater detail.

Third, the Administration is proposing legislation to increase fees at Corps of Engineers lakes and recreation areas and to extend the existing recreation fee demonstration program. This proposal also is described below in greater detail.

The new appropriations, including new funding for retiree costs, will derive an estimated \$3.258 billion from the general fund, \$764 million from the Harbor Maintenance Trust Fund, \$85 million from the Inland Waterways Trust Fund, \$34 million from Special Recreation User Fees, and \$149 million from three Federal power marketing administrations for hydropower operation and maintenance costs.

Other program funding is estimated at \$464 million. This total includes \$118 million transferred from the Bonneville Power Administration for operation and maintenance of hydropower facilities in the Pacific Northwest and \$272 million contributed by non-Federal interests.

The budget represents an increase from the FY 2002 budget of 7 percent and a decrease from FY 2002 appropriations of 7 percent, including adjustments for the new retiree costs and excluding emergency supplemental appropriations and inflation adjustments.

PROGRAM HIGHLIGHTS

Priority Missions

The budget gives priority to ongoing studies, projects and programs that provide substantial benefits under the principal missions of the Civil Works program, which are commercial navigation, flood damage reduction (including coastal storm and hurricane damage reduction), and environmental restoration. No funds are provided for studies and projects that carry out non-traditional missions that in the view of the Administration should remain the responsibility of non-Federal interests or other Federal agencies,

such as wastewater treatment, and municipal and industrial water supply treatment and distribution. In addition, the budget does not fund individual studies and projects that are inconsistent with established policies governing the applicable missions.

Emphasis on Ongoing, Budgeted Construction Projects

The Corps estimates that the balance of funding needed to complete all active construction projects and authorized and unauthorized projects in preconstruction engineering and design is about \$44 billion. Of this, about \$21 billion is necessary to complete the flood control, navigation and environmental restoration projects funded in the budget in the Corps' Construction, General program. This represents 12 years of funding at the level enacted in FY 2002 just to finish funding ongoing Construction, General projects supported in the budget.

More projects have been started than can be prosecuted efficiently, given the limitations on available funding. The budget directs funding to ongoing projects that have been determined to be consistent with policy, in order to quickly realize the benefits that those projects are designed to provide.

Shore Protection

The budget treats projects to protect coastal structures from hurricane and storm damage on a par with other types of flood damage reduction projects. The Administration continues to be concerned about the appropriate level of non-Federal cost sharing for shore protection projects, and is considering proposing legislation to adjust Federal and non-Federal cost shares.

Direct Financing of Hydropower Operation and Maintenance Costs

Historically, each year the Army Civil Works program has financed the operation and maintenance costs of Corps of Engineers hydroelectric facilities, and in the next year Federal power marketing agencies have repaid the Treasury for these costs from the revenues provided by ratepayers. The exception has been in the Pacific Northwest, where under section 2406 of the National Energy Policy Act of 1992, Public Law 102-486, the Bonneville Power Administration has directly financed the costs of operating and maintaining the Corps hydroelectric facilities from which it receives power.

In 1999, the General Accounting Office found that the Corps' hydropower facilities are twice as likely to experience "unplanned outages" as private sector facilities, because the Corps does not always have funds for maintenance and repairs when needed. Corps facilities experience unplanned outages approximately 3.7 percent of the time, compared to the industry average of 2.3 percent.

To address this problem, the budget proposes that the Southeastern Power Administration, the Southwestern Power Administration, and the Western Area Power Administration finance hydropower directly, in a manner similar to the mechanism used by Bonneville. The budget contemplates that these power marketing administrations

will make those hydropower operation and maintenance investments that they believe are justified in order to provide economical, reliable hydropower to their customers and that, as a consequence, unplanned outages will decline over time to levels comparable to the industry average.

Protection of Critical Facilities

The Administration sought \$139 million in emergency supplemental appropriations to the Operation and Maintenance, General account for the protection of critical Civil Works facilities from terrorist attack. Congress provided these funds in Division B of the FY 2002 Department of Defense appropriations act. The funds will be used to pay recurring facility protection costs and one-time costs to assess the vulnerability of each facility and to initiate "hard" protection of critical facilities. The Corps expects to complete its facility assessments by the end of April 2002.

The Administration is continuing its commitment to facility protection in FY 2003. The budget includes \$65 million for recurring security costs (\$64 million in Operation and Maintenance, General and \$1 million in Flood Control, Mississippi River and Tributaries), not including new retiree costs). The Administration will evaluate the need for additional security measures based on the conclusions of the facility assessments.

Fee Increases at Recreation Areas and Lakes

The Army is undertaking efforts to increase day use fees, camping fees, annual pass fees, and special use permit fees under existing authority. These efforts are expected to help increase annual recreation user fee receipts to \$38 million in FY 2002 from less than \$34 million in FY 2001. In addition, under proposed legislation, recreation user fees and shoreline permit fees increases would be phased in through FY 2006. The legislation also will extend the existing demonstration program under which recreation user fee receipts over \$34 million per year are automatically available to the Corps to spend on operation, maintenance, and improvement of its recreation facilities. We project that annual recreation and shoreline permit fee receipts will grow by \$6 million in FY 2003 to \$44 million, and an additional \$5 million per year in FY 2004 through FY 2006, to a total of \$59 million in 2006.

DISCUSSION OF APPROPRIATION ACCOUNTS

General Investigations

The budget for the Civil Works study program is \$108 million, including \$5 million for new retiree costs. This is a significant reduction from funding levels in the budgets and appropriations for previous years. The reduced funding level for General Investigations is intended to slow the rate at which studies and preconstruction engineering and design efforts are carried out and completed and the rate at which projects with completed studies are added to the existing construction backlog. Cost-sharing sponsors, who are being asked to invest in studies and design, expect timely

construction once studies and design are completed and the projects are authorized. This reduced funding level reflects the Administration's priority of completing policy-consistent projects that are under construction before initiating new work.

No new study starts are included in the budget. However, to the extent allowed within available funding, policy-consistent studies that are under way will continue to move seamlessly from the reconnaissance phase to the feasibility phase and from the feasibility phase to preconstruction engineering and design as they receive the necessary levels of review and approval within the Corps and the Army. Coordination, technical assistance, and research activities also will be continued, including continued Army participation in the National Estuaries Council.

Construction, General

The FY 2003 budget for the Civil Works Construction, General program is \$1.44 billion, including \$22 million for new retiree costs. Of that total, \$85 million will be derived from the Inland Waterways Trust Fund to fund the construction and major rehabilitation of inland waterway projects and \$15 million will be derived from the Harbor Maintenance Trust Fund to fund the Federal share of construction costs for dredged material disposal facilities at operating harbor projects.

Funding is included in this account for continuing projects for which the Administration has completed its review and made a determination that the project supports priority missions and is consistent with established policies. No funds are included to initiate construction of discretionary new projects. Furthermore, no funds are included to continue planning, engineering, design, or construction of projects added by Congress in FY 2002 for which the Administration has not completed its review and established a favorable position.

The budget for the Construction, General account gives priority to projects that can be completed in FY 2003. Thirty projects, or 15 percent of the 194 budgeted projects, will be completed. The budget also includes substantial CG funding, net of new retiree costs, for three priority projects: \$120 million for the New York and New Jersey Harbor deepening project; \$77 million for the Olmsted Locks and Dam project in Illinois and Kentucky; and \$148.5 million for restoration of the Florida Everglades, including \$37 million for the Comprehensive Everglades Restoration Plan.

The budget also ensures that environmental requirements for the Columbia River Basin and for the acquisition and development of shallow water habitat on the Missouri River will be met. For the Missouri River, \$17.5 million is allocated to the Missouri River Fish and Wildlife Mitigation Project to expedite restoration of aquatic habitat. For the Columbia River Basin, the budget includes \$98 million for the Columbia River Fish Mitigation project and \$2 million for a new construction start, the estuary habitat restoration program for the lower Columbia River, which must be started to meet legal requirements. (These figures do not include new retiree costs.) Both the ongoing project and the new project on the Columbia River are required in FY 2003 to comply with Biological Opinions issued under the Endangered Species Act by the National

Marine Fisheries Service and the U.S. Fish and Wildlife Service for the recovery of threatened and endangered fish species.

The budget provides, net of new retiree costs, \$78 million for continuing planning, design, and construction of projects under the Continuing Authorities Program. These are small projects for flood damage reduction, navigation, shoreline protection, streambank protection, navigation project impact mitigation, clearing and snagging, aquatic ecosystem restoration, beneficial uses of dredged material, and project modifications for improvement of the environment. The budget includes no funding to initiate new construction under the Continuing Authorities Program.

The Administration is proposing legislation to require agencies to pay the full cost of the Federal Employees' Compensation Act (FECA). The Department of Labor will add a small surcharge to the amount charged to each agency for FECA benefits to ensure full coverage. The CG account includes an additional \$1 million in the Workmen's Compensation line item to cover the surcharge.

Flood Control, Mississippi River and Tributaries

The budget includes \$288 million for the Mississippi River and Tributaries program, including \$7 million for new retiree costs. The budget directs funding to the priority flood damage reduction projects on the mainstem of the Mississippi River and in the Atchafalaya River Basin, Louisiana, including the completion of the Louisiana State Penitentiary Levee, Louisiana, project. No funding is provided for studies or projects that represent non-traditional missions or are inconsistent with established policies. No funding is provided for new studies or projects. \$1 million is included for the recurring costs of protecting critical Mississippi River and Tributaries facilities from attack.

Operation and Maintenance, General

The budget provides funding for the Army Corps of Engineers to carry out its operation and maintenance responsibilities at Corps-operated projects for the purposes of commercial navigation, flood damage reduction, recreation, natural resources management, and multiple purposes including hydroelectric power generation.

The overall budget for the Operation and Maintenance, General, account is \$1.979 billion, including \$65 million for new retiree costs. Of this amount, \$749 million will be derived from the Harbor Maintenance Trust Fund, \$34 million will be derived from Special Recreation User Fees, and, under proposed legislation described above, \$149 million will be derived from the direct funding of hydropower operation and maintenance costs by three Federal power marketing administrations.

In addition to these funds, operation and maintenance of hydropower facilities in the Pacific Northwest will be directly financed by a transfer of approximately \$118 million from Bonneville Power Administration revenues.

The budget directs funding for navigation projects to those that support commercial or subsistence usage. The budget provides: \$536 million for deep draft harbors (harbors with authorized depths of greater than 14 feet); \$47 million for shallow draft harbors, with priority given to those harbors that serve commercial activities or provide a means of subsistence; \$384 million for inland waterways with commercial traffic of more than one billion ton-miles per year; and \$57 million for waterways with less commercial traffic, with priority given to those operation and maintenance activities that provide the highest return, generally on the waterways and waterway segments with the lowest average cost per ton-mile (these figures do not include new retiree costs).

The budget includes \$64 million, not including new retiree costs, for the recurring costs of protecting critical Civil Works facilities from attack.

Regulatory Program

The budget for the Regulatory Program is \$151 million, including \$7 million for new retiree costs. These funds will be used for permit evaluation, enforcement, oversight of mitigation efforts, administrative appeals, watershed studies, special area management plans, and environmental impact statements, in order to provide effective regulation of the Nation's waters and wetlands and expedite permit decisions.

The \$151 million represents a much-needed increase for the Regulatory Program and supports responsive service to the public. This funding will enable a reduction in average permit processing times from an estimated 160 days in FY 2002 to an estimated 120 days by the end of FY 2004. The budget also provides additional resources for monitoring of compliance with issued permits and for partnerships with states and local communities through watershed planning efforts.

Formerly Utilized Sites Remedial Action Program (FUSRAP)

The Formerly Utilized Sites Remedial Action Program (FUSRAP) is an environmental cleanup program for sites contaminated as a result of the Nation's early efforts to develop atomic weapons. Congress transferred the program from the Department of Energy in FY 1998. We are continuing to implement needed cleanups at contaminated sites. This year's budget is for \$141 million, including \$1 million for new retiree costs.

Flood Control and Coastal Emergencies

This program finances preparedness, response, and recovery activities for flood, storm, and hurricane events, and preparedness activities in support of the Federal Emergency Management Agency through the Federal Response Plan. The budget proposes \$22 million for this program, including \$2 million for new retiree costs. This amount will be used, together with any funding that may remain available from prior year appropriations, to finance programmed and emergency activities during FY 2003.

General Expenses

Funding budgeted for the General Expenses program is \$161 million, including \$6 million for new retiree costs. These funds will be used for executive direction and management activities of the Corps of Engineers headquarters, the Corps division offices, and related support organizations.

GOVERNMENT PERFORMANCE AND RESULTS ACT

A performance plan is in preparation for the Army Civil Works program, based on the FY 2003 budget. After completion of Administration review, the plan will be submitted to the Congress.

ARMY CIVIL WORKS PLANNING AND REVIEW PROCESS

Both the Army Corps of Engineers Headquarters and the Office of the Assistant Secretary of the Army for Civil Works are taking steps to strengthen the project planning and review process. We have undertaken these efforts to ensure that the Corps provides this Nation with technically sound, environmentally acceptable, and justified projects.

Improved Planning Capabilities. The Corps is improving the competency of its planning cadre through the development of a long-term training and development plan. The Corps is developing a web-based information system to enable planners to find the information they need to do their jobs more efficiently and effectively.

Process Improvements. To ensure more accountability, the planning organization within each district will manage the planning process from problem identification to the development of a proposed project. The Corps has clarified technical and policy review responsibilities. The Corps Headquarters has consolidated the policy and planning functions and initiated a new business process under which one individual at Corps Headquarters is responsible for solving study and project issues.

Environmental Advisory Board. The Chief of Engineers has reactivated the Environmental Advisory Board (EAB) and redefined its role to include advising him on policy and specific projects. This participation by the EAB can contribute to improved project formulation and thereby reduce the need for mitigation and the potential for conflict or litigation.

Independent Peer Review. The Chief of Engineers has endorsed, in concept, the establishment of an independent panel of experts to review Corps projects. The proposal is to establish a panel of six members, to include three members from outside the Corps, who would review large, complex, or controversial projects. Additionally, in response to Section 216 of the Water Resources Development Act of 2000, the Corps contracted with the National Academy of Sciences (NAS) to study and make

recommendations on the independent peer review of Corps projects. The Administration will formulate its position on this issue in the coming months.

Plan Formulation and Evaluation. The NAS also will evaluate the various techniques, models, and processes used to formulate Corps projects and will consider modernizing the Federal *Principles and Guidelines*. Consideration will also be given to how the Corps conducts multi-purpose formulation and evaluation and trade-off analysis, and how it integrates environmental, economic and social considerations. Finally, the NAS will review various approaches to ecosystem restoration and application of adaptive management to the planning and operation of projects. These reports will be completed in the summer of 2003.

Army Civil Works Planning and Project Review. Recently, I formed a new, four-person group within my office to perform oversight of the Corps planning program and to advise the Corps and me on the application of laws, regulations, and Army policies to project proposals. In particular, this new group will conduct reviews of Corps projects and will help me develop my recommendations to the Administration and Congress on the authorization or modification of projects. To facilitate coordination with the Corps, this group will be co-located with the Corps of Engineers Headquarters. My planning group will engage with the Corps on planning issues as they arise, rather than after reports are completed. My new Deputy for Project Planning and Review and administrative staff already are on board, two positions have been advertised, and the last position will be advertised shortly.

CONCLUSION

I believe that the President's FY 2003 budget for the Army Civil Works program is a solid one. The budget continues support to ongoing work, emphasizes primary missions, and applies resources to areas likely to have the greatest national economic benefit. Providing the requested funds for the Army Civil Works program is a wise investment in the Nation's future.

Thank you.