

Lesson 13

CIVIL WORKS PROGRAM
DEVELOPMENT AND EXECUTION COURSE
LESSON NUMBER 13

May 09

5. CIVIL WORKS PROGRAM DEFENSE

TOPIC:

- a. Administration Participation
 - (1) OASA(CW)
 - (2) OMB Briefings and Passback
 - (3) President's Program and Budget
 - (4) Program Documents

TIME ALLOTTED:

1 hour, including time for questions and answers.

HANDOUTS:

On Computer CD:

- H-13-1. Budget of the U.S. Government - Fiscal Year 2009
- EXCERPT Corps of Engineers Budget
- H-13-2. Fiscal Year 2009 - Civil Works Budget for the U.S.
Army Corps of Engineers ("Press Release")

In Course Binder:

- H-13-3 ASA(CW) Transmittal of Recommended Program to OMB
dated 10 September 2007.
- H-13-4 OMB Passback for the Program Year 2009.
- H-13-5 ASA (CW) Response to OMB Passback ("Reclama")
dated 29 November 2007.
- H-13-6 OMB Passback Resolution for the Program Year 2009.
- H-13-7 EXCERPT of Fiscal Year 2009 Civil Works Budget for U.S.
Army Corps of Engineers dated February 2008
aka "The Press Release"

REFERENCES:

1. The President's Program and Budget Documents: (Number and titles of budget documents may vary from year to year)
 - a. Budget of the United States Government
 - b. Analytical Perspectives, Budget of the United States Government
 - c. Historical Tables, Budget of the United States Government
 - d. Appendix, Budget of the United States Government
2. Civil Works Budget for U. S. Army Corps of Engineers ("Press Release")

DETAILED OUTLINE

A. INTRODUCTION

1. Objective: To discuss program development meetings with OASA(CW), briefings of OMB, and the OMB passback. Also, to discuss final program preparation and submission of the President's Program and Budget to Congress.

B. INTERACTION WITH OASA(CW)

1. OASA(CW) involvement in program development is generally concurrent with development by HQUSACE.

2. Conformance with policies, priorities, and objectives of the President.

a. Priority benefits.

b. Cost sharing and financing in accordance with the Water Resources Development Act of 1986 or proposed legislation.

c. New starts.

3. General characteristics of program.

a. Historical trends.

b. Allocation of ceiling amount.

4. New initiatives (examples).

a. New research and development.

b. New studies.

c. New projects.

d. New floating plant.

e. New buildings.

• District offices.

• Regional Visitors Centers.

• ADP Facilities.

5. Legislative requirements.

- a. Specific when needed for programmed items.
 - b. New general legislation.
6. Manpower.
- a. Hired labor.
 - Organization.
 - Function.
 - b. Contracting.
- C. OMB BRIEFINGS
1. ASA(CW) transmits letter, Program Memorandum, and various exhibits to OMB.
 2. HQUSACE transmits justification material and other data directly to OMB.
 3. Opening day of Briefings.
 - a. Policy Statement by ASA(CW) or HQUSACE.
 - b. General trends and characteristics and program highlights.
 - c. Overview of the program.
 - Policy and program trends.
 - Major changes from prior year.
 - Impact and distribution of fiscal and manpower ceilings.
 4. Staff level functional reviews.
 - a. Several days.
 - b. Review individual programs receiving direct appropriations and individual items of specific interest.
 - c. Determine methodologies used in development of each program.
 - d. New initiatives.
 - e. Manpower.
- D. OMB "PASSBACK"
1. Late November to early December timeframe.
 2. Letter format, usually 15 to 20 pages.
 3. Provides recommended amounts and assumptions

- E. POST-PASSBACK ADJUSTMENTS AND FINAL PROGRAM
 - 1. Offsetting adjustments within categories generally acceptable.
 - 2. ASA(CW) and Chief of Engineers may negotiate with OMB on guidance and amounts.
 - 3. Final program amounts must be determined by mid-December for preparation of President's Program and Budget.
 - 4. Prepare the President's Program and Budget.
- F. PRESIDENT'S PROGRAM AND BUDGET DOCUMENTS
 - 1. The President's Program and Budget are presented to Congress in "The Budget of the United States Government".
 - a. Program and Budget message of the President.
 - b. Overview of the President's Program proposals.
 - c. Summary information on various program elements.
 - 2. "Budget Appendix" presents individual agency programs.
 - a. Proposed appropriation act language, funding and spending schedules, and brief description of work in each subprogram.
 - b. Supplemental appropriation and rescission proposals for current year.
 - 3. "Analytical Perspectives, Budget of the United States Government" highlights certain topics and program areas.
 - 4. "Historical Tables, Budget of the United States Government."
 - 5. A "United States Budget in Brief" book is sometimes published.
 - 6. There are occasionally other publications on special subjects such as "The Budget System and Concepts."
- G. PRESIDENT'S PROGRAM AND BUDGET SUBMISSION
 - 1. Scheduled for submission to Congress not later than the first Monday in February.
 - 2. Presidential Press Release.
 - 3. Program documents may be purchased from the Government Printing Office (GPO).
 - 4. Limited distribution to agencies by OMB.
- H. OASA(CW) AND CORPS "PRESS RELEASE"
 - 1. Concurrent with President's Program and Budget Submission.

2. A specific listing, by State, of all programmed studies and projects, and also a listing of general activities.
3. Provided to each member of Congress and made available to the public.
4. Prepared in HQUSACE by Programs Management Division and released by the Public Affairs Office (CEPA-I).

Lesson 13

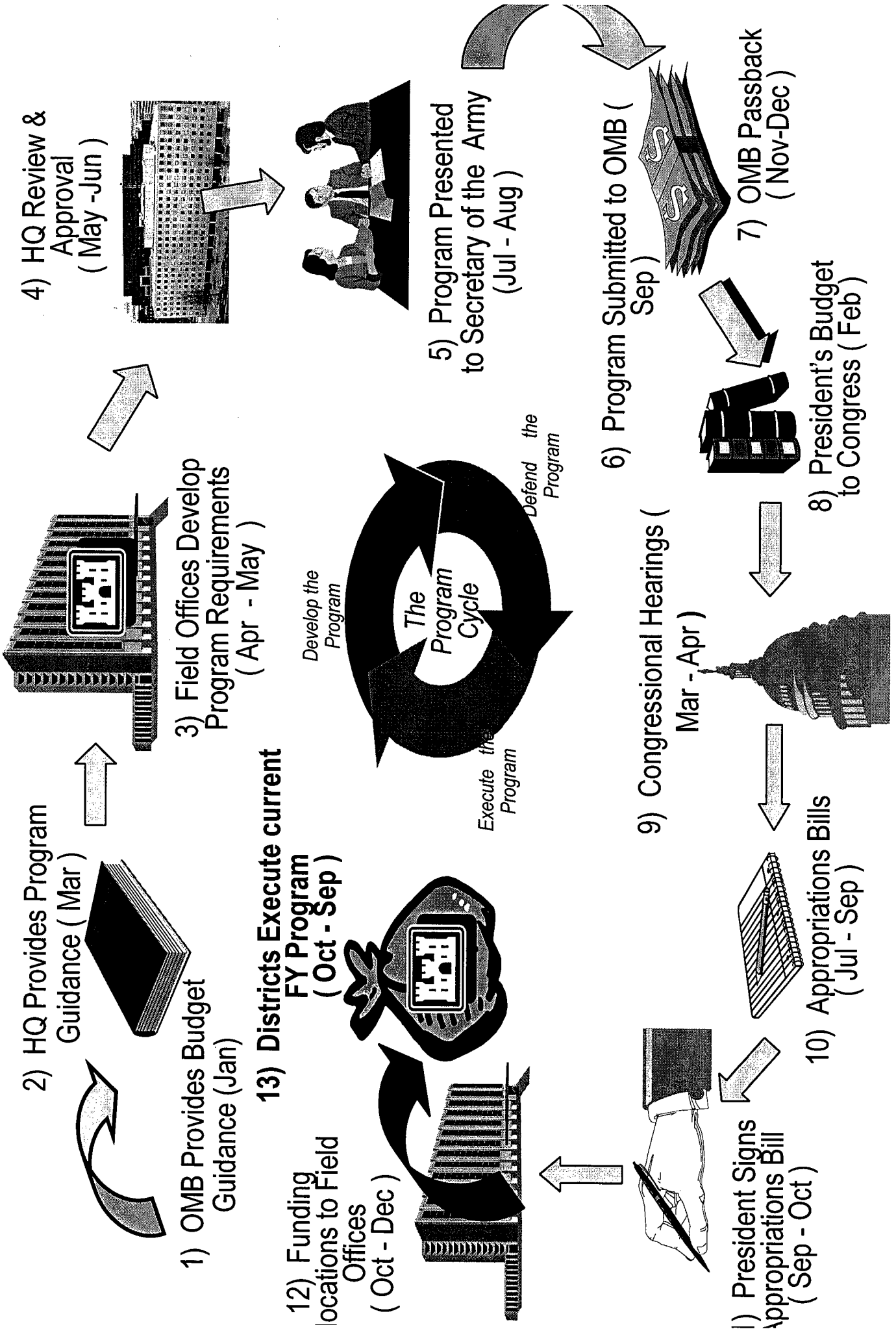
Administration Participation



Administration Participation

- Objective:

- To Introduce the Program Defense Topic Discussions of Program Development Meetings with OASA(CW), Informal OMB Briefing, OMB Passback, Final Budget Preparation, and Submission of the President's Budget

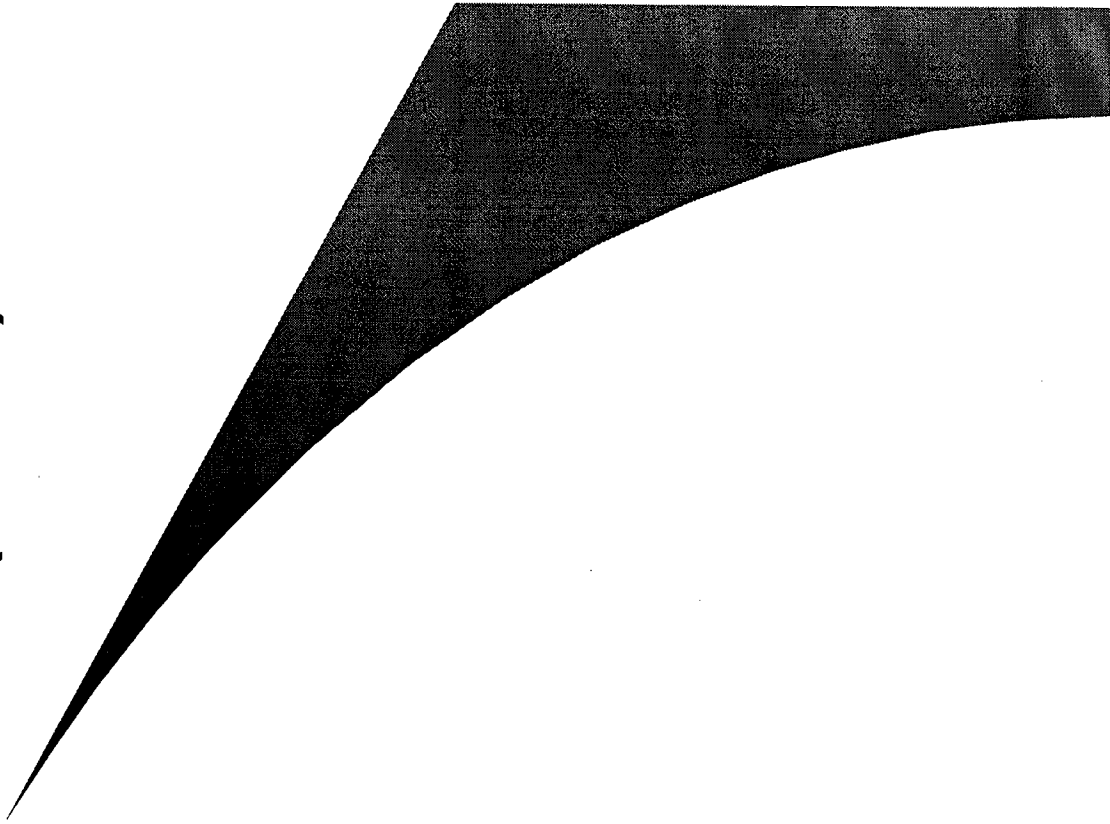


Interaction with OASA(CW)

- OASA(CW) Involvement in Program Development is Generally Concurrent with HQUSACE Program Development
- Conformance with Policies, Priorities, and Objectives of the President
 - Priority Benefits
 - Cost Sharing and Financing
 - WRDA of 1986 or Proposed Legislation
 - Budgetary Policy
 - New Starts
- General Characteristics of Program
 - Historical Trends
 - Account and Business Line Allocations

Interaction with OASA(CW)

- New Initiatives
 - R&D
 - Studies
 - Projects
 - New Floating Plant
 - Buildings
 - District Offices
 - Regional Visitors Center
 - ADP Facilities



Interaction with OASA(CW)

- Legislative Requirements
 - Specific for Budgeted Items
 - New General Legislation
- Manpower Resources
 - Hired Labor
 - Organization
 - Function
 - Contracting

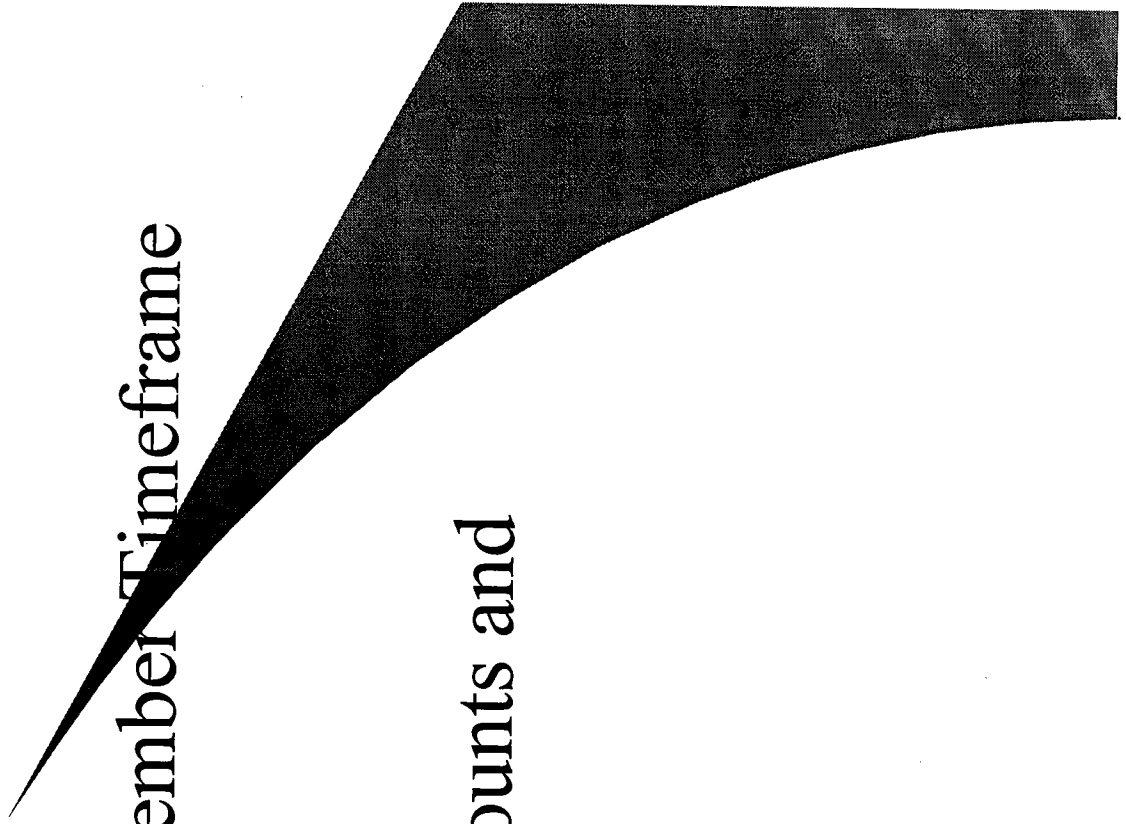
OMB Briefings

- ASA(CW) Transmits Letter, Program Memorandum, and Various Exhibits to OMB
- HQUSACE Transmits Justification Material and Other Data Directly to OMB
- Opening Day of Briefings
 - Policy Statement by ASA(CW) or HQUSACE
 - General Trends and Characteristics
 - Budget and Program Highlights
 - Overview of the Program
 - Policy and Program Trends
 - Major Changes from Prior Year
 - Impact and Distribution of Fiscal and Manpower Ceilings

OMB Briefings

- Functional Reviews at Staff Level
 - Several Weeks
 - Review Business Line Programs and Individual Items of Specific Interest
 - Determine Amount of Each Appropriation Account and Business Line Program
 - Matching with Strategic Plan and Five Year Development Plan
 - New Initiatives
 - Manpower

OMB Passback

- Late November to Early December Timeframe
 - Letter Format
 - Usually 20 to 30 Pages
 - Provides Recommended Amounts and Assumptions
- 

Post-Passback Adjustments and Final Budget

- Offsetting Adjustments within Categories are Generally Acceptable (ie. FY 06 plus up of \$200 million for CG)
- ASA(CW) and Chief of Engineers may Negotiate with OMB on Guidance and Amounts
- Final Program Amounts Must be Determined by First of January for Preparation of the President's Budget
- Prepare the President's Budget

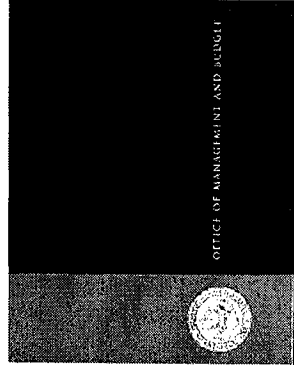
Presidential Budget Documents

The Budget of the United States Government

- Budget Message of the President
- Overview of the President's Budget Proposals
- Summary Information on Various Elements



BUDGET
OF THE U.S. GOVERNMENT



Presidential Budget Documents

The Budget Appendix

- Details of Individual Agency Programs
- Appropriation Act Language, Budget Schedules, and Brief Description of Work in Each Subprogram
- Supplemental Appropriation and Rescission Proposals for Current Year

Presidential Budget Documents

Analytical Perspectives

- Highlights of Certain Topics and Program Areas

The United States Budget in Brief

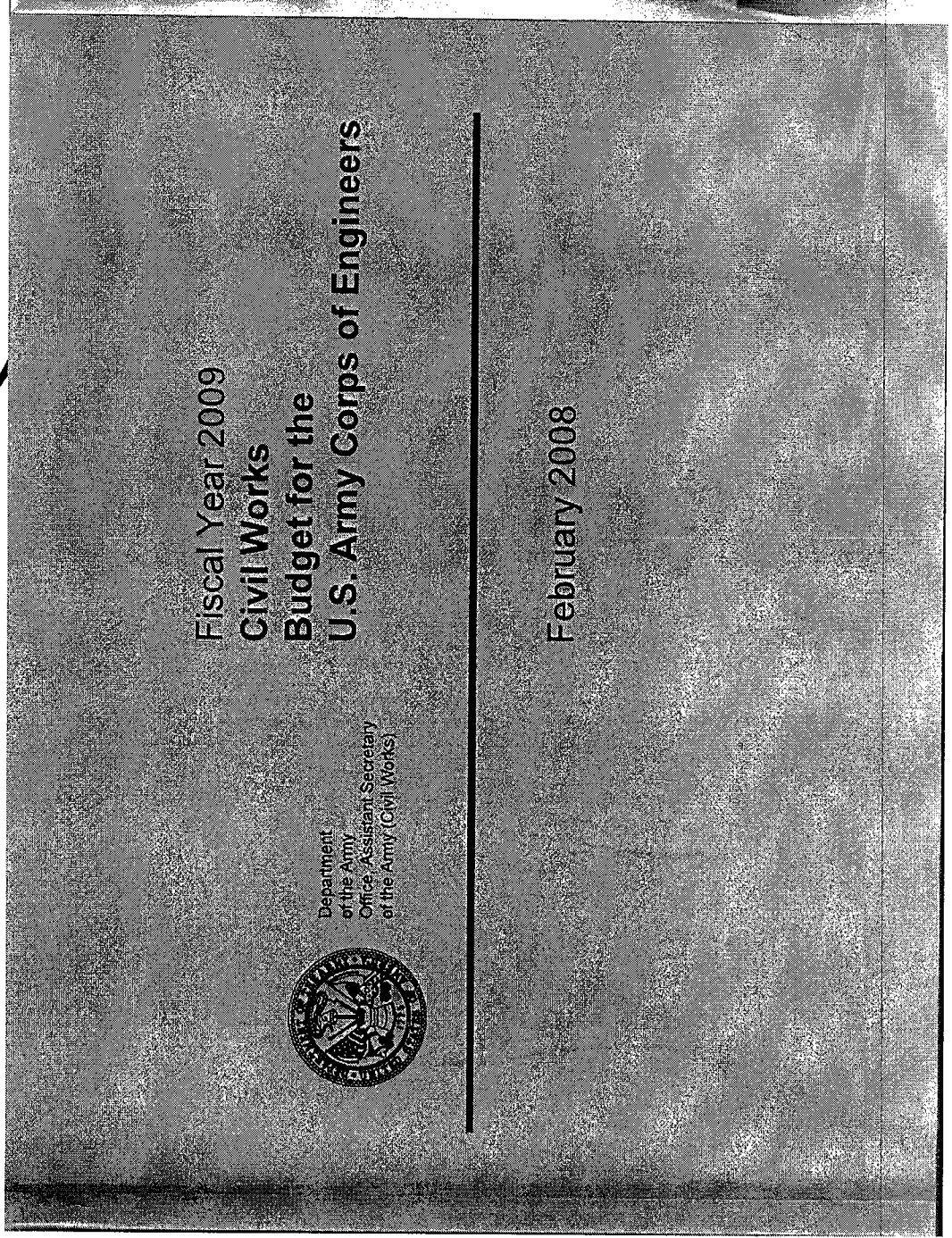
- Concise Overview Document
- Other Volumes on Special Subjects

Historical Tables

President's Budget Submission

- Submitted to Congress Not Later Than the First Monday in February
- Presidential Press Release
- Budget Documents Maybe Purchased from the Government Printing Office (GPO) and WWW
- Limited No-Cost Distribution to Agencies

OASA(CW) and Corps Press Release



OASA(CW) and Corps Press Release

- Concurrent with President's Budget Submission
- State-by-State Listing of all Budget Studies and Projects
- Also Lists General Activities
- Provided to Each Member of Congress
- Usually Made Public in Formal Press Conference with OASA(CW) and Corps Officials
- Available to Public and News Media
- Prepared by HQUSACE Programs Integration Division



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
CIVIL WORKS
108 ARMY PENTAGON
WASHINGTON DC 20310-0108

SEP 10 2007

A-13-3

Honorable Jim Nussle
Director
Office of Management and Budget
Washington, D.C. 20503-0009

Dear Mr. Nussle:

This letter transmits the Army's budget recommendations for the Civil Works program of the Army Corps of Engineers for Fiscal Year (FY) 2009 through FY 2013. The Army's recommendations concerning additional appropriations for the hurricane and storm damage reduction system for the New Orleans, Louisiana area is being transmitted today in a separate letter.

The Army recommends a five year budget for the Civil Works program that requires \$5.6 billion in new budget authority for FY 2009 and rises to \$6 billion by FY 2013. Also identified is an achievable, but not recommended, program at the funding levels of the OMB ceilings for FY 2009 through FY 2013. Funding increments, both below the OMB ceiling level and up to the recommended program, are clearly identified and justified based on outcomes and output.

	FY09	FY10	FY11	FY12	FY13
	<u>(\$B)</u>	<u>(\$B)</u>	<u>(\$B)</u>	<u>(\$B)</u>	<u>(\$B)</u>
Army Recommendations	5.63	5.71	5.83	5.94	6.04
Ceiling-Level Funding	4.79	4.78	4.89	4.93	4.93

On June 29, 2007, the Army transmitted to Congress a Five Year Development Plan (FYDP) providing two alternative funding levels for FY 2008 through 2012. The FY 2009 through 2013 ceiling level of funding shown above is consistent with the "base" level in the FYDP, and the Army's recommended funding level for FY 2009 through 2013 is essentially consistent with the "enhanced" funding level in the FYDP, although allocations among accounts vary from the FYDP.

The Army recommendation of \$5.63 billion is by no means the maximum that could be invested productively in the Civil Works program in FY 2009. Many more investments are well justified, consistent with policy, and would contribute substantially to the economic and environmental well-being of the Nation. If additional funding can be made available for the Civil Works program in light of the President's overall priorities, I advocate doing so in order to more fully realize potential benefits of the program in FY 2009 and beyond.

RECAPITALIZING THE NATION'S INFRASTRUCTURE

The Army recommends as the major theme of the FY 2009 – FY 2013 Civil Works budget "Recapitalizing the Nation's Infrastructure". Within that concept, which we recommend that the President adopt as one of his Budget priorities across multiple agencies' programs, the Army recommends two budget policy themes specific to the Civil Works Program: "Maintaining the Integrity of Civil Works Infrastructure" and "Planning for the Future". Adopting these themes as primary drivers of the FY 2009 budget will significantly advance the Civil Works strategic goal of sustainable development and integrated management of water resources and sustainable development.

Evidence abounds of the need to recapitalize this country's infrastructure. In 2001, the American Society of Civil Engineers gave American's infrastructure an overall "D" condition rating. They repeated this unsatisfactory rating in 2005. Waterways and Dams fared no better in either year. The recent Minneapolis bridge collapse, the Midwest and Southwest floods, Hurricane Katrina's overwhelming of New Orleans' storm defenses, and even the prospect for more severe future floods and droughts associated with climate change are stark reminders that the U.S. must pay greater attention both to maintaining the integrity of current infrastructure and to planning new infrastructure investments.

Maintaining the Integrity of the Civil Works Infrastructure

Flood Risk Management

The nation faces increasing flood hazards. Existing development is at risk, and new development is occurring in flood prone areas, often behind aging flood control infrastructure, including some levees that were designed to provide agricultural rather than urban protection. National flood damages, which averaged \$3.9 billion annually during the 1980s, have nearly doubled in the past decade (1995-2004), to an annual average of \$6.2 billion. The fact that these damages represent a decreasing share of gross domestic product provides little comfort when personal suffering, disruptions, and taxpayer impacts are considered. Total Federal disaster assistance payouts for both emergency response operations and subsequent long-term recovery efforts increased from an average annual outlay of \$444 million during the 1980s, to an average annual outlay of \$3.75 billion during the past decade. The Army's recommendations for FY 2009 – 2013 include important measures to address these flood risks (see below and Enclosure E).

Navigation Infrastructure

Inland Waterways: As of 2007, 53 percent of Corps commercially active locks and dams have exceeded their 50-year economic design life. Declining reliability associated with aging locks has resulting economic costs. In recent years, deferral of maintenance and delay in the rehabilitation and replacement of aging locks have driven up unscheduled closure times. Unscheduled down time at our locks increased from an average of 12,000 hours per year, in 2001 through 2004, to 22,000 hours per year in 2006. These lock closures are costly to shippers and carriers and can put major industries, such as electric utilities, at risk. In November 2003, an unscheduled 52-day closure of the main chamber for emergency gate repairs at Greenup Locks & Dam on the Ohio pushed average delays to over 38 hours per tow and cost shippers and carriers of commercial goods over \$53 million. Accordingly, the Army's five-year goal for the inland waterways is to reduce unscheduled closures and improve performance to something approaching the performance that prevailed in 2000 through 2004. The FY 2009 recommendations for inland waterway navigation are based on enactment of the Administration's legislative proposal for a new lockage user fee on barges to increase revenues in the Inland Waterways Trust Fund (see below and Enclosure F).

Coastal Channels and Harbors: Harbor modernization is urgently needed to assure this Nation's place in world trade. Current funding levels constrain many existing channels and harbors to operating inefficiently at less than their authorized channel dimensions, even though existing commercial traffic requires greater dimensions to operate efficiently. On average nationwide, for high volume ports, full channel depths for the middle half of the channels were available only 38 percent of the time in 2005 and 35 percent in 2006. The National Dredging Needs Study projects that by 2020 more than 34,000 vessel calls annually will be constrained in terms of loaded depth unless harbor improvements underway and planned are completed on schedule. Inadequate channels increase vessel operating costs, the cost of imports, and the price of U.S. exports in world trade. For every foot of channel depth not maintained, container ship costs increase by an average of 6%. The Army's budget recommendations include funding for increased maintenance and a number of design and construction projects for coastal channels and harbors (see below and Enclosure F).

Committee on the Marine Transportation System (CMTS). In 2007, the inter-agency Committee on the Marine Transportation System, Chaired by the Secretary of Transportation, led a review of harbor maintenance, impacts of current maintenance on commercial waterborne transportation, and the status of the Harbor Maintenance Trust Fund. The CMTS review noted that navigation channel and harbor maintenance funding has not kept pace with dredging cost increases resulting from increased fuel and material costs. Even the highest use navigation projects were found to be severely under-maintained. The sub-Cabinet level CMTS Coordinating Committee recommended to the CMTS principals that appropriations from the HMTF be increased

by \$110 million in FY 2009, in support of the goal that, over the next five years, dredging should be increased to ensure that on average half of the authorized channel width at the Corps high-use coastal navigation projects is available 95% of the time. The CMTS considered options to make the receipts into the HMTF available without appropriations. Such options may be revisited in future years if appropriations from the HMTF continue to be insufficient to provide adequate maintenance for the nation's waterborne commerce, which is the purpose of the harbor maintenance tax.

Hydropower

The Corps is the largest provider of hydropower in the country. For the past eight years, the 75 hydropower facilities operated and maintained by the Corps have been operating below industry standards and targets for peak unit availability by at least 8 to 10 percentage points. From 1999 to 2006 the peak unit availability declined from 98% to 86%. Forced outages over the same time period rose from the industry standard of no more than 2 percent to a high of 4.6 percent. The Corps is facing a major maintenance backlog and diminished equipment efficiency and reliability. Lost revenue to the Federal Treasury and the additional cost of purchasing replacement power due to inefficient equipment and outages have averaged over \$85 million annually. Seven Major Rehabilitation Evaluation Reports have been approved since 2000 but none have been funded. The investment in these Rehab projects is repaid with interest to the treasury. Efficient and reliable operation of Corps hydropower facilities increases the nation's reliance on renewable domestic energy sources and decreases the nation's greenhouse gas (GHG) intensity, in support of the President's goal of an 18 percent reduction in GHG intensity by 2012. The Army recommends undertaking a 10-year program to bring the Corps hydropower facilities up to industry standards (see below and Enclosure G).

Planning for the Future

In March 2007, the National Academy of Public Administration (NAPA) recommended integrated, systems planning within watersheds as the foundation for the future Corps planning and setting of budget priorities. This planning, they stated, should be based largely on state water plans. In its March 2007 report, NAPA embraced the belief that when individual States have sound water plans, they will be able to work more effectively together to avoid or resolve interstate issues and create the non-federal institutions essential to successful watershed and river basin approaches.

The NAPA recommendation is consistent with the Civil Works strategic objective to "support the formulation of regional and watershed solutions to water resources problems". The Corps is working to develop and nurture strategic alliances and robust partnerships with local citizens, Federal/State agencies and non-governmental organizations to provide a more complete watershed planning and review process involving partners at many levels.

The Army concurs in these recommendations by NAPA to achieve an integrated, systems based program. In pursuit of this goal, the Corps will work collaboratively with states, local governments and other stakeholders to anticipate national and regional water resources needs and conflicts, and to establish strategies for addressing them in ways that improve opportunities for economic and environmental well-being. The Army recommends increased funding for several programs that provide planning and other assistance to states in their integrated water planning, as well as a new multi-agency planning initiative.

National Water Assessment

The Army urges the Administration to bring Federal water resources agencies together to conduct a new National Water Assessment. The last such assessment was conducted in 1975. In the more than thirty years since the last assessment, populations in the arid and semi-arid regions of the country have grown and caused more demands for the limited available water. These pressures affect not only water supply, but also hydropower, recreation, and instream use to meet environmental resource needs. There is increasing evidence that the world is getting warmer, and warmer temperatures will affect the Nation's water resources.

A cooperative state/regional/Federal National Water Assessment would assess current and future water availability and demands on a national scale. Such an assessment would be integrated with state water plans and would provide key data for individual State and watershed plans and enable earlier identification of pending conflicts. The Army and the Department of the Interior have initiated discussions in this regard. We support the DOI Water Security Initiative for FY 2009, and recommend that we continue to work with them to include a joint initiative in the President's FY 2009 Budget, such as a joint watershed study in a basin where we both have major federal involvement. Such an initiative could assign to appropriate agencies the responsibilities for improving the science behind water resources management, strengthen various existing programs that encourage states and inter-state entities to develop viable broad-based plans for the future management, development and protection of their water resources. The goal should be to draw together state-wide planning and Federal data and expertise to identify goals and priorities for development and protection of water resources and their ecological systems, including planning to guide the issuance of permits.

The Army's recommendations for FY 2009 - 2014 include strengthening of a number of programs, including watershed studies, that either could be part of a new inter-agency national water assessment or could stand alone as worthy Corps endeavors in collaborative planning that independently contribute to better national water resources planning.

Watershed Planning

In FY 2006, Congress provided \$ 4.5 million in the Corps General Expenses account for pilot studies to explore and demonstrate what could be accomplished under collaborative planning, where states, Federal agencies, and other stakeholders all finance their own participation in watershed planning and bring their own expertise to the table. This model contrasts with the typical Corps feasibility study where a non-Federal public entity contributes 50% of the cost of a study expected to result in a recommendation for a specific project. It also contrasts with the limited authority the Corps now has for broader Section 729 studies that still envision a Corps-led study that also requires 50% non-Federal cost sharing.

The distinctive feature of a watershed study under the Army vision is that services, data and expertise are shared. Each participating entity should bring resources and expertise to the study, which is intended to result in the identification of a combination of recommended actions (a Watershed Management Plan) that is to be undertaken by various partners and stakeholders in order to achieve local, tribal, regional, and national water resources management goals.

With the funds provided by Congress for FY 2006, the Corps established watershed study criteria and invited study proposals from Corps districts. The criteria included contributing to the goals of state/regional/tribal organizations, aligning with and building on relationships with state, tribal, local governments; focus on integrated problem solving that goes beyond water resources; multiple partners and integration with or support of the regulatory function. Five studies were approved under these criteria and are underway at this time. Recent interim progress reports on the studies showed a variety of creative approaches involving a multitude of non-federal entities. Recurrent themes through the five studies are the value of the studies in engaging a wide array of local and regional stakeholders in a collaborative problem-solving process and the importance of comprehensive and accessible data.

One example of these pilot watershed studies is the Western States Watershed Study, being conducted in partnership with the Western States Water Council, which represents 17 states. This study is bringing the Corps' regional water resources planning capability to bear to help implement some of the recommendations contained in the Water Needs and Strategies for a Sustainable Future report released by the Western Governor's Association in June 2006. The Corps, working in close collaboration with others, is focusing on the following specific topics that are important to the sustainable future of the western states: basic water data collection; drought, climate change and natural hazards; watershed tools and collaborative planning; policy and programs; Federal infrastructure needs; and available Federal resources and collaboration initiatives. The Western States Watershed Study is scheduled to be completed in May 2008.

The Army, the Corps and the other Federal and non-federal participants are optimistic about the potential of the approach used in the five pilot watershed studies and strongly support actions to broaden, leverage and strengthen this collaborative mode of planning. At the present time, the Civil Works program lacks authority to conduct additional watershed studies modeled after the pilot studies.

CIVIL WORKS STRATEGIC PLANNING

The FY 2009 budget is the final budget to be based upon the FY 2005-2009 Civil Works Strategic Plan. The Civil Works Strategic Plan guides the direction for the Civil Works program by integrating five primary Strategic Plan goals supported by specific strategic objectives identifying key focus areas for each goal. The Army's budget recommendations are based on the goals of the Civil Works Strategic Plan. These five goals are:

1. Provide sustainable development and integrated management of the Nation's water resources.
2. Repair past environmental degradation and prevent further environmental losses.
3. Ensure that projects perform to meet authorized purposes and evolving conditions.
4. Reduce vulnerabilities and losses to the Nation and Army from natural and manmade disasters, including terrorism.
5. Be a world-class public engineering organization.

Actions for Change

A significant accomplishment in ensuring that the Corps is a world class public engineering organization was the establishment by the Chief of Engineers of the "Actions for Change". The Corps embarked on an ambitious program for quickly incorporating the lessons learned from Hurricanes Katrina and Rita into "Actions for Change", a major change initiative to transform planning, design, construction, and operation and maintenance principles and decision-making processes. Key elements of the program are changes that will enhance the way the Corps uses risk to guide decision making and ensures that all stakeholders understand the risks associated with projects. Increased focus on life safety and a systems approach are also key elements of the program. All of the Actions are interrelated and are being integrated into program execution, as well as integrated into overarching Corps strategic planning. The Actions for Change are discussed in more detail with links to the Civil Works Strategic Plan in Enclosure A.

Accomplishments Under the FY 2005 – 2009 Strategic Plan

The Army is proud of the Corps accomplishments in FY 2007 and plans under the President's Budget for FY 2008 that advance the five Strategic Plan goals. Enclosure B provides further information on FY 2007 and FY 2008 accomplishments.

FY 2010-2014 Strategic Plan

The new Civil Works strategic plan for FY 2010 through FY 2014, currently under development, will maintain the existing five primary Civil Works Strategic Plan goals, build upon the success of the current strategic objectives, and increase the focus on the performance measurement and performance outcomes. The current schedule is to complete the final draft of the FY 2010 - FY 2014 strategic plan mid-FY 2008 and submit it to OMB for review and clearance well before developing the budget for FY 2010. This schedule is intended to both provide OMB ample opportunity to comment on the new strategic plan and provide the Corps with time to complete stakeholder coordination and formulate the FY 2010 budget based on the new strategic plan.

BUDGETING FOR PERFORMANCE

The Army's Civil Works budget recommendations reflect a measured, careful approach to addressing the recapitalization of infrastructure and integrated systems approach to watersheds and basin planning that guides the nation's water resource investments and other management options related to floods, storms, navigation, hydropower and other purposes. The recommendations build in three increments from the ceiling level of \$ 4.79 billion to the recommended level of \$5.6 billion. Performance information is provided for the ceiling level and for each increment up to and including the recommended level. The results expected from each funding increment are detailed in Table 2.

The Army's budget recommendations reflect the following priorities:

- Expansion of ongoing initiatives related to dam and levee safety and risk management
- Increased use of Harbor Maintenance Trust Fund resources for justified harbor maintenance, consistent with the recommendation of the Committee on the Marine Transportation System
- Embarking on a ten-year program to restore reliability and efficiency at Corps hydroelectric power facilities to industry standards
- Demonstrating a commitment to collaborative watershed planning and management, including steps toward a new multi-agency national water assessment.

The Army Civil Works program has eight business programs and nine appropriations accounts. The Army follows a performance-based budget development procedure that is outlined in enclosure C, including proposed FY 2009 guidelines for construction and pre-construction engineering and design found at enclosure D. We would like to work with OMB to revise the construction guidelines to make them more simple and straightforward, to ensure that ongoing and new projects compete on a level playing field, to capitalize on the Corps expertise in complex hydrology, and to ensure that projects that can be completed in FY 2009 are budgeted for completion in order to bring their benefits online and remove the projects from the backlog of uncompleted work.

Highlights follow of the Army's recommendations for investigations, construction, operations and maintenance, and for each business program, as well as for Corps executive direction and management and Army policy direction and oversight. Enclosures E through O provide more detailed discussions of the business programs. The programs of the Mississippi River and Tributaries account are distributed among the investigations, construction and operation and maintenance programs, as appropriate.

Investigations Program

The Army recommends \$141 million for FY 2009 funding for the Investigations account. The program is based on an evaluation across business lines for the highest performing studies and pre-construction engineering and design (PED) activities. Studies were selected for budgeting based on their potential contributions, including people protected, tonnage moved, significance and quantities of the acreage restored, and the overall application of the watershed planning concepts that would be applied in carrying out the studies and producing the outputs. PEDs were evaluated for budgeting along the same lines as construction projects.

As discussed above, the Army would like to continue discussions leading to a new National Water Assessment or other multi-agency water resources planning initiative, although at this time no specific funding is identified for these purposes in the Army's FY 2009 recommendations. The Army also would support initiation of new watershed studies, along with authorizing language.

Planning Assistance to States. As an integral element of the transition to the integrated systems budget for improved priorities recommended by NAPA, the Army's budget proposal includes funding the Planning Assistance to States Program at the full authorized program amount of \$10 million. In executing this program, we intend to give priority to requests that support development and implementation of State water resources plans. This program is a major contributor to responsible water resource planning by the States.

Flood Plain Management Services. As an integral element of the transition to a more robust flood risk management process, the Army recommends funding the Flood Plain Management Services Program at \$12 million, a more robust level than has previously been requested. In executing this program, priority will be given to requests for assistance that reflect urgent need.

Construction Program

The Army recommends \$1.697 billion for construction across business programs. A total of 83 construction projects would be funded in the construction account, including two very small new start projects (one of which is critical deficiency correction) and 81 ongoing projects. The Army recommendation would also enable completion of 15 projects. However, even at the recommended level, the Construction program is severely constrained. Few projects other than dam safety, seepage, and static instability corrections were funded at efficient levels that would lead to timely completion. Critical maintenance requirements precluded the allocation of additional resources to Construction at the recommended funding level.

Enclosure D presents the Army's proposal for guidelines on the allocation of construction funding.

Operation and Maintenance

The Army recommends \$2.923 billion for operation, maintenance, repair, and rehabilitation for the navigation, flood control, hydropower, environmental stewardship and restoration, and recreation programs and for components of the water supply and emergency management programs. This recommendation provides for an 18 percent increase in regular operation and maintenance over the level in the FY 2008 Budget, including increased appropriations from the Harbor Maintenance Trust Fund (see Navigation below). Base levels for the operation and maintenance program were established for all business lines based on 75% of the last five years' President's budget amounts, and increments above the base were developed for the first time by comparing individual packages to reductions in risk and increases in reliability.

The Army recommendation builds upon the progress made in the FY 2008 budget, which included a 9 percent increase in maintenance spending over the FY 2007 budget. These increases are called for by the need to increase maintenance of aging infrastructure to maintain its stability and functionality.

The development of the FY 2009 budget represents another step toward regional system budgeting. Regional system and/or watershed budget development will help to ensure that inter-related projects are maintained on a consistent basis. It also offers an opportunity to better account for unique regional characteristics. One example of budgeting for an O&M system is the Missouri River System, which is managed as such and addresses multiple water resources missions of flood risk reduction, navigation, recreation, and mitigation to address a Biological Opinion. The

system involves multiple up-river reservoirs impounding water that provides flood damage reduction, recreation, and limited water supply, while managing releases of water downstream to provide for navigation and to facilitate biological mitigation.

Flood Risk Management

The Army recommends \$1.607 billion for the Flood Risk Management program. At the recommended funding level, the Corps would complete 12 feasibilities and PEDs addressing risk conditions with a population at risk of over 8 million. Seven Construction projects are scheduled for "last year" funding, which would realize approximately \$109 million in average annual benefits and significantly reduce flood risk to a population of approximately 1.3 million.

The purpose of the Flood Risk Management Initiative is to integrate and synchronize the ongoing, diverse flood risk management projects, programs and authorities of the Corps and the counterpart projects, programs and authorities of FEMA, including the FEMA's Map/Mod program, other Federal agencies, state organizations, and regional and local agencies. Among other things, this initiative implements PART recommendations

The primary metrics for project development are the population at risk in the flood plain and the average annual benefits of the project or proposed project. For construction, the risk index and benefit-to-cost ratio are considered. For operation and maintenance, one performance metric that accounts for actual floods is the historic flood damages prevented.

The ceiling level includes \$1.3 billion for this program. At the ceiling level, similar investigations and construction results would be achieved. The increase from the ceiling to the recommended level is primarily in Operations and Maintenance, with the emphasis on addressing critical maintenance, major rehabilitation, and major maintenance projects. Above-ceiling operations activities meeting the Corps definition of "critical" are foregone.

Dam and Levee Safety and Risk Management. Beginning in 2005, the Army embarked on a multi-year process of integrating risk informed management concepts into all aspects of infrastructure management. Elements of the initiative include stepped up efforts to ensure dam safety and control seepage, continued aggressive assessment and remediation of levee deficiencies, improved coordination with other agencies, restructured decision processes, and a study assessing floodplain management at Corps projects.

The Corps is aggressively pursuing risk reduction measures for a variety of dam safety, seepage, and static instability problems, and is starting a robust levee safety program that mirrors the dam safety program. In the dam safety, seepage and static instability correction program, three years of screening-level risk assessments have been performed, with 202 dams (or 33% of the inventory) having been screened.

During fiscal year 2008, another 202 dams will be screened, and the remaining 206 dams will be screened during FY 2009. Five cadres of experts have been trained in uniform assessment methods, and assessments have been accomplished to identify the highest risks to loss-of-life and economic productivity. All the screened projects have been grouped into five Dam Safety Action Classifications (DSAC) based on combination of risk and reliability.

The scope of dam safety, seepage, and static instability problems at Corps dams is greater than heretofore was understood. Forty nine projects have been identified in the top two Action Classifications and are being expedited. The Army's FY 2009 recommendations include a substantial increase in funding for this program. The projects in the top two classifications have an unacceptable combination of risk and reliability and are being expedited through the study process and, where remediation is appropriate, into design and construction. Out of the 202 dams screened to date, 11 dams have been rated DSAC I (Urgent and Compelling (Unsafe)) and 38 dams have been rated DSAC II (Urgent (Potentially Unsafe)). In the interim, substantial risk reduction measures, such as reservoir restrictions, increased surveillance, and additional public awareness, are being implemented at the 11 DSAC I projects and 28 of DSAC II projects. Interim measures can be implemented at the remaining 10 DSAC II projects with full funding at the recommended level. In addition, the planned studies of the 10 DSAC II dams identified in FY 2007 may have to be postponed if the dam safety program is funded at less than the recommended level.

The levee safety initiative is based on the concepts that levees will be (1) safe and reliable, (2) managed in a partnership of shared responsibilities, and (3) assessed in a comprehensive and continuing program, and their risks will be effectively communicated to all stakeholders, decision-makers, and communities. Through collaboration and a systematic approach, in FY 2006 the Corps began a levee inventory and assessment program, using the lessons learned and ongoing research in risk assessment from the Corps dam safety program. The levee safety initiative recognizes that levees and dams pose very different challenges, not only in the size of the portfolios, but also in the social, political, and ownership responsibilities.

The Corps is working to develop methodologies in assessment of dams and levees that will enable comparative evaluation, between the two major infrastructure portfolios of dams and levees, on a common basis of risk and reliability. In addition a new policy on levee certification has been developed and implemented that is comprehensive, systems based, and integrated with risk assessments.

Navigation

The goal of the navigation program is to provide safe and reliable service where justified. The Army recommends \$2.2 billion for navigation for FY 2009. Of the total, \$1.1 billion is for coastal channels and harbors, of which \$860 million is reimbursable from the Harbor Maintenance Trust Fund. The navigation total also includes \$1 billion

for inland waterway projects, of which \$162 million would be derived from the Inland Waterways Trust Fund; and \$98 million in navigation-related remaining items.

Coastal Channels and Harbors. To address urgent coastal navigation requirements and set a path for the future, the FY 2009 recommendations focus on providing funding for the projects that move the high volumes of commercial cargo. While the Corps seeks to maintain an effective and efficient Marine Transportation System within the 1100 authorized and constructed navigation projects, coastal navigation channel maintenance emphasizes the highest performing navigation projects with a goal of providing authorized depths for half channel width over the project length 95% of the year by FY 2013. Recent performance was 38% of the time in 2005 and 35% of the time in 2006. The FY 2009 budget provides the first year's increment of this channel improvement effort.

The recommended funding of \$860 million from the Harbor Maintenance Trust Fund is will enable significant progress toward the goal of the Army and the CMTS that, over the next five years, dredging should be increased to ensure that on average half of the authorized channel width at the Corps high-use coastal navigation projects is available 95% of the time. At this funding level, performance also would be improved at selected additional high performing projects.

Status of the Harbor Maintenance Trust Fund. The balance in the Harbor Maintenance Trust Fund is over \$3.5 billion and annual revenues are on the order of \$1.2 billion per year, providing ample resources for justified harbor maintenance. The Harbor Maintenance Trust Fund is financed by harbor users, who pay the harbor maintenance tax in the expectation that the funds in fact will be used for harbor maintenance. Accordingly, the Army's position is that the proceeds should be used for any and all justified harbor maintenance work. In addition, dredged material placement facilities at operating projects, dredging of contaminated materials adjacent to Federal channels, and mitigation of the effects of navigation projects on adjacent shores are all authorized to be funded from the Harbor Maintenance Trust Fund, and should be carried out where justified. This position is reflected in the Army's budget recommendation of \$860 million be derived from the Harbor Maintenance Trust Fund for FY 2009.

Inland Waterways. To address urgent inland navigation requirements and set a path for the future, the FY 2009 recommendations focus on providing funding for the projects that move high volumes of cargo. The Corps seeks to provide effective and efficient maintenance within the 27 authorized and constructed river systems, and system reliability for navigation locks and channels is a priority. The performance measure for lock reliability is unscheduled closures. The measure was redefined to focus on mechanical breakdowns with FY 2001 - 2004 averaging 12,000 hours of closures, 27,000 hours in 2005 and 22,000 hours in 2006. The goal is to reduce the unscheduled closure hours to 12,000 hours by 2013. A Corps wide maintenance prioritization effort was used in for the FY 2009 budget development process that will focus funding on the greatest risk areas. The Army also proposes funding to analyze

safety at its locks and dams in order to reduce accidents, damage to facilities, and unscheduled lock closures.

The FY 2009 recommendations include \$311 million for continued construction of inland waterway projects and \$56 for ongoing major rehabilitation projects. The recommendations for inland navigation construction are based on enactment of the Administration's legislative proposal to replace the existing inland waterway fuel tax with a new lockage user fee on barges, to increase revenues to the IWTF and to focus on funding national priority construction projects; rehabilitation of existing locks and dams, including corrections for dam safety, seepage, and static instability; and other ongoing projects with high volumes of cargo.

Status of the Inland Waterways Trust Fund (IWTF). Half of the cost of inland waterways construction and rehabilitation is derived from the IWTF. For ongoing construction and rehabilitation of inland waterway projects, the Army's recommendations are constrained by the amount anticipated to be available in the Inland Waterways Trust Fund. FY 2009 funding from the Inland Waterways Trust Fund assumes legislative relief to allow construction and major rehabilitation projects currently underway to continue in a constrained manner. Funding levels in FY 2009 and the future likely will be constrained for the projects that qualify for funding. The Army's budget will maintain a positive balance in the trust fund throughout FY 2009. Management processes have been developed to assure obligations are made after sufficient amounts are deposited into the treasury account.

Securing the Future of Low Commercial Use Navigation Projects. In today's constrained funding environments, the Federal budget has not been able to provide for the regular maintenance of low commercial use and recreational harbors and waterway segments. Close attention is needed to changing agricultural patterns in response to the President's increased emphasis on renewable energy sources, due to the effect these changes have on commercial cargo at small harbors. Many small harbors and waterway segments are critical to local economies and to recreational navigation. The Corps can play an important role in identifying options and encouraging non-federal public and private entities to contribute to, and perhaps take over responsibility for, the maintenance of these projects. At the recommended level of funding, the Army includes \$1.5 million to begin a two-year study to identify options and engage stakeholders on the future of these navigation projects.

Hydropower

The Army's recommended program for hydropower is \$415 million for FY 2009. At the recommended level, a national infrastructure modernization/ optimization initiative will be launched in 2009 to contribute to the President's goal of increased reliance on renewable, domestic sources of energy. The recommended funding will enable the Corps to make significant progress toward the performance goals in the hydropower PART. The initiative will restore efficiency and reliability to the Corps hydropower program. This initiative will establish a long-term programmatic approach

to hydropower major rehabilitation and modernization and will optimize hydropower use of water resources in combination with other authorized purposes at Corps projects. The objectives are to streamline the major rehabilitation study process, improve contracting performance, shorten the time to complete projects, optimize hydropower use of water resources, and realize significant cost savings in fully funded costs. This program will continue into the future with the implementation of a strategic asset management plan. The asset management plan will use the condition assessment tool HydroAMP across the program to assess the condition of all 350 power generating assets and peripheral equipment. The ongoing initiative to actively benchmark operating costs at all 75 hydropower facilities with industry performance will continue in FY 2009 and will be a key indicator of cost performance and sustainability with similar hydropower plants.

The criteria used to determine the priorities for funding at the recommended level include restoring de-rated capacity, public/worker safety, improving asset condition/life cycle, and providing power marketing administration and customer support. The criteria were developed to impact key performance measures of system and regional forced outage rates and peak unit availability. At the recommended level, performance improvements in forced outages would be as much as 1.2 percent and peak availability would improve as much as 2.5 to 3.0 percent. Additionally, system reliability would be significantly improved due to replacing aged equipment and efficiency gains. The recommended level of funding would reverse declining performance trends, accelerate completion of a major rehabilitation project, significantly reduce maintenance backlogs, restore a level of system reliability, and improve overall hydropower asset condition.

At the ceiling funding level of \$331 million, a substantial portion of which is the allocation of joint project operating costs, only routine operations and maintenance would be accomplished to avoid plant closures. At the ceiling level of funding, the maintenance backlog would not be reduced and there would be no improvement in performance, no reduction in forced outage rates, and no improvement in peak unit availability.

Aquatic Ecosystem Restoration

Army recommends \$382 million for the Aquatic Ecosystem Restoration program. Priority was given to items in the previous budget, completions and efforts with national priority and significant restoration outputs. The recommended program provides capability level funding or \$250 million for authorized Everglades Restoration work, which would substantially advance CERP planning and design, Modified Water Deliveries and all on-going construction projects. It also includes optimal funding of \$19 million for the Coastal Louisiana study and the Science and Technology program and \$25 million for Upper Mississippi River Restoration program. The recommended level of funding would fund 6 project completions, including two Upper Mississippi River Restoration projects, the Davis Pond, Louisiana project, and the Seminole Big Cypress project in the Everglades. These projects would restore approximately

305,000 acres, 95% of which are considered nationally significant. Nine new reconnaissance studies and 3 new PEDs would be funded that would provide high priority outputs and are expected to result in budgetable projects.

The Ceiling program of \$274 million provides \$39 million for studies and PED activities. The ceiling level still includes optimal funding of \$19 million for Louisiana Coastal. Funds would complete twenty-three studies and one PED. Increased emphasis has been placed on comprehensive watershed studies including two new starts within the ceiling. The construction request of \$223 million (including remaining items) would provide for constrained funding of \$161 million for Everglades and \$15 million for Upper Mississippi River Restoration. The environmental continuing authorities programs would be funded at an austere \$17 million. Optimal funding would be provided to continue construction work on the Chicago Sanitary and Ship Canal Barriers, as well as initiate a feasibility study to more comprehensively evaluate the threat of invasive species on the Great Lakes. Because of the importance the Army places on the contributions the Corps planning process can bring to the nation, the ceiling level of funding continues to include some new reconnaissance studies and PEDs. Funding for cost-shared operation and maintenance of two Everglades projects is included in the amount of \$800,000.

Regulatory Program

The Army recommends \$242 million for FY 2009. Over 90% of the annual Regulatory budget is utilized by the 38 Corps districts for salaries, training, travel and other program requirements such as IM/IT and Office of Counsel support. With this funding, the Regulatory Program would attain "Level 2" performance, which would include an increase in all eight performance metrics (reduced processing times for individual and general permits and increased permit compliance). The FY 2008 President's budget of \$180 million includes \$20 million, which was intended to provide money for additional FTEs to improve program performance metrics; but will instead be utilized for additional FTEs to deal with the Carabell/Rapanos Supreme Court decision additional documentation requirements.

The program has already instituted a number of actions to improve program efficiency such as issuance of more than 250 state programmatic and regional general permits to streamline coordination with states or other Federal agencies (such as Tennessee Valley Authority and the National Park Service) and installation of a new national database, including a GIS component, to track program performance in terms of processing times, site visits, aquatic resources acres impacted and mitigated and mitigation compliance. In addition, we are looking strategically at ways to evaluate permit applications in a watershed context to determine appropriate mitigation sites and identify cumulative impacts, including in the database activities such as Civil Works projects, Environmental Protection Agency (EPA)/state permitted non-point source discharges, Natural Resources Conservation Service (NRCS) wetland restoration projects, and Corps ecosystem restoration projects. This requires an increase in the funding of watershed plans and Special Area Management Plans

(SAMP) and working with other agencies such as state agencies, EPA, Fish and Wildlife Service and NRCS to share data and increase the coordination between the agencies to address issues such as poor water quality aquatic resources (e.g., 303(d) list streams) and endangered species recovery plans at the national and district levels.

The Ceiling level program is \$207 million for this program will provide additional FTEs to deal with Carabell/Rapanos documentation requirements and FTEs to reduce permit processing times and increase program compliance. At the ceiling level, the Regulatory Program would maintain a lower level of performance in all eight metrics and be unable to fund any new initiatives such as watershed plans and SAMPs. No new strategic initiatives can be started which would help the program strategically address national issues such as cumulative impacts and better mitigation site selection.

Recreation

The Army recommends \$296 million for the Recreation program. At this recommended level, \$269 million will be provide heath and safety services. This amount will reduce the level of "acceptable" service to 49 percent of visitors. (An estimated \$290 million is needed to meet the standard 75 percent acceptable service.) The Recreation program is formulated to cost-effectively provide "acceptable" health and safety service to 75 percent of visitors. This is the same standard that was used to prepare the Army's FY 2006, FY 2007 and FY 2008 recommendations. The REC-BEST program for measuring performance and allocating funds has been refined to improve performance measurement and advance standardization of service levels across the Nation.

Capability at this level includes hiring 250 additional temporary park rangers during peak season to increase public contacts, provide increased water safety programs and increased patrols in beach areas and Corps operated parks; and funds National Recreation Reservation Service (NRRS) Contract Services for Corps participation in the consolidated federal reservation service Recreation.gov. The additional \$27 million is for safety initiatives, remaining items work and joint cost activities.

The Ceiling level program includes \$275 million for this program. At the ceiling level, "acceptable" service is achieved to only 47 percent of visitors, and increased water safety initiatives and participation in Recreation.gov would be foregone.

As called for in the PART, legislation to obtain additional fees is supported. Should legislation be enacted, the additional resources could be used for modernization activities. The authorities of the recreation program were inadvertently modified by enactment of the Federal Lands Recreation Enhancement Act. Below, under the heading of legislative proposals, is a discussion of the impact of this law on the Corps recreation program and the Army's recommendations to address the

impacts of that Act and to adopt a new approach to the Administration's repeated, but unsuccessful, efforts to establish new recreation user fees for the Corps.

Environmental Stewardship

The Army recommends \$98 million for the Environmental Stewardship Program. At the recommended funding level, the priority program outputs include meeting the minimum requirements of legislative and environmental mandates, and the maintenance of natural resources toward the outcome of healthy and sustainable conditions. In direct support of these outputs, completion of basic natural resources inventories and master plans are also necessary for effective and efficient resource management. Each of these program outputs is essential in achieving the strategic goal to ensure that projects perform to meet authorized purposes and evolving conditions. In accordance with these priorities, the recommended funding will provide 100 percent of costs to meet minimum mitigation compliance requirements, will allow 100 percent of applicable projects to meet minimum endangered species protection requirements, and will allow 83 percent of applicable projects to carry out the minimum cultural resources management mandates. With the Army's recommended funding, maintenance of natural resources would be continued such that 27 percent of resource acreage would be classified as healthy and sustainable, thus maintaining the results from the prior year. Natural resources inventories will be completed on an additional 4 percent of acreage and an additional 0.5 percent of master plans will be completed. Management of resources would be improved through additional natural resources inventorying and master planning, as called for in the PART, and national program management and support activities.

The Ceiling level program includes \$95 million for this program. At the ceiling level, outputs as described for the recommended level would be achieved, but would forego 16 percent of projects meeting cultural resources management mandates.

Formerly Utilized Sites Remedial Action Program (FUSRAP)

The Army recommended FUSRAP funding level for FY 2009 is \$143 million. This funding amount will allow the program to continue clean-up activities at those sites already conducting remediation actions and studies. These funds would be used to complete two remedial investigations and one Record of Decision. There will be remedies in place at two operable units at two sites. Approximately 165,000 cubic yards of contaminated material will be excavated and disposed. Five properties will be returned to beneficial use.

Work plans in FY 2009 and out-years will be developed by balancing the following priorities: health & safety issues (evaluation and management of site risk), legal requirements, political issues, and program goal of closing out sites. Three initiatives have been developed to increase efficiency: coordination with other agencies on disposal contracts, risk-informed waste management, and stakeholder buy-in on program goals. All performance is based on accelerated clean-up using the

current favorable disposal contracts. These contracts will expire in FY 2009 and disposal costs are expected to increase significantly.

Currently, the Corps is on track to meet or exceed four of five scheduled program measure targets in FY 2007. In FY 2008, clean-up work will be completed at one operable unit at the Colonie Interim Storage site. Significant soil volumes (approximately 50% more than the estimated volume) have been discovered at the Painesville site. Therefore, funds will be used to excavate the newly discovered soil volumes at this site. Also, Records of Decision are scheduled to be completed for operable units at the Harshaw and Linde sites. Approximately 150,000 cubic yards of contaminated material will be excavated and disposed.

The Ceiling level program includes \$130 million for this program. At the ceiling level, only 120,000 cubic yards of contaminated material would be excavated and 3 properties returned to beneficial use, but only four of eight scheduled OMB PART performance measure targets would be achieved.

Water Supply

The Army recommends \$6.4 million for the water supply program in the Operations and Maintenance budget. At this recommended funding level, sufficient funds would be available to meet the legal responsibilities for the operation and maintenance of the project facilities needed for water supply, the development and renegotiations of water supply agreements and the billing and collection of payments from our existing water supply agreements. The funding would also permit the completion of the National Water Supply Portfolio Assessment initiated in FY 2008 (a highlight of the program), the continuation of two high priority national studies, as well as fund the water supply portion of the joint costs and the ESA BiOPs. With this funding our project performance is expected to increase by placing additional storage under contract and returning additional revenues to the U.S. Treasury. The National Assessment is a program highlight as this portfolio of projects will identify high probable reallocation opportunities that return revenues to the U.S. Treasury while ensuring Corps reservoirs perform to meet the existing and evolving water resource needs of the Nation.

The Ceiling level program includes \$6.1 million in the Operations and Maintenance Budget for this program. At the ceiling level, all of the objectives of the recommended level would be achieved except the proportional share of the water supply joint cost would be reduced by \$0.3 million.

Emergency Management

The Army recommends \$57 million for the Emergency Management program. At the recommended funding level, the Flood Control and Coastal Emergencies (FCCE) preparedness program under PL 84-99 and the National Response Plan would meet baseline preparedness requirements. The dollars requested will ensure

that Corps responders are prepared and equipped to deal with disaster situations and are not inadvertently put in harms way during disaster events. The recommended funding level represents baseline readiness or preparedness only and does not include funds response and recovery costs; activities such as emergency operations during flood and hurricane seasons; repairs to flood damage reduction and hurricane shore protection projects damaged by floods or storms; drought assistance; advance measures activities; or response to earthquakes. At the recommended level, the levee assessments and development of the inventory tool would be continued. The National Emergency Preparedness Program (NEPP) will provide for enhanced catastrophic disaster planning and exercises for disasters of national consequence and minimal continuity of operations planning.

The Corps Emergency Management program attains and maintains a high, consistent state of preparedness; provides a rapid, effective, efficient all hazards response; and promotes effective and efficient long-term recovery. Disaster preparedness and response capabilities are not limited to water-related disasters; it also encompasses a broad range of natural disasters and national emergencies which draw on the engineering skills and management capabilities of the organization. Readiness to respond to disasters and emergency incidents is critical to national security. This preparedness addresses rapid and effective response to all hazards both natural and manmade, to protect lives and property, reduce damages from floods and coastal storms, and provide reliable and safe drinking water during droughts and when supplies are contaminated and facilitate rapid economic recovery after disasters.

The ceiling level program is also \$57 million for the Emergency Management program.

Executive Direction and Management

The Army recommends \$188 million for the Executive Direction & Management (ED&M) Program. At the recommended funding level, the staffing level would increase from 865 to 920 Full-Time Equivalent (FTE). The increase would be a total of 55 FTE by the end of FY 2009. The recommended funding level would assist in the compliance with the Executive Order to fully staff Asset Management and strengthen the Business Line Management.

The existing name of the appropriations account, Expenses, is not descriptive of its purpose and has a negative connotation. We propose to change the name of the appropriations account to Executive Direction & Management (ED&M). We have transformed the management of ED&M, reviewing all positions annually to insure we have focused our staffing in the highest, most urgent needs. This allows the Corps to manage change as new or revised missions mature, be more responsive to the public and the nation by reducing the backlog and processing time for water project review and review of Project Cooperation Agreements. One of the Corps objectives for the coming fiscal year is to be more efficient and effective in our project timelines, expand

stakeholder coordination at the regional and national levels, and improve cooperative agreements with sponsors.

The recommended funding level would benefit in the development of Communities of Practice (CoP) and improve national management of the Career Program 18 for engineers and scientists. The Career Program 18 supports the CW Strategic Plan goal 5.1. The Corps is responsible for managing Department of Army's (DA) CP-18 Career Program. The recommended funding level would provide increase training to retain, maintain and improve technical competence, which is one of the CW Strategic Plan goals, to be a world-class technical leader.

The recommended funding will strengthen the ED&M component of the "Actions for Change". It will improve Business Line Management for the Navigation, Ecosystem Restoration, Hydropower, Dam and Levee Safety programs to improve timeliness and accuracy in response to OMB and Congress. It will provide adequate management of the regulatory program to implement the Supreme Court decision on wetlands, facilitate the requirement of all wetland regulations and improve program consistency nationwide. Additionally, it will Improve Quality Assurance (QA) and review.

The recommended funding will improve USACE planning capabilities through the development and update of planning guidance and training. This is in support of the CW Strategic Plan goals. Additionally, the recommended funding provides \$1.7 million for enhanced quality management and provides critical planning assistance and oversight to ongoing Katrina/New Orleans reconstruction efforts, including extensive multi-year efforts aimed at improving the Gulf region.

The Ceiling level program includes \$178 million for ED&M program. At the ceiling level there would be a decrease from 865 to 850 FTE. This decrease would be a total of 15 FTE by the end of FY 2009. This level of funding would maintain roughly the same level of service, as last fiscal year, at a slightly lower level in areas negatively impacted by staffing reductions.

Policy Direction and Oversight

Based on close consultation with the Assistant Secretary of the Army (Financial Management and Comptroller), the Army recommends that funding for the Office of the Assistant Secretary of the Army (Civil Works) be budgeted and appropriated through defense appropriations to the "Operation and Maintenance, Army" account, rather than through energy and water development appropriations as in recent years of funding. The Assistant Secretary for Civil Works is an integral part of Army Secretariat and a senior advisor to the President, not only on the Army Civil Works program, but also on Army-wide matters, on Corps of Engineers domestic and international Support for Others, and on the Army Cemeterial Expenses program that

provides funding for Arlington National Cemetery and the Soldiers' and Airmen's Home National Cemetery. Consistent with this position, the Army's recommendation for energy and water development appropriations do not include funding for the Office of the Assistant Secretary (Civil Works).

ADDITIONAL FY 2009 INFORMATION

Legislation Supporting the Budget

Federal Lands Recreation Enhancement Act. The Army recommends that the Administration propose legislation to include the Corps in the Federal Lands Recreation Enhancement Act (FLREA). Under FLREA, the Corps would share the same authorities to enhance recreation visitor services with the Forest Service, National Park Service, Bureau of Land Management, U.S. Fish and Wildlife Service, and the Bureau of Reclamation. These authorities would allow the Corps to (1) use the same recreation fee structure as the other Federal land management agencies; (2) retain fee receipts to repair and maintain deteriorating facilities; and (3) participate in the America the Beautiful Federal Interagency Pass program. Because the Corps is not included in FLREA, there is confusion over differing Federal recreation fees, recreation facilities are deteriorating and the Corps cannot sell, distribute, or honor discount passes for recreation services. Pending legislation to create a new Veterans Pass under FLREA would exclude veterans from using such a pass at Army Corps of Engineers facilities. This would be a significant disservice for American veterans. Recreation fee retention would return \$43 million annually to Corps recreation facilities. Including the Corps in FLREA would align the Corps recreation program with those of the other Federal agencies, provide seamless customer service and strengthen the ability of the Corps to meet the recreational needs of the American public.

Shoreline Use Fees. The Army proposes that the Corps study and evaluate the shoreline use fee structure for permits issued for private, exclusive use boat docks on Corps reservoirs. The purpose of the study would be to examine the potential to increase shoreline use fees as revenue offset to the retention of recreation fees, if the FLREA legislative proposal is enacted. There are 68,000 boat docks on Corps lakes, for which the basic fee is \$35.00 for a five-year permit. The government receives nominal revenues from these permits, while private permit holders gain significant property value as a result of the permitted dock (in some cases tens of thousands of dollars). The study would evaluate alternative fee structures to recognize large differences in shoreline conditions and values of the docks. Shoreline fees are established by regulation and any changes would go through the regulatory approval process with full public review and comment.

Inland Waterways Trust Fund Proposed User Fee Legislation. The Army recommends that the Administration propose legislation to address the declining balance in the Inland Waterways Trust Fund (IWTF), as announced in the FY 2008 Budget. The purpose of the legislation is to create an alternative funding source for the IWTF in the form of a user fee imposed on commercial barges passing through a lock on the inland and intracoastal waterways of the U.S. This legislation would phase out the existing fuel tax imposed on vessels engaged in commercial transportation on the inland waterway system by Calendar Year 2010 and would more accurately reflect

the principle of the user paying for the use of those services that directly benefit the user. The lockage user fee proposed would be phased in, beginning in Calendar Year 2008, while the existing fuel tax would be phased out. The legislation would provide for a "floating fee" or "variable rate" beginning in Calendar Year 2011, in recognition of the fact that the proposed fee structure might result in either a significant increase in the revenues available in the IWTF or in a significant shortfall. The proposed legislation is in support of the President's budget for FY 2008 and is designed to address the critical problem that will face the Nation beginning in Calendar Year 2009. At that time, it is anticipated that the IWTF will be completely depleted resulting in work stoppages on critical lock replacements and infrastructure seepage and stability corrections. These navigation locks are critical to the Nation's ability to move essential commodities such as coal, grain and raw materials for industry. The FY 2009 recommendations are based on enactment of the Administration's legislative proposal for a new lockage user fee on barges.

Judgment Fund

As we did in FY 2007 and 2008, the Army would propose in FY 2009 testimony to reprogram funds carried over into FY 2009 that would be surplus to the applicable projects in order to repay the Judgment Fund. However, it should be noted that the Senate Appropriations Committee Report for FY 2007 has provided direction not to do so FY 2008.

Estimating Assumptions

The Army's estimates assume enactment of the amounts in the President's FY 2008 budget. If there is a Conference report on FY 2008 energy and water development appropriations, the allocations could be significantly different from the allocations proposed in the FY 2008 budget, which in turn could significantly affect the estimates for FY 2009. In addition, should a Water Resources Development Act (WRDA) be enacted, a number of unauthorized projects that are consistent with the policies and priorities of the President would become eligible for funding. Upon enactment of FY 2008 energy and water development appropriations or a WRDA, but no later than soon after passback, the Army will prepare revised estimates for work proposed for funding.

Contracts

All contracts under \$15 million awarded in FY 2007 will be lump sum contracts, and this threshold will be increased in stages over time. For larger contracts, base-plus-options contracts or incrementally funded contracts are preferred. These assumptions reflect a de-emphasis on continuing contracts.

Account Structure

The types of work funded in the Operation and Maintenance account mirror the proposals in the FY 2007 and 2008 budgets. Rehabilitations, work to comply with Biological Opinions under the Endangered Species Act (ESA) at operating projects, projects that beneficially use material from maintenance dredging, and projects to mitigate the littoral effects of Federal navigation projects are funded in the Operation and Maintenance account. The Army, the Corps, and OMB staff should discuss how these proposals might be modified once there is a Conference Report on FY 2008 appropriations. These discussions should be concluded on a collaborative basis before passback, to ensure the timely production of budget materials.

Tables

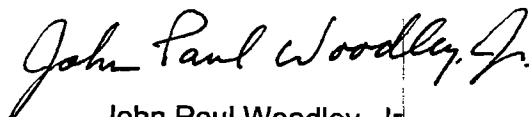
Table 1 displays the distribution of the initial funding, ceiling funding and the Army's recommended program among business programs and accounts. Table 2 provides a priority ranking for the FY 2009 investment increments above the "initial" funding level.

Table 3 displays the sources of funding for the Army's recommendations. The sources of funding include not only general revenues, but also user fees, non-Federal cost sharing contributions of cash, and user taxes through the Inland Waterways Trust Fund and the Harbor Maintenance Trust Fund.

Approximately 82 percent of the Army's recommended budget for Civil Works would be derived from general revenues of the Treasury. The other 18 percent would be derived from various user fees and cash contributions from non-Federal project sponsors, who also contribute lands, easements and rights-of-way for project construction, and in some cases accept responsibility for operation and maintenance of completed projects.

Thank you for your consideration of the Army's recommendations for the FY 2009 budget for the Civil Works program. I would be pleased to discuss them with you at your convenience.

Very truly yours,

A handwritten signature in cursive script that reads "John Paul Woodley, Jr.".

John Paul Woodley, Jr.
Assistant Secretary of the Army
(Civil Works)

Enclosures

List of Tables and Enclosures

Tables:

1. Army's Initial Funding, Ceiling Funding and Recommended Program by Business Program and Account
2. Investment Increments Comprising Initial Funding, Ceiling Level Funding, and Army Recommended Program
3. Sources of Funding for Recommended FY 2009 Program

Enclosures:

- A. Corps of Engineers Actions for Change
- B. Civil Works Strategic Goal and Strategic Objectives Accomplishments for FY 2007
- C. Performance-Based Budget Process for Army Civil Works
- D. Recommended Funding Guidelines for PED and Construction
- E. Flood Risk Management
- F. Navigation
- G. Hydropower
- H. Environment: Aquatic Ecosystem Restoration
- I. Regulatory Program
- J. Recreation
- K. Environmental Stewardship
- L. FUSRAP
- M. Water Supply
- N. Emergency Management
- O. Executive Management and Direction
- P. Outline of FY 2009 Budget Materials for Congress

Table 1
Army Initial Funding, Ceiling Funding and Recommended Program by Business Program and Account

Business Line	09 Initial	Ceiling	Recommended Increment 1	Recommended Increment 2	Army Recommended Program
Flood Risk Management	964	1312	1457	1524	1607
Investigations	6	16	19	19	20
Construction	343	566	671	671	671
O&M	374	442	475	505	554
MR&T Investigations	3	4	4	4	4
MR&T Construction	39	52	52	52	52
MR&T O&M	87	120	122	154	154
Remaining Items					
Investigations	26	26	27	33	33
Construction	49	49	49	49	72
CAP	5	5	5	5	10
O&M	32	32	32	32	37
Hydropower	221	331	371	400	415
Investigations	0	0	0	0	0
Construction	33	42	58	65	71
O&M	179	280	304	326	335
Remaining Items					
Investigations	0	0	0	0	0
Construction	4	4	4	4	4
O&M	5	5	5	5	5
Navigation	1299	1927	2049	2120	2193
Investigations	2	17	20	20	20
Construction	320	440	452	452	494
O&M	849	1335	1440	1510	1539
MR&T Investigations		0	0	0	0
MR&T Construction	10	10	10	10	10
MR&T O&M	25	32	32	32	32
Remaining Items					
Investigations	11	11	12	13	14
Construction	22	22	22	22	22
CAP	8	8	8	8	8
O&M	53	53	53	53	54
Environment	276	499	561	602	623
AER	71	274	336	374	382
Investigations	19	39	42	42	42
Construction	12	195	253	290	298
O&M	1	1	1	1	1
Remaining Items					
Investigations	10	10	11	12	12
Construction	12	11	11	11	11
CAP	16	17	17	17	17
O&M	1	1	1	1	1
STEWARDSHIP (O&M)	75	95	95	98	98
FUSRAP	130	130	130	130	143
Regulatory	180	207	227	242	242
Recreation	201	275	280	296	296
Emergency	45	57	57	57	57
	3				
Water Supply		6	6	6	6
Expenses	177	178	180	184	188
Total	3367	4792	5188	5431	5626

TABLE 2 INVESTMENT INCREMENTS COMPRISING INITIAL FUNDING, CEILING LEVEL FUNDING AND ARMY- RECOMMENDED PROGRAM										
	FRM	NAV	HP	AER	STU	REC	WS	OTH	TOT	
INITIAL FUNDING INCREMENTS										
Study and design phases continuing from FY 2008 budget. NTE FY 2008 amount for each	9	2	0	19	0	0	0	0	0	29
Investigations-related remaining items. NTE FY 2008 amount for each	26	11	0	10	0	0	0	0	0	47
Earnings on previously awarded continuing construction contracts, plus E&D and S&A associated with those contracts, for specifically authorized projects in the FY 2008 budget	96	244	33	12	0	0	0	0	0	384
Capability funding level for Projects with DSAC = 1 or 2 (ongoing) and additional funding for dam safety assurance and seepage control projects (FRM)	282	86	0	0	0	0	0	0	0	368
Court decree, treaty, and mitigation-during-construction requirements that must be met in FY 2009	5	0	0	0	0	0	0	0	0	5
Construction-related remaining items NTE FY 2008 amount for each	54	22	4	28	0	0	0	0	0	108
Critical rehabilitation work (formerly in Construction account)	0	13	0	0	0	0	0	0	0	13
Capability funding level for ESA BiOp requirements at operating projects that must be met in FY 2009 to avoid jeopardy	75	31	0	0	0	0	0	0	0	106
Authorized replacement of sand lost from shorelines due to Federal navigation O&M (NAV)	0	4	0	0	0	0	0	0	0	4
Projects to use beneficially use dredged material from operating projects	0	9	0	0	0	0	0	0	0	9
Critical operation, maintenance, and repair work including project security (Incr 1 & 2) & Joint Cost	385	816	179	1	72	0	0	3	0	1457
O&M remaining items NTE FY 2008 amount for each	32	61	5	1	3	0	0	0	0	102
Recreation operations to provide visitor health and safety services at acceptable levels to 36 percent of Continue remedial work and studies ongoing in FY 2008 (FUSRAP)	0	0	0	0	0	201	0	0	0	201
Preparedness – FCCE (EM)	0	0	0	0	0	0	0	0	0	130
Preparedness – NEPP (EM)	0	0	0	0	0	0	0	0	0	40
"Level 1" performance (REG)	0	0	0	0	0	0	0	0	0	5
FY 2008 level of service at FY 2009 price levels (ED&M)	0	0	0	0	0	0	0	0	0	180
	0	0	0	0	0	0	0	0	0	177
INITIAL FUNDING LEVEL	964	1299	221	71	75	201	0	3	0	3367
ADDITIONAL, WITHIN-CEILING FUNDING INCREMENTS										
Additional funding for highest performing studies and PEDs	11	15	0	20	0	0	0	0	0	46
Additional funding for National Priority projects	10	88	0	176	0	0	0	0	0	274
Additional funding to continue construction on all ongoing FY 08 Budgeted projects	198	30	4	2	0	0	0	0	0	234
Funding for special case construction	27	2	5	4	0	0	0	0	0	38
Critical rehabilitation work (formerly in Construction account)	16	10	0	0	0	0	0	0	0	25

	FRM	NAV	HP	AER	STU	REC	WS	OTH	TOT
ESA BiOp requirements at operating projects that must be met in FY 2009 to avoid jeopardy Projects (and remaining item) to beneficially use dredged material from operating projects	0	0	0	0	0	0	0	2	0
Critical operation, maintenance, and repair work including project security (Incr 1,2 & 3) & Joint Cost	86	480	101	0	20	0	0	0	0
O&M Remaining Items	0	0	0	0	0	1	0	0	0
Recreation operations to provide visitor health and safety services at acceptable levels to 49 percent of visitation	0	0	0	0	0	0	59	0	0
Remaining items for protection of administration facilities and program evaluation and support (Recreation) & Joint Cost	0	0	0	0	0	0	15	0	0
"Level 1" performance (REG)	0	0	0	0	0	0	0	0	27
Full FCEE Preparedness/ NEPP Account (EM)	0	0	0	0	0	0	0	0	2
Levee Inventory & Assessment (EM)	0	0	0	0	0	0	0	0	10
Maintain service, contracting and decrease staffing (ED&M)	0	0	0	0	0	0	0	0	1
TOTAL - ADDITIONAL WITHIN-CEILING INCREMENTS	348	628	110	202	20	74	3	40	1425
CEILING FUNDING LEVEL	1312	1927	331	273	95	275	6	572	4792
FIRST ADDED, RECOMMENDED FUNDING INCREMENTS (R1)									
Additional funding for very high performing studies and PEDs including New Starts	3	4	0	3	0	0	0	0	10
Investigations Remaining Items	0	1	0	1	0	0	0	0	2
Additional funding for justified hydropower replacement projects (HP)	0	0	21	0	0	0	0	0	21
Additional construction funding for other, very highest performing projects	104	12	0	54	0	0	0	0	67
Critical rehabilitation work (formerly in Construction account)	0	18	0	0	0	0	0	0	109
Authorized replacement of sand lost from shorelines due to Federal navigation O&M (NAV)	0	2	0	0	0	0	0	0	18
Critical operation, maintenance, and repair work including project security (Incr 3) & Joint Cost	36	86	19	0	0	0	0	0	141
Funding for National Recreation Reservation Service (NRRS) contract services payments (Recreation)	0	0	0	0	0	5	0	0	5
Level "1 plus" Performance Regulatory	0	0	0	0	0	0	0	0	0
Maintain service and contracting (ED&M)	0	0	0	0	0	0	0	0	2
TOTAL - RECOMMENDED 1	145	122	40	62	0	5	0	22	396
CUMULATIVE FUNDING LEVEL	1457	2049	371	335	95	280	6	594	5188

	FRM	NAV	HP	AER	STU	REC	WS	OTH	TOT
SECOND ADDED, RECOMMENDED FUNDING INCREMENTS (R2)									
Investigations Remaining Items									
Additional funding for justified hydropower replacement projects (HP)	6	1	0	1	0	0	0	0	8
Additional funding for National Priority projects	0	0	7	0	0	0	0	0	7
Critical rehabilitation work (formerly in Construction account)	0	0	0	37	0	0	0	0	37
Critical operation, maintenance, and repair work including project security (Incr 3) & Joint Cost	62	59	22	0	0	3	0	0	145
Recreation operations to provide visitor health and safety services at acceptable levels to 49 percent of visitation	0	0	0	0	0	0	9	0	9
Funds hiring 250 additional temporary park rangers during peak season to increase public contacts, providing increased water safety programs and increased patrols in beach areas and Corps operated parks	0	0	0	0	0	0	5	0	5
Remaining Items for protection of administration facilities and program evaluation and support (Recreation) & Joint Cost	0	0	0	0	0	0	2	0	2
Level "2" Performance Regulatory	0	0	0	0	0	0	0	0	15
Maintain service and contracting and increase staff (ED&M)	0	0	0	0	0	0	0	0	4
TOTAL - RECOMMENDED 2	68	70	29	38	3	16	0	19	243
CUMULATIVE FUNDING LEVEL	1524	2120	400	373	98	297	6	613	5431

	FRM	NAV	HP	AER	STU	REC	WS	OTH	TOT
THIRD ADDED, RECOMMENDED FUNDING INCREMENTS (R3)									
Additional funding for all other studies and PEDs in FY 2008 budget or that would have met FY 2008 selection criteria	0	0	0	0	0	0	0	1	0
Investigations Remaining Items	3	1	0	0	0	0	0	0	3
Additional funding for High Performing Projects	0	42	0	0	0	0	0	0	42
Construction Remaining Items	28	0	0	0	0	0	0	0	28
Additional funding for National Priority projects	0	0	0	5	0	0	0	0	5
Additional funding for hydropower maintenance and rehabilitation (HP)	0	0	6	0	0	0	0	0	6
Critical rehabilitation work (formerly in Construction account)	0	5	0	0	0	0	0	0	5
Projects to beneficially use dredged material from operating projects	0	1	0	0	0	0	0	0	1
Additional operation, maintenance, and repair work including project security (Incr 3) & Joint Cost	48	25	9	0	0	0	0	0	82
O&M Remaining Items	5	0	0	0	0	0	0	0	5
Accelerate SLAPS VP and SLDA (FUSRAP)	0	0	0	0	0	0	0	0	13
Additional improvements to service and contracting (ED&M)	0	0	0	0	0	0	0	0	4
TOTAL -- RECOMMENDED - 3	84	74	15	5	0	0	0	1	196
TOTAL CUMULATIVE FUNDING LEVEL	1608	2193	415	378	98	297	7	630	5626

	FRM	NAV	HP	AER	STU	REC	WS	OTH	TOT
OPTIMAL FUNDING INCREMENTS									
Additional funding for all additional PEDs meeting Army proposed construction guidelines and for other, high-performing studies	49	25	0	10	0	0	0	1	85
Additional funding for Investigations remaining items	34	10	0	0	0	0	0	0	44
Additional funding for all additional specifically authorized projects meeting Army-proposed construction guidelines	512	358	0	20	0	0	0	0	890
Additional funding for High Performing Projects	0	76	0	0	0	0	0	0	76
Additional funding for National Priority projects	0	0	0	5	0	0	0	0	5
Additional funding for Construction remaining items	53	0	0	0	0	0	0	0	53
Rehabilitation work to meet performance targets (formerly in Construction account)	0	28	0	0	0	0	0	0	28
Authorized replacement of sand lost from shorelines due to Federal navigation O&M (NAV)	0	12	0	0	0	0	0	0	12
Projects (and remaining item) to beneficially use dredged material from operating projects	0	4	0	0	0	0	0	0	4
Operation, maintenance, and repair work to meet performance targets including project security (Incr 3) & Joint Cost	236	1103	0	0	45	0	0	0	1384
O&M Remaining Items	15	15	0	0	0	0	0	0	30
Recreation operations to provide visitor health and safety services at acceptable levels to 75 percent of visitation; hires additional 150 temporary park rangers to increase water safety initiatives; critical maintenance at 43 top performing projects that serve 23 million visits; accessibility improvements to bring 17 top performing projects into legal compliance that serve 8 million visits; and recreation area/facility modernization initiatives at 36 top performing projects that serve 23 million visits (Recreation)	0	0	0	0	0	49	0	0	49
Recreation operations to provide visitor health and safety services at acceptable levels to 100 percent of visitation; executes backlog maintenance at 81 top performing projects that serve 49 million visits to avoid further degradation and eventual closure of recreation infrastructure (Recreation)	0	0	0	0	0	79	0	0	79
Remaining items for protection of administration facilities and program evaluation and support (Recreation) & Joint Cost	0	0	0	0	0	1	0	0	1
Accelerate remediation and studies; complete program by 2016 (FUSRAP)	0	0	0	0	0	0	0	17	17
Initial Increment for response and recovery and rehab/ additional preparedness (EIM)	0	0	0	0	0	0	0	29	29
Additional NEPP planning and exercises	0	0	0	0	0	0	0	1	1
TOTAL - OPTIMAL	898	1631	0	35	45	129	1	47	2787
TOTAL CUMULATIVE FUNDING LEVEL	2506	3825	415	413	143	426	8	677	8413

TABLE3
SOURCES OF FUNDING FOR RECOMMENDED FY 2009 PROGRAM (\$B)

General Fund	\$4.604
Harbor Maintenance Trust Fund	\$0.860
Inland Waterways Trust Fund	\$0.162
TOTAL	\$5.626

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**Army Corps of Engineers – Civil Works
FY09 Budget Passback**

Passback presents OMB's policy and funding recommendations by appropriation account and by program area. It also discusses management issues, the appeals process, Congressional justification materials, and the press book. In general, FY09 non-defense, non-homeland security discretionary spending is being reduced; the Budget would focus the available funding on the highest performing projects and programs. The FY09 recommendations for the Army Corps of Engineers civil works program (Corps) reflect a review of the Army budget request, discussions with Army and Corps staff, progress and status of efforts under the President's Management Agenda, PART reviews, and other pertinent information.

FY09 Funding (\$ in millions)	
	<u>Budget Authority</u>
Net discretionary program	\$4,657

Summary of Funding Recommendations by Account	
Construction	1,321
Operation and Maintenance	2,475
Mississippi River and Tributaries	240
Flood Control and Coastal Emergencies	40
Investigations	90
Regulatory Program	180
Expenses	175
Formerly Utilized Sites Remedial Action Program	130
Office of the Assistant Secretary of the Army (Civil Works)	6

The FY09 Budget would highlight the following proposals:

- **Maintaining key infrastructure:** The Budget provides a continued high level of funding for operation and maintenance with an emphasis on the proper maintenance of key infrastructure.
- **Completing the highest-return projects first:** The Budget again focuses resources on those ongoing construction projects with the highest net economic and environmental returns to the Nation in order to realize their economic and environmental benefits sooner.

Issues by Account

Construction

Passback provides \$1,321 million in discretionary budget authority for the construction account and would allocate these funds using the same performance guidelines proposed in the FY08

Budget. A copy of these guidelines is attached in Appendix A. For projects ranked primarily on the basis of their economic return, the Corps would continue to calculate the benefit-to-cost ratio (BCR) based on the data in the last officially released feasibility-level report, using a seven percent discount rate.

The Corps should first allocate sufficient funds to meet the minimum requirements of the construction program performance guidelines. It should allocate any remaining funds to the national priority projects and those projects with the greatest net returns to the Nation. As part of its December 10th submission, Army should identify separately: (1) how it proposes to allocate funds to meet the minimum requirements of the guidelines; and (2) how it would allocate any remaining funds.

- By December 10th, please submit a proposed funding allocation for the construction program consistent with the proposed FY09 Budget performance guidelines. Please also submit pertinent ongoing investment information of capital assets as outlined in Circular A-11, Exhibit 300.

Cost estimates: For the purpose of developing project allocations under the guidelines and for determining how much it can efficiently and effectively spend during the fiscal year, the Corps should exclude: (1) any work that requires further authorization (unless the Budget proposes such an authorization); (2) any work for which the Administration has not approved the final feasibility report; and (3) any amounts needed to repay the judgment fund.

New starts and resumptions: Passback does not include funding for any new starts or resumptions. However, the performance guidelines would continue to state that such projects must be ranked within the top 20 percent of the ongoing construction projects in the Budget in their program area to be eligible for a start or resumption of construction.

National priorities: The Budget will again highlight the six projects that the Administration has previously identified as national priorities: Sims Bayou (TX), New York/New Jersey Harbor (NY, NJ), Olmsted Locks and Dam (IL, KY), Oakland Harbor (CA), Upper Mississippi River System Environmental Management Program (IL, IA, MN, MO, WI) and Everglades/South Florida Ecosystem Restoration (FL). The Budget will include the funds needed to complete the Oakland Harbor project.

Dam Safety: The Corps methodology for establishing priorities to address potential dam safety concerns is based on risk to human life and property and the probability of a dam's failure. Since 2000, the Corps has begun or completed work to modify 25 dams under its dam safety authorities using funds from its construction program. The Corps estimates that these repairs will cost a total of \$1.9 billion, including \$300 million that it has spent to date. OMB currently does not review these Corps projects for consistency with the policy and programs of the President, but does review comparable projects undertaken by the Bureau of Reclamation.

Many similarities exist between the Corps and Bureau of Reclamation dam safety programs. In an effort to help ensure appropriate consistency between the Corps and the Reclamation programs, OMB plans to host an interagency working group with representatives from both

agencies. This group will consider the procedures and guidelines under which dam modifications should be ranked and reviewed. OMB will follow-up with a proposed agenda and timetable for the interagency working group in the near future.

Non-structural approaches to flood damage reduction: The benefit-cost ratio for flood damage reduction projects that rely primarily on non-structural measures, or involve significant funding for such measures, does not reflect environmental benefits that might accrue from such projects. We invite your suggestions to ensure that the Budget does not place these projects at a disadvantage compared to structural flood damage reduction projects.

- By December 10th, please provide a list of any such projects that the Administration has supported in a prior Budget.

Suspension Fund: Passback does not include funding to cover the cost of terminating or completing ongoing contracts for projects that would be considered for deferral.

Reimbursements: For projects constructed by local interests on a reimbursable basis, the Corps should establish funding priorities based on the performance guidelines in the same manner as it would if the Corps were constructing the project. In determining the amount needed to pay estimated contractor earnings or other relevant ranking factors for these projects, the Corps should consider only the work for which the Federal share first becomes payable in FY09 and exclude any prior-year amounts that may still be payable.

Cost Authorization Ceilings: Please provide a list of all projects under construction for which the Corps has reason to believe that the cost may exceed the authorized cost ceiling by more than 20 percent.

- By December 10th, please provide this list to OMB.

Construction Backlog: Please provide the following information for the construction program (including comparable work funded in the MR&T program) using the October 2007 price level: (1) the costs at the beginning of FY07 to complete all work authorized for construction; (2) any changes during FY07 due to new authorizations, changes to existing authorizations, or other factors; (3) the amount that Congress made available in FY07 for this work; (4) the balance of work remaining as of the end of FY07; (5) the carryover appropriated funds available for such work at the beginning of FY08; (6) the additional costs needed, as of the beginning of FY08, to complete this work; and (7) any further changes due to new authorizations, changes to existing authorizations, or other factors prior to or resulting from enactment of the FY08 appropriation.

The backlog estimates should reflect the cost of completing work in real dollars using the October 2007 price level, so that the Corps can track how and why the backlog is changing over time and provide a basis for an analysis of policy options. Please also indicate how much of this backlog is attributable to the cost of completing projects that are actively under construction, and how much of this work is for the projects supported in the FY09 Budget.

- By January 4th, please provide these data using the October 2007 price level.

Operation and Maintenance

Passback provides \$2,475 million in discretionary budget authority for the operation and maintenance account. This is a high level of funding relative to the overall budget for the Corps (moving from 51 percent of total Corps funding in the FY08 Budget to 53 percent in FY09) and reflects the continuing importance that the Administration places on properly maintaining key infrastructure, including rehabilitation where appropriate.

Passback does not include a specific allocation of O&M funding for commercial navigation, flood and storm damage reduction, hydropower, or aquatic ecosystem restoration, although it does pass back specific levels for some of the activities within several program areas.

Within the O&M totals, Army should allocate funds to achieve the greatest economic return and other performance to the Nation. OMB also recommends that Army allocate certain funds to specific activities (more information provided in the discussions by program area). For example:

- Endangered Species Act compliance on projects owned or operated by the Corps;
 - NEPP component of the Emergency Management program; and
 - the ongoing Levee Inventory.
- By December 17th, please provide OMB with a proposed allocation of the available funding for the O&M account by program area, consistent with these and other Passback recommendations.

As the Corps has recommended, the Budget would again propose that the Congress appropriate operation and maintenance funding on a regional basis. However, the Corps should request operation funding for each region separately from maintenance funding. Also, the congressional justification materials should indicate the actual budget authority provided for each project for FY06, FY07, and FY08 after accounting for reprogramming, and show the operation and maintenance components separately by fiscal year.

Harbor Maintenance Trust Fund: The Corps should allocate funding to the activities financed through the Harbor Maintenance Trust fund (HMTF) on the same basis as other O&M funding. Passback notes that the Corps has not demonstrated on an economic basis that the requested increase for these particular activities would be the best use of available funds. The Corps should continue to conduct a quantitative and economic analysis of the HMTF to establish a performance-based assessment of HMTF priorities.

Mississippi River and Tributaries

Passback provides \$240 million in discretionary budget authority for the Mississippi River and Tributaries account. The Corps should allocate funding to MR&T investigations, construction, and O&M activities on the same basis as in the rest of the civil works program. Within Passback totals, the Corps may recommend a higher or lower level of funding for this account if needed to ensure that comparable projects in the Budget are being treated equally.

The Corps should improve its risk-based strategy for completing construction of the main stem features of the lower Mississippi River and the Atchafalaya River. The revised strategy should focus on completing this work in larger, more useful segments to reduce overall damage and loss of life if a major flood – that exceeds the protection levels that the Corps now expects to achieve by that time – were to occur before the Corps is able to complete all of the remaining work.

The Corps should allocate sufficient funds to properly maintain the Old River control structure, including the work that it recommended in its ceiling program plus Bands R1 and R2 of its request to OMB. For the maintenance of the other main stem features, the Corps should allocate not less than it recommended in its ceiling request to OMB.

Flood Control and Coastal Emergencies

Passback provides \$40 million in discretionary budget authority for the readiness component of the Flood Control and Coastal Emergencies account, the same as in the FY08 Budget. This funding level should allow the Corps to sustain the funding needed for preparation and training activities associated with its role in responding to national emergencies. No funds are included for emergency response or recovery efforts.

Investigations

Passback provides \$90 million in discretionary budget authority for the Investigations account. Within this amount, the Corps should allocate to Planning Assistance to States and to Flood Plain Management Services not less than it recommended in its ceiling program plus Band R1 of its request to OMB.

Within the total for the Investigations account, Passback includes a total of \$20 million for the Louisiana Coastal Area (LCA) wetlands restoration effort and the LCA science program.

Passback includes \$2 million for the Army Corps to contract with the National Academies to study the vulnerability of the United States to damage from flooding, including an assessment of the comparative risks faced by different regions of the United States. The report would also evaluate the effectiveness, efficiency, and accountability of existing Federal, state, and local programs, including flood insurance, land use planning, and emergency response and recovery programs. The study would provide background to support a subsequent effort by policy officials under section 2032(b) of WRDA 2007 to develop recommendations to improve existing Federal program authorities and roles. OMB will provide further guidance on this study in the future.

The Corps should allocate sufficient funding in this account to comply with the independent peer review requirements of Section 2034 of WRDA 2007.

For purposes of allocating funding to studies and preconstruction engineering and design, the Corps should only fund those projects that are most likely to qualify for a construction start under the high standard in the performance guidelines. This includes taking the new start rule

into consideration, under which only the top 20 percent of projects within each program area are eligible to be considered for initial construction funding.

- By December 10th, please provide a proposed allocation of funding to OMB for all activities in this account, including a project-by-project list of studies and preconstruction engineering and design work, and for the investigations portion of the Mississippi River and Tributaries program.

Regulatory Program

Passback provides \$180 million in discretionary budget authority for the Corps regulatory program, equal to the amount in the FY08 Budget. The Corps should propose how it would allocate these funds to continue to address the Carabell/Rapanos documentation requirements, make progress in the time for issuing permits, ensure that permit recipients comply with the terms of their permits, improve the extent to which Corps regulations are applied in a consistent manner across the Nation, and achieve other program objectives.

- By December 10th, please explain how the Corps would make the best use of this funding and describe the expected performance for each program objective at this funding level.

Formerly Utilized Sites Remedial Action Program

Passback provides \$130 million in discretionary budget authority for the Formerly Utilized Sites Remedial Action Program (FUSRAP). This amount should allow the Corps to complete work on three projects in FY09.

Expenses

Passback provides \$175 million in discretionary budget authority for the Expenses account, excluding the Office of the Assistant Secretary for Civil Works. This includes \$1.2 million to support the asset management/real property and the e-government initiatives of the President's Management Agenda.

The Corps should continue to finance all independent financial audits of the civil works program through the Revolving Fund.

Passback does not include the \$1.7 million that Army requested in the Expenses account for Katrina recovery management. Instead, the Corps should use unobligated balances in the Flood Control and Coastal Emergencies (FCCE) account to fund these activities.

OMB does not agree to change the name of this account to Executive Direction and Management. Executive direction is primarily the responsibility of the Assistant Secretary of the Army (Civil Works), which the Congress has been funding in a separate account.

Office of the Assistant Secretary of the Army (Civil Works)

Passback provides \$6 million in discretionary budget authority for the Office of the Assistant Secretary of the Army (Civil Works). The Budget would fund this office through its own account in the Energy and Water Development appropriation, as the Congress has done since FY05, rather than in the DOD-Military appropriation.

Issues by Program Area

As shown in the table below, Passback provides broad discretion to the Corps regarding the allocation of funding among programs within the construction, O&M, and investigations accounts. The Corps should allocate this funding within each of these accounts to maximize the overall performance of the civil works program.

The Corps should submit to OMB by December 17th its performance targets for FY09 for each program based on its proposed allocation of FY09 funding. This should serve as the baseline for developing the Corps out-year targets.

Program Areas	Budget Authority (in millions)
Commercial Navigation	-
Flood/Storm Damage Reduction	-
Aquatic Ecosystem Restoration	-
Hydropower	-
Recreation	-
Water Supply	-
Subtotal	4,126
Regulatory	180
FUSRAP	130
Emergency Management	46
Expenses	175
Total	4,657

Commercial Navigation

Inland Navigation: For Ohio River, Upper Mississippi River, and Illinois Waterway maintenance excluding rehabilitation costs, the Corps should allocate not less than it recommended in its ceiling program plus Bands R1 and R2 of its request to OMB.

No funding is provided for design work on the proposed new locks or for work related to the proposed small-scale measures on the Upper Mississippi River or the Illinois Waterway, pending completion and review of the current re-analysis of their economic justification. The Corps should allocate the maximum amount that it can efficiently and effectively spend under the navigation economic technologies program to continue the development of the navigation system

simulation model for inland waterways, including related research. We would like to discuss with the Corps why it believes that continuing to fund work on a global commodity forecasting model would be useful.

The FY09 Budget will propose legislation to authorize an inland waterways user fee and phase out the existing barge diesel fuel tax. The Corps should develop an illustrative five-year investment plan for submission with the FY09 Budget showing how this user fee will enable it to manage ongoing and future inland waterways construction, replacement, expansion, and rehabilitation work responsibly through FY13, while ensuring a positive end-of-year balance of unappropriated funds in the Inland Waterways Trust Fund each year. The five-year plan should assume that the Congress will adopt the Administration's legislative proposal by the end of FY08, and that the Congress will provide each inland waterways project in FY08 with the higher of the amounts specified in the House and Senate Committee reports.

Small Ports and Recreational Harbors: Passback includes funding for the operation and maintenance of small ports, channels and recreational harbors to support significant commercial navigation, commercial or subsistence fishing, or public transportation. In addition, the Corps should explore ways by which "contributions" paid by port and harbor owners over the past several years might be increased. Owners, operators and other stakeholders at 12 Corps ports and harbors have stepped forward to pay their own dredging costs rather than rely on the Federal government to pay for these costs. In light of this, the Corps should also explore how non-federal alternate funding of maintenance costs at ports and harbors might be increased.

- The Corps should send OMB a work plan for this assessment by February 15th.

Flood and Coastal Storm Damage Reduction

Over the past year, the Corps has made good progress in developing performance measures for the flood and storm damage reduction program. Over the coming months, the Corps should continue developing and implementing methods to collect data for these measures.

Flood Risk Management: OMB does not agree to change the name of the flood and storm damage reduction program to the flood risk management program at this time.

Within available funds, the Corps should allocate funding to support a reasonable level of effort for projects needed to address significant risk to human safety, but based on their BCR would otherwise be a low priority. Passback does not agree that the Corps list of projects as included in backup materials to the budget submission represents a sufficiently useful or rigorous application of the "risk to life" standard for project construction. Army should resubmit proposed "risk to life" projects based on an assessment of those projects which would address a risk to human safety that is greater than in most of the projects that would be funded through the regular project selection process. This list should focus on construction projects and General Reevaluation Reports; it should not include reconnaissance studies or the initiation of feasibility studies. If the Corps recommends ongoing feasibility studies for inclusion in this category, then it should propose to fund those studies within the Investigations account and give them priority.

- By December 17th, please submit to OMB a revised “risk to life” list.

The Corps should allocate the maximum that it can efficiently and effectively spend on the American River project for pre-construction engineering and design work to modify Folsom Dam to address flood damage reduction and dam safety issues. The Corps should fund levee work and any other project element that is under or ready for construction at an appropriate level, considering the level of the risk to human health and safety that the project would address.

Storm Damage Reduction: Passback continues the current policy on beach re-nourishment projects. The Budget for the construction program would support only the initial phase of beach construction. The Budget for the O&M program would fund such re-nourishment only to the extent that the addition of sand is needed to mitigate the effects of a Federal navigation project.

Agricultural Flood Protection: In allocating resources for construction that is financed through the MR&T account, the Corps should continue to emphasize activities along the main stem of the lower Mississippi River and in the Atchafalaya River basin that would help to reduce the risk of property damage or loss of life to a large region in the event of a major flood.

National Levee Inventory: Passback supports efforts to continue the national levee inventory, but recommends that it be funded through the O&M account (as opposed to the FCCE account as Army has proposed, or the Investigations account as proposed in the FY08 Budget). The role of this program is to determine the condition of existing (Federal and non-Federal) structures. Therefore, we believe that it is more appropriate to fund it under the O&M program.

- By December 10th, please provide OMB with a proposed FY09 funding level for this activity, as well as FY09 goals, in light of the new authorization in WRDA 2007.

Emergency Management

Passback includes \$46 million for emergency management, including \$6 million in the O&M account for the NEPP.

Aquatic Ecosystem Restoration

We look forward to continuing to work with the Corps to further develop effective performance criteria for the aquatic ecosystem restoration program.

- Pursuant to the performance integration scorecard of the President’s Management Agenda, the Corps and OMB should continue to work on performance measures for the aquatic ecosystem restoration program, to reach agreement by December 30th.

Biological Opinions: Passback includes not less than \$95.7 million for Columbia River fish recovery, not less than \$70 million for work on Missouri River fish and wildlife recovery excluding Intake Dam, and the maximum that the Corps can efficiently and effectively spend to modify Intake Dam in order to assist in the recovery of the endangered pallid sturgeon.

Upper Mississippi River system environmental management program: Passback includes the funding needed to allow baseline environmental data collection and related analysis to proceed at the maximum efficient rate, and to make progress on all ongoing projects.

Chicago Sanitary and Ship Canal Dispersal Barrier: For the Chicago Sanitary and Ship Canal Dispersal Barrier project, the Corps should allocate the maximum that it can efficiently and effectively spend.

Everglades/South Florida ecosystem restoration: Passback includes \$185 million for the Corps for this program. The Corps should continue its current effort to re-examine priorities within the Everglades/South Florida ecosystem restoration program. We would like to work further with the Corps on the funding allocation within this program.

A recent National Academy report has recommended that the Corps should focus on a small number of restoration projects, selected to evaluate the validity of hypotheses regarding the effectiveness of current approaches to the restoration of the Central Everglades (in the water conservation areas and in Everglades National Park). These projects would operate, either alone or in tandem, to achieve direct ecological benefits, and would also enable the Corps to test its hypotheses and reduce uncertainty over time. The Corps would evaluate the success of these projects and incorporate the lessons learned before defining the next phase of the overall restoration effort. The Corps should begin to implement these recommendations as soon as possible, by redirecting FY08 funds away from lower priority efforts where appropriate and not funding such efforts in FY09.

With the remaining funds, the Corps should give priority to: the Kissimmee River restoration effort; seepage control both north and south of Tamiami Trail; and developing a full range of options for improving water flows through the Central Everglades. The Corps should allocate sufficient funding in FY09 to complete the study funded in the FY08 Budget to reevaluate the Federal interest in expanding the geographic scope of the Kissimmee River restoration effort.

The Modified Water Deliveries to Everglades National Park project (Mod Waters), which the Congress authorized in the Everglades National Park Expansion and Protection Act of 1989, is the centerpiece of the current phase of the overall restoration effort. Consistent with the National Academy report recommendations, the Corps would work in stages to deliver more water to improve natural hydrological conditions within the park. It would complete the first stage of this work under the 1989 Mod Waters authority. It would then evaluate the success of these measures and incorporate lessons learned before proceeding with further steps to restore natural hydrological conditions within the park, in partnership with the State under the WRDA 2000 Comprehensive Everglades Restoration Plan (CERP) process.

The Mod Water project is an Administration priority. However, the Corps does not yet know whether it will need FY09 funding to complete Mod Waters. By December 10th, please prepare a detailed briefing paper on the options for completing this project, including the FY08, FY09, and future funding needs of these options. Based on that information and the status of the FY08 request in Congress, the Administration will then decide funding for Mod Waters in the FY09 Budget, within available totals for the Corps and the National Park Service.

Coastal Louisiana: Passback includes a total of \$20 million for efforts under the Louisiana Coastal Area (LCA) restoration program and LCA science program, within the total provided for investigations.

The Budget would again present the request for the LCA science program as a separate line item. Please ensure that the press book identifies this line item properly, i.e., as a science program, rather than a science and technology program. We would like to discuss the purpose of the science program further with the Corps and reach agreement on how much to allocate to this program within the \$20 million total. In our view, the science program should not be responsible for technology development, demonstration projects, modeling, or large-scale studies. Rather, the Corps should undertake these activities with restoration program funds.

In the LCA restoration program, the Budget would give priority to the Mississippi River hydrodynamic study and would propose to expand this study to include the watershed of the Atchafalaya River. The Corps would study the Atchafalaya River basin and pursue related restoration opportunities under the LCA restoration program (not under MR&T) to ensure consistent cost-sharing and adequate consideration of wetlands opportunities and impacts.

We would like to work with the Corps on options for allocating the restoration program funding requested in the FY08 Budget to ensure consistency with the proposed allocation for FY09. No funding is provided for feasibility studies, design work, or construction related to the Mississippi River Gulf Outlet project proposed in the LCA near-term restoration plan.

Atchafalaya River basin floodway system: The Budget should include funding to study the need for further land acquisition to expand this system.

National Estuary Program: Passback includes \$5 million to continue construction work.

Hydropower

OMB appreciates the importance of maintaining hydropower facilities. The Corps should discuss maintenance funding needs with the Southeastern, Southwestern, and Western Area Power Administrations, and should allocate sufficient funding to reduce, over time, the incidence of unscheduled outages at key facilities (defined as those that are likely, if properly maintained, to generate the most valuable power per dollar of cost). The Budget should also fund all joint operation and maintenance costs allocable to hydropower, and should include under maintenance all small capital items that are a necessary element of proper maintenance.

Passback does not include funding to begin construction of additional replacement hydropower projects. Based on the data that the Corps has provided, none of these projects would qualify for a new start in FY09 under the construction performance guidelines.

As the performance impacts for O&M-related hydropower activities are often inseparable from the level of construction funding at the aggregated program level, it is difficult to project the performance impacts of different O&M funding levels.

- By December 17th, please provide OMB with estimated performance impacts of your proposed allocations for hydropower for both the O&M and construction accounts, and a list of your key hydropower facilities.

Recreation

The Budget will re-propose the Corps recreation modernization legislation. The proposal is designed to provide more and better recreation at Corps facilities at less cost to the federal government. In the past, local parties at Lake Lanier, for example, expressed an interest in working together with the Corps to create a better environment for the Corps recreation program there. Corps managers have also expressed an interest in working on these issues with local parties interested in the Corps recreation program.

The Corps should work with local project sponsors in cooperative efforts to create public/private partnerships, tax districts and other new arrangements to facilitate local financing of Corps recreation projects. The Corps should work with OMB over the next year to identify options to promote recreation partnerships, including options for up to two or three demonstration projects, under which it would work with local sponsors with an interest in upgrading Corps recreation facilities in cooperation with the Corps.

Water Supply

Passback for the water supply program includes the \$2 million requested to cover the costs of implementing endangered species-related activities.

- By December 21st, please explain why the allocated portion of these costs is so high, as a percentage of total program funding.

Cross-Cutting Issues

Budget Appeals

In any appeal of this Passback, the Corps must prioritize its request for funding increases, and offset them with proposals for real discretionary budget authority and outlay savings within Passback totals.

- Any appeal must be submitted in writing to OMB by c.o.b. November 29th and signed by the Assistant Secretary of the Army (Civil Works).

Outlay Projections

It is important that the Corps develop net outlay estimates for the Budget that are as accurate as possible, and make timely adjustments to these estimates for Mid-Session Review, in order to limit discrepancies between those estimates and year-end actual outlays. Accordingly, the Corps should work with OMB to develop a more realistic model for estimating the outlays presented in the FY09 Budget and the July 2008 mid-session update.

- The Corps should re-estimate its outlays for FY09-FY18 and submit them to OMB by December 17th, with a clear description of improvements made to the model used to develop these outlay estimates.

Five-Year Development Plan

The Corps should submit to OMB for review and clearance prior to transmittal to Congress a proposed five-year plan for the FY09 Budget. The plan should include two scenarios: (1) a plan based on the out-year funding levels in the FY09 Budget; and (2) a "current services" scenario based on the last congressionally enacted level.

- By December 17th, please submit to OMB an outline of your proposed five-year plan, incorporating lessons learned from the development of the plan for the FY08 Budget.
- By February 15th, please provide to OMB for both scenarios: (1) a proposed breakout of specific allocations by account and by program area, as well as the underlying criteria used to develop those allocations; and (2) the estimated out-year performance impacts by program area.

Continuing Contracts

The Budget would again propose an appropriations act general provision to repeal the Corps continuing contract authority and replace it with multi-year contracting authority similar to the authority of other Federal agencies. We welcome any substantive or technical changes to this proposal that you may want to recommend, building upon the concept that the Administration proposed in the FY08 Budget Appendix.

Principles and Guidelines

The Administration intends to implement section 2031 of WRDA 2007 by convening an interagency working group to review the 1983 Economic and Environmental Principles and Guidelines for Water and Related Land Resources Development Projects, and their implementation by the Corps and other Federal agencies. The Administration will develop the parameters for this review over the coming months, as well as a work plan for addressing technical and policy issues and recommending appropriate changes.

Capital Asset Acquisitions

The Earned Value Management System (EVMS) is a project management tool for capital acquisitions that integrates the scope of work with schedule and cost elements for optimum investment planning and control. The Administration believes EVMS is an effective methodology, which agencies can utilize to improve their acquisition of major capital assets. OMB requests the Corps develop a plan for integrating EVMS into its capital planning and acquisition processes, or if applicable, to conduct an assessment of its current EVMS policy and practices, including a description of how EVMS is being incorporated into the Corps five-year plan.

- The Corps should present OMB with its plan or assessment by February 15th.

Site Security

The Corps should provide OMB with detailed progress report on its site security program on a quarterly basis, starting on December 14th. The information should include the methodology for determining the costs associated with site security operations, and an explanation of how the sites needing security are chosen. The Corps should also update OMB on the status of its long-range security plan by December 14th, including an assessment of program achievements to date as measured against the last such Corps plan.

Compliance with Statutory and Regulatory Requirements

In allocating funds, the Corps should ensure that sufficient funds are available to meet all statutory and regulatory requirements, including compliance with environmental laws.

Savings and Slippage

The Budget would not net out estimated savings and slippage.

Actions for Change

Passback includes the full amount that the Corps requested within each account for the Actions for Change program. The Budget would disaggregate this funding and request it separately for each of the specific studies, projects, or other activities that warrant such funding, as opposed to grouping them together in each account under a single title.

Reimbursement for Mitigation Services

OMB has previously asked the Corps to work with the Fish and Wildlife Service to ensure that it is reimbursing the Service, where appropriate, for the full cost of hatcheries and other mitigation services that the Service provides to address the impacts of civil works projects owned or operated by the Corps. In your funding allocations for FY09, please include the funding needed to fully reimburse the Service for such work.

Judgment Fund

Passback does not include any funds to repay the judgment fund.

Financial Management

To reduce the difference between its initial outlay forecasts in the Budget, the Mid-session review's updated outlays, and year-end actual outlays, the Corps should work with OMB to incorporate performance goals and targets for outlay estimates in its "green plan" for PMA Financial Management. The Corps should provide these goals and targets by January 31st for inclusion in its 2nd quarter scorecard.

Program Assessment Rating Tools (PARTs)

The FY10 PART process will begin shortly after the release of the FY09 Budget. Below is a proposed list of programs to be assessed next year. Please advise OMB by no later than December 17th of any concerns with this list. Once we reach agreement on a program list, the Corps and OMB should work to define program scope, identify performance measures, and develop preliminary answers.

Re-PARTs:

Flood and Coastal Storm Damage Reduction – OMB will evaluate both the Flood Damage Reduction and Coastal Storm Damage Reduction programs in a single re-PART, which may also include the Dam Safety Program. The Corps will need a rating of satisfactory (rather than results not demonstrated) by the 1st quarter of Fiscal Year 2009 to achieve "green" status on its Budget Performance Integration/Performance Improvement Initiative scorecard. In the next several weeks we look forward to continuing discussions as to whether Dam Safety should be included as an element of this re-PART, or treated separately.

Inland Waterways Navigation – This re-PART is ready to proceed, now that the Corps has developed performance measures. Over the coming months, the Corps should focus on collecting data for those measures. As with the flood and coastal storm damage reduction re-PART, the Corps will need a rating of satisfactory (rather than results not demonstrated) by the 1st quarter of Fiscal Year 2009 to achieve "green" status on its Budget Performance Integration/Performance Improvement Initiative scorecard.

Hurricane Katrina Recovery

The Administration will propose an FY08 Emergency Supplemental, in the FY09 Budget, for the Federal share of additional funds needed to complete construction of ongoing work to provide 100-year level of flood and storm damage reduction to identified areas, and reduce rain-induced flooding within the New Orleans levees.

- By no later than December 17th, the Corps should provide its final project-by-project estimates to complete the work needed to meet these objectives, and should draft appropriations language and an accompanying justification narrative.

Guidance for Congressional Justifications and Press Book

For proposals included in the Budget and related backup materials, such as congressional justification materials, press releases, and testimony, the Corps should cite specific, substantive information on performance to support budget recommendations, such as linking levels of performance to the specific resources requested, and identifying the resources requested to address specific performance-related problems and concerns. These citations should provide decision-makers useful explanations about how PART findings, performance data, evaluations, investigations, and audits improve program performance. Non-specific, overly general explanations should not be included.

Press Book:

- The Press Book should include all information that was included in the FY08 Budget Press Book.

Congressional Justification Materials:

- The congressional justification materials for each project should include an estimate of the total project cost and the cost to complete the project in real terms, using the October 2007 price level, and should not include project completion dates. All information included in the FY09 Budget should also be included here, as well as the additional information specified in the O&M section. Please format the justification for each project in a separate Word document.

President's Management Agenda

The Corps should work with OMB to ensure that information relevant to the first quarter scorecard rating, particularly in cases where the Corps is on the verge of a status upgrade, is provided to OMB well before the end of the quarter to allow for adequate consideration. In addition, the Corps should make sure that its write-ups are consistent with the Proud to Be V targets and any additional modifications made since the last quarter to any of the six scorecards.

The Corps should continue to aggressively implement the President's Management Agenda (PMA) in FY08 and FY09. Savings and productivity increases resulting from PMA implementation will allow agencies to produce better results. Budget justifications to Congress should employ meaningful use of performance information to justify funding requests. Agencies should not simply assert that a particular budget decision was made because of its PART rating.

The Corps should notify OMB by December 14, 2007 of any problems that would hinder its progress in implementing the PMA or meeting its Proud to be V targets. This includes any internal disagreements, Congressional opposition, or disagreements with OMB. Progress can only be made where there is cooperation and understanding.

We would like to work with the Corps to help implement Executive Order 13450, "Improving Government Program Performance," which the President signed on November 13, 2007. A copy is available at <http://www.whitehouse.gov/news/releases/2007/11/20071113-9.html>.

Preparation of the President's Budget Volume

OMB would appreciate your help and suggestions in preparing the main *Budget* volume for the FY09 Budget. We will be providing a general subject outline of the Corps chapter. We welcome your comments on the outline as well as suggestions on specific graphics and photos that would make the chapter more informative. As in the past, we also plan to provide a draft of the chapter to the Office of the Assistant Secretary for review. The Budget this year will also include a separate volume highlighting terminations, reductions and reform proposals, similar to the volume published last year.

Health – Pandemic Influenza

The FY 2009 Budget will support the procurement of medical countermeasures and materiel to protect Federal employees with critical professional responsibilities during an influenza pandemic. Funding to procure medical countermeasures and materiel for agency staff with critical roles during an influenza pandemic will be covered within the FY 2009 Budget levels.

The Homeland Security Council is leading a process to determine risk-based categories for FTEs during an influenza pandemic. Guidance documents currently under development by the Department of Health and Human Services and the Department of Labor will include recommendations for risk-based categories of Federal FTEs critical to the operation of the Federal government during an influenza pandemic. These guidance documents should be published for comment within the next several weeks. Agencies should prepare to procure medical countermeasures and materiel for very high-risk, high-risk, and medium-risk FTEs, consistent with the guidance documents currently under development. It is anticipated that many agencies will have few or no FTEs that will meet the criteria as very high-risk, high-risk, or medium-risk FTEs. The Homeland Security Council and the Department of Health and Human Services will lead a process in the coming months to determine how antiviral medicines, masks, and other medical materiel will be procured, stored, and distributed to Federal agencies during a pandemic. Please contact your OMB representative should you have any questions.

Budget Assumptions

A-123

The 24 major CFO agencies are required to perform strengthened procedures to support the assessment of the internal control over financial reporting pursuant to OMB Circular A-123, Management's Responsibility for Internal Control. The Corps, while not one of the 24 major CFO agencies, reports its progress as part of the President's Management through the DOD. A separate management assurance statement on the effectiveness of the internal control over financial reporting will be reported in the FY 08 Performance and Accountability Report. Since the Corps reports through DOD, it should take appropriate steps to support the DOD in implementing the requirements of the A-123 in the most efficient and effective manner. The Corps efforts and information supplied to DOD should be available upon OMB request.

Pay Raise Assumptions

Agencies should assume a 2.9 percent pay raise for FY09 civilian personnel. The actual pay raise proposed in the Budget may differ, but it is not expected to be higher than this level; the pay raise will be absorbed within the overall Passback level of funding.

FTE Levels

- By December 12th, the Corps should provide OMB a table summarizing the FTE levels for the civil works program under the FY07 enacted, the FY08 Budget, FY08 likely enacted and FY09 budget levels of funding.

Please refer to guidance in Circular A-11, section 85, and explain any increases or reductions over the likely FY08 enacted level.

Management Issues

Information Technology

2007 Enacted (BA in Millions)	2008 Pres. Budget	2008 Likely Enacted	2009 Request	2009 Passback
\$488	320	613	392	*392

*This level is an estimate and includes both civil and military amounts. The USACE should revise this based on decisions elsewhere in Passback.

In accordance with OMB Circular A-11, Sections 22.6 and 53.5:

1. Each agency's Exhibit 53 should be updated to reflect the President's decisions, and resubmitted to OMB by not later than COB Friday, December 28th via IT WEB;
2. Exhibit 300 business cases should be updated and revised to reflect final decisions and posted to the agency's public website by no later than two weeks after the President's Budget is transmitted to Congress:
3. Each agency's congressional justification should include a link to where the exhibit 300s are posted on the agency's website; and
4. Each agency's congressional justification should include funding for E-Gov initiatives as provided below as well as the benefits associated with each initiative for the agency.

Agency	Initiative	2008 Agency Contributions (Millions)	2009 Agency Contributions (Millions)	2009 Congressional Request	2009 Passback
U.S Army Corps of Engineers	Recreation one-stop	\$50,000		\$50,000	
	Geospatial LoB	\$74,160		\$57,000	
	Budget Formulation and Execution LoB	\$85,000		\$95,000	
	Corps Total	\$209,160	\$0	\$202,000	\$0

*Service fees are estimates as provided by the E-Gov initiatives.

USACE

* - As AA Section is not completed/submitted for Steady State Investments, PM Evals were used.

UPR	Project Name	TO	OH	MM	PL	PM	AS	PI	SE	PE	EA	WA	FM	EM	FB	TOBI	IG	IS	EM	PM										
202-00-01-02-01-1011-00	Automated Personal Property Management Systems (APPMs)	X					3	4	2	3	4	4	3	4	4	3	4	4	3	4	4	3	6	X	X	X	X			
202-00-01-03-01-1060-00	Real Estate Management Information System (REMIS)	X					5	2	3	3	4	4	3	4	4	4	4	4	4	4	4	4	4	3	6	X	X	X	X	
202-00-01-02-01-1031-00	Operations and Maintenance Business Information Link (OMBIL Plus)	X					4	3	4	3	1	4	3	3	4	4	4	4	4	4	4	4	4	3	3	X	X	X	X	
202-00-02-00-01-1015-00	Consolidated Information Technology Infrastructure/Office Automation/Telecommunications (I/OA/T)	X					3	3	2	3	4	4	3	3	3	4	3	4	3	4	4	4	4	3	3	X	X	X	X	
202-00-01-02-01-1033-00	Project Management Information System II (P2)	X					3	3	4	3	4	4	3	4	4	3	4	2	1	4	4	4	4	2	1	3	X	X	X	X
202-00-01-02-01-1032-00	Resident Management System (RMS)	X					3	2	1	3	4	4	3	2	4	2	4	2	4	2	4	4	4	2	2	28	X	X	X	X
202-00-01-02-01-1012-00	Facilities & Equipment Maintenance System (FEM)	X					3	1	1	2	4	4	1	1	2	1	1	2	1	2	1	2	1	1	2	20	X	X	X	X
202-00-01-02-01-1020-00	ENGLink Interactive	X					3	4	4	3	4	4	3	5	4	4	4	4	4	4	4	4	4	4	3	3	X	X	X	X
202-00-01-01-01-1010-00	Corps of Engineers Financial Management System (CEFMS)	X					3	4	4	3	4	3	3	4	4	4	4	4	4	4	4	4	4	4	4	3	X	X	X	X
202-00-01-02-01-1051-00	Corps Water Management System (CWMS)	X					3	3	3	3	4	4	3	3	4	3	3	4	3	4	4	4	3	3	3	3	X	X	X	X

List of Data Requests

Date	Request
Nov. 29	Budget appeals
Dec. 10	Construction program: allocation by project
Dec. 10	Investigations program: allocation for all items including specific studies and PED work
Dec. 10	Projects exceeding authorization ceiling
Dec. 10	Projects based on non-structural approaches
Dec. 10	Regulatory program: performance impacts
Dec. 10	National levee inventory: updated allocation
Dec. 12	Level of FTEs
Dec. 14	Information Security POA&M milestones
Dec. 14	Site Security Information
Dec 14	Proud to be V Progress Update Due
Dec. 17	Hydropower: performance impacts and list of key facilities
Dec. 17	Proposed O&M funding by program area
Dec. 17	New outlay estimates
Dec. 17	FYDP outline
Dec. 17	Revised risk to life list
Dec. 17	Katrina project estimates
Dec. 21	Water supply: ESA justification
Dec. 28	Update Exhibit 53
Dec. 31	IT Remediation Plan (If on Watch List)
Dec. 31	AER performance metrics
Jan. 4	Construction program backlog
Jan. 31	Financial Management goals
Jan. 31	Information Security cost-benefit analysis
Feb. 15	FYDP break-outs and performance data
Feb. 15	Work plan for low use harbors
Feb. 15	Report on stats of EVMS



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
CIVIL WORKS
108 ARMY PENTAGON
WASHINGTON DC 20310-0108
NOV 29 2007

Honorable Jim Nussle
Director
Office of Management and Budget
Washington, D.C. 20503-0009

Dear Mr. Nussle:

Thank you for the Fiscal Year (FY) 2009 budget passback for the Civil Works program of the Army Corps of Engineers.

This letter has three purposes: 1) to appeal key decisions in the passback; 2) to request additional funding where we believe that the passback has failed to fund important priorities, including a few important new authorities provided by the recent Water Resources Development Act of 2007 (WRDA 07), or provided insufficient funds to carry out the directions in the passback; and 3) to provide clarifying information on the Army's plan for implementing certain aspects of the passback.

The Army urges that additional budget authority of \$255.3 million be provided beyond that in the passback, for a revised total Army Civil Works discretionary budget of \$4.912 billion. The Army makes this request because important priorities have been overlooked or their costs have been underestimated in 6 accounts, as discussed below. Account, Program, and Crosscutting issues are addressed in the order in which they are presented in the passback document.

Appeal of Funding Levels by Account

The Army's appeal for additional includes \$152.2 million for Operations and Maintenance, \$41 for Construction, \$10.2 million for Investigations, \$28.5 million for the Regulatory Program, \$21.4 for Mississippi River and Tributaries, and \$2 million for Executive Direction and Management (Expenses). The paragraphs below by account include both funding appeals and policy appeals.

Construction Account

Passback provides \$1,321,000,000 for Construction. An additional \$41 million is requested on appeal to fund Risk to Life, Treaty and Environmental Mitigation requirements, as well as several high performing projects as detailed in the enclosure. At the passback level, 10 projects could be completed. If funding is provided at the appeal level, and additional 3 projects could be completed if funding were allowed to complete projects that would not otherwise satisfy the Guidelines as stated in the passback. The total additional funds required to complete these 3 additional projects is only \$1,750,000.

The minimum requirements for the Civil Works construction program to carry out OMB guidelines total \$1,235,185,500. The remaining \$86M within passback would be distributed to a National Priority project, NY/NJ Harbor, as dictated in the guidelines. The appeal of \$41 million is for project safety, security, commitments to sponsors, environmental mitigation requirements and performance. This additional funding is imperative to fund ongoing projects that do not meet the guidelines as stated in the passback. The enclosure to this letter provides details on projects affected by the Army's Construction account appeal.

Construction Guidelines. The guidelines are essentially the same as those proposed last year and continue the winnowing down of projects in construction. The Army continues to believe that certain of the guidelines are ill-advised and counterproductive. The Federal Government should be a reliable partner to the non-Federal sponsors who have invested significant resources of their own, including incurring public debt obligations, by continuing to fund previously budgeted projects that are not yet complete. Failure to fund the projects continuing from the FY 2008 budget will create great disruption and contribute further to the perception that the Federal government acts in bad faith in its budget decisions for the Civil Works program.

Two ongoing construction projects will have already awarded continuing contracts at the beginning of FY 2009, but do not meet the stated construction guidelines. The Army appeal includes funding to avoid terminating these two contracts. Funding also is included in the Army appeal to complete 3 projects that otherwise do not satisfy the construction guidelines.

New Starts and Resumptions. As we have stated repeatedly, the Army strongly believes that the guidelines should be modified to eliminate the 20 percent or "death spiral" rule, and thereby provide a "level playing field" that applies identical criteria to previously unfunded projects, resumptions, and continuing projects. Moreover, the Army strongly disagrees that the FY 2008 budget reflected a flat "no new starts" policy as was stated Monday afternoon when we met with OMB staff to receive the FY 2009 passback. Never in the presence of the Army or Corps did OMB state last year that there was a flat policy against new starts. The Army never testified to that effect and the construction guidelines did not say there was a no new starts policy. In fact, the Army repeatedly answered questions to the contrary, stating that for FY 2008 contained no new starts because none satisfied the construction guidelines. For FY 2009, it is critical that new starts be allowed if they meet the guidelines.

Deficiency Correction. The Army's appeal includes \$8 million for the St. Louis flood damage reduction project design deficiency correction as a qualifying project under the life and safety criterion. This investment complies with the guidelines on the basis of combined economic benefit and reduction of risk to life and safety.

It flies in the face of common sense to call a design deficiency correction a "new start." However, regardless of the categorization of the work, the St. Louis Flood Damage Reduction project design deficiency correction needs to be in the FY 2009 budget in order for me to defend the construction program to Congress.

Dam Safety. While the Corps welcomes the proposed working group and will fully participate, the Army Corps of Engineers has responsibility and accountability for Risk Management. There are differences in the authorizations and methodologies that need to be considered as a basis for the working group meetings. Many of the Corps modifications for safety are undertaken as major rehabilitations under the "Chief's Authority to Operate and Maintain the Projects," which is based on the original project authorizations and is the same authority used for major rehabilitation projects for other purposes. Only a portion (less than 50%) of the Corps current dam safety, seepage and static instability correction modification program is pursuant to the Dam Safety Assurance authority provided in Section 1203 of WRDA 86 (P.L. 99-662). Unlike the Bureau of Reclamation's Safety of Dams authority, the Corps dam safety reports are not transmitted to Congress and, therefore, review of reports by OMB is not necessary. The Corps currently is working with the Bureau of Reclamation on risk assessment methodology tools to be used in the preparation of Dam Safety Modification reports. These tools will be tested in studies started in Fiscal Year 2008. Currently all Corps Dam Safety Modifications reports are reviewed at the District and Division level and approved by the Division Dam Safety Officer. The report and approval documentation are reviewed at HQ USACE and at ASA (CW) prior to starting additional design work. All of the reports received an Independent Technical Review prior to approval.

Non-structural Approaches to Flood Damage Reduction. Current Corps regulations that have been in place for several years have supported the formulation of combined NED/NER plans that support the use environmental benefits in combination with economic benefits. This approach strengthens the viability and justifications for non-structural projects. The construction guidelines in Appendix A of the passback acknowledge that projects with both economic and environmental benefits would compete and be considered for funding however there is a BCR threshold of 1.5 and that may place non-structural projects at a disadvantage if viewed only within this context. As directed by WRDA 07, the Army's establishment of principles and guidelines for the Civil Works program will further address non-structural measures.

Operation and Maintenance (O&M) Account

The Army requests an additional \$152.2 million for the O&M account, bringing the total for the account to \$2.641 billion, for mandated unfunded requirements in the passback. This total comprises the following:

Risk and Reliability. Additional O&M funding of \$39 million is needed to achieve the level of maintenance that was formulated to reduce risk and increase reliability to acceptable levels in the Army's September ceiling level allocation for O&M.

Maintenance of Important Inland Waterways. Passback directed that maintenance of the Ohio River, Upper Mississippi River and Illinois Waterway be funded at the level of "R2" in the Army's September recommendations. However, the total O&M passback includes insufficient funding to accomplish this without sacrificing other critical maintenance. The Army requests an additional \$24.3 million to address the OMB's guidance.

Maintenance of Coastal Channels and Harbors. The Army's appeal includes \$58.9 million additional funding for well-justified maintenance of the Nation's high performing commercial harbors. OMB is aware that the Corps is in the first year of a 3-year effort to provide the more specific economic data that OMB seeks in order to document the marginal economic costs associated with failure to reliably maintain the Nation's channels and harbors to depths necessary to efficiently move cargo into and out of commercial coastal harbors. The data OMB seeks is well beyond the detailed economic analysis that justified construction of the channel depths and width or that has ever been required previously to justify project maintenance. OMB also has been made aware that even the Nation's 59 highest volume ports, on average, had full channel depths for even the middle half of the channels only 35% of the time in FY 2006. The Army urges OMB to support maintenance, over and above critical maintenance requirements at harbors with more than 10 million tons of commercial cargo per year, in order to improve the efficiency of navigation at the most important harbors on which the Nation's international commerce heavily depends.

It is disappointing that the passback on the navigation program does not support the accomplishment of the first year increment of the Army's five year goal for improving the performance of channel availability for high volume ports to 95% and will have a resounding affect on assuring the Nation's place in world trade. The balance on the Harbor Maintenance Trust Fund (HMTF) is over \$4 billion and annual revenues are on the order of \$1.2 billion per year, yet current budget policies and funding levels constrain maintenance on many existing channels, adversely impacting the transportation system efficiency. In light of the huge and growing balances in the Harbor Maintenance Trust Fund and the continuing absence of support for a vigorous program of harbor maintenance, I plan to recommend to Congress, in testimony on the FY 2009 budget, that consideration be given to reducing the *ad valorem* tax to a level not in excess of the actual annual spending for channel and harbor maintenance.

National Levee Inventory. The passback directed that the levee inventory program be moved to the O&M account, but failed to provide \$10 million to fund this without eroding important project maintenance supported by the Administration. We request additional funding of \$10 million be provided for the National Levee Inventory. The role of this program is to assess the condition of existing structures, both Federal and non-Federal. The initial funding for the inventory and assessment were provided by 3rd FCCE 2006 supplemental and under existing authorities. Thus far, work has been restricted to Corps program levees (i.e. levees that are operated and maintained by the Corps, levees that were federally authorized and transferred to others for

operation and maintenance, or private levees that the owner has met the requirements to participate in the Corps Rehabilitation and Inspection Program).

National Levee Safety Program. Title IX of WRDA 07 established the National Levee Safety Program, which authorized both inventory and inspection (as opposed to simple assessment) of all levees -- private levees as well as those in the Corps program. The Corps can provide much needed leadership and technical guidance to non-federal authorities responsible for the safety of non-federal levees. Therefore, we request \$20 million additional funding to carry out this important new authority.

Investigations Account

The passback for Investigations is inadequate to carry out the passback guidance. Additional funding of \$10.15 million is needed to fully fund Flood Plain Management Services (+\$2.5 million), Planning Assistance to States (+\$2.5 million), Peer Review as authorized in WRDA 07 (+\$3 million), the study of vulnerability of the United States to damage from flooding, including a comparative assessment of risks faced by different regions of the U.S. (+\$2 million), and support to UNESCO (\$150,000).

Study of Flooding Vulnerability. The Army supports the concept of this study, but cannot justify a sole source contract of \$2 million to the National Academies for this purpose, since numerous large engineering corporations also are capable of carrying out this study. Instead, if sufficient funding is provided, the Army will issue a competitive Request for Proposals from bidders for the study and will specifically invite the National Academies to compete for the contract.

UNESCO. Section 2030 of WRDA 2007 amended the Corps interagency and international support authority (Section 234 WRDA 1996). An additional \$150 thousand is requested for this purpose, beyond the \$50 thousand dollars in the Army's FY 2009 Budget transmittal. These funds will support the Corps technical coordination and management related activities of the U.S. National Commission for UNESCO, and scientific interaction with UNESCO's National University Centers.

The passback for Investigations once again demonstrates through the funding allocation that preparing well researched, documented and justified project reports is not valued. OMB recognizes in meetings and conversations that the Corps should identify the highest priority projects and use integrated systems-based planning within watersheds. This approach is the foundation for future Corps planning. The Corps needs to work collaboratively with states, local governments and other stakeholders to anticipate national and regional water resources needs and conflicts and to establish strategies for addressing them in ways that improve opportunities for economic and environmental well being. Yet the passback provides no opportunity to advance these approaches, since passback funds no new studies and few ongoing studies. However, in recognition of the current fiscal constraints, this appeal for additional funding addresses only the activities covered by the passback guidance, with one minor exception.

Regulatory Program Account

The passback provide only \$180 million, the same level of funding as for FY 2008, to continue to manage one of the most controversial programs within the federal government that annually processes permits with direct construction costs of over \$200 billion. Because the regulatory program is predominantly a labor-based organization, the flat budget will result in an effective decrease in available funding that does not keep up with inflation and cost of living increases. The passback level of funding at \$180 million will result in the lowest level of program performance, make no progress in reducing permit delays, provide no support to increase staff to address the Carabell-Rapanos Supreme Court decision, and restrict our progress in improving consistency across the country.

The Army strongly urges restoration of \$28.5 million in funding for the Regulatory Program, bringing the total to \$208.5 million. This level of funding would support continued progress toward the Regulatory Program's performance goals and limited response to recent Supreme Court decisions. It also would enable implementation of two critical provisions of WRDA 07: \$500 thousand to implement Section 2017, the provision of public access to water resource data; and \$1 million to implement Section 2040, beginning the full transition to electronic submission of permit applications. Implementation of these important provisions will make the Regulatory Program more efficient and responsive to public needs over the long run.

Executive Direction and Management Account

The Army again strongly recommends changing the name of the Expense account to "Executive Direction and Management (ED&M)" and requests an additional \$2 million for the account, bringing the total for the account to \$177 million. The rationale for changing the account name from the meaningless "Expenses" to the accurate description of ED&M is clarified below.

The Army's authorized workforce strength for ED&M is 997 FTE. This strength was determined to be necessary for competent execution of the five functions of the ED&M in the Corps' exhaustive USACE 2012 organization study. The passback amount of \$175 million for the Executive Direction and Management account will support 850 FTE. This funding level continues the slow erosion of the staff necessary to manage the civil works appropriation. In FY 2007 the staffing level was 876 FTE. The staffing level of the FY 2008 budget is 865 FTE. The Army recommends \$2 Million be added for a total of \$177 Million. This funding will insure that the staffing remains at the FY 2008 budget level. This is necessary to implement WRDA 2007 that mandates a number of studies and activities on top of the already complex

management of the civil works program. In addition the supplemental funding for repair and improvement of flood damage reduction systems, has and will increase the workload of ED&M by more than 50% (or \$3 billion) annually during the period FY 2006 – 2010. The ED&M Program has been operating in a weakened state, to the continued detriment of the Nation, which depends heavily on the Corps' products for economic benefit, life, health, safety, and disaster response.

These personnel are located at the Corps national Headquarters and at the regional Major Subordinate Command (Division) headquarters. Current law prohibits these headquarters from receiving project or study funds from other accounts to carry out ED&M functions. The proportion of the Corps total Civil Works staff assigned to ED&M activities appears to be one-half to one-third the proportion assigned to these duties by other Federal agencies with similar programs.

Change of Account Name. The phrase "Executive Direction and Management" is not new. It has been used for a number of years in budget briefings and budget justification materials prepared by the Army in support of the Expenses account. Executive direction and management is provided by the Corps Washington Headquarters and, within their respective geographic regions, by the Division Headquarters. In contrast, the Assistant Secretary of the Army (Civil Works) provides policy direction and oversight, but does not manage either the execution of the program or the performance of Corps personnel. The meaningless account title "Expenses" was shortened from the slightly more descriptive title of "General Expenses" that was intended to distinguish this account as covering expenses not directly related to individual studies or projects. OMB has proposed changing account names in a number of recent budgets, and eventually Congress adopted the recommended changes. The Army believes it is timely for this account name to be changed to something that is meaningful and clearly describes the purpose for which the funds are appropriated. Changing the name of the account also supports the expectations of the Appropriations Committees that a more programmatic justification be presented for the account. Therefore, we strongly maintain that the name needs to be changed to "Executive Direction and Management."

In the absence of funding under the ED&M account of \$1.7 million for New Orleans, Louisiana area recovery funds, these costs will be reprogrammed from FCCE supplemental appropriation funds allocated for levee repairs.

Mississippi River and Tributaries Account

The Army requests an additional \$21.4 million for the Mississippi River and Tributaries account, bringing the total for the account to \$261.4 million. Of the additional funding, \$18 million will be used to continue MR&T levee construction. Lack of continued construction in FY 2009 on the main-line levees in the wake of Hurricane Katrina would be viewed as a lack of commitment toward flood protection/flood risk management as a System. The passback of \$240 million would leave unattended

approximately 200 miles of 3 to 5 feet deficient levees and inadequate seepage control. The Corps would not be able to award any new construction contracts, and construction of proposed dikes on the Mississippi River would be restricted, increasing the potential for failures in the flood control system and escalation of dredging costs to maintain navigation. In addition, at the passback level the Corps would need to begin early to implement drawdown or reassignment of the MR&T workforce in FY 2009. Completion of the Atchafalaya River Basin project would be delayed at least one year and leave several areas vulnerable to flood, and several deficiencies exist on the Atchafalaya Basin that would require flood fighting to pass project flow.

The passback directs full funding of the Old River Control Structure at the "Recommended 2" level. However, the passback did not provide the "Recommended 2" level of funding for the account. Therefore, the Army appeal includes restoration of \$3.4 million for the Old River Control Structure in order to carry out the passback guidance.

We note the passback includes direction to study the Atchafalaya through the Louisiana Coastal Area study, rather than through MR&T. The ongoing Upper Atchafalaya General Reevaluation Report is part of the MR&T program. It is part of the authorized Atchafalaya Basin construction project.

The Army will work with OMB toward an improved risk-based strategy for completing construction of the main stem features of the lower Mississippi River and the Atchafalaya River and focus work in larger, more useful segments as stated in passback.

Formerly Utilized Sites Remedial Action Program (FUSRAP) Account

The Army notes that an additional \$30 million would be needed for the FUSRAP account to accomplish the goal stated in the passback of completing remediation work at 3 sites, bringing the total for the account to \$160 million. A budget of \$130 million will not enable accomplishment of the goal stated in passback. Only one operable unit at one site (Linde) can be completed in FY 2009 at the passback level of \$130 million. As stated at a budget briefing on September 19, 2007 in response to a question from OMB staff, remedies could be put in place at three sites only under an "Optimal Budget" of \$160 million, which is above the Army's recommended level of funding.

Additional Issues by Program Area

Commercial Navigation Program

Inland Waterways User Fees. The Army has transmitted proposed legislation to OMB to begin inter-agency review. That proposal is fully consistent with the guidance in the passback. The Corps will develop and provide the illustrative five-year investment plan for inland waterways, as requested in the passback.

Global Commodity Forecasting Model. We would be glad to discuss the importance of the Global Commodity Forecasting Model, part of the National Economic Technical Study, and its relevance to the future competitiveness of U.S. in international trade.

Small Ports and Recreational Harbors. Consistent with the passback, we will work with you on developing the work plan for this study by February 15. As proposed by the Army in September, the study will be budgeted as a remaining item in the O&M account.

Flood Risk Management (Flood and Coastal Storm Damage Reduction) Program

Change of Program Name. The Army strongly believes that the Corps business line needs to be renamed "Flood Risk Management". Risk management does not ignore economic benefits and costs, but rather incorporate risks to life into the analysis. The Appendix to the 1983 Principles and Guidelines recognized the inadequacy of risk assessment tools available at that time and admonished agencies to expand their use of risk management in all aspects of planning and analysis.

The Nation's recent experiences with floods and hurricanes have led the Army and its Corps of Engineers in a new direction in terms of how we collaboratively plan, construct, and manage solutions to the nation's water resources problems. These directions emphasize the need for risk assessment and risk management within a systems context, the need to effectively communicate risk and the need to increase public service professionalism within the Corps. The name change of the Flood Damage Reduction business line to Flood Risk Management better reflects this new paradigm of managing risk and in particular for communicating to the public about risk management.

Over the years, the Corps mission of addressing the causes and impacts of flooding has evolved from flood control to flood prevention and more recently, flood damage reduction. These changes reflect a greater appreciation of the complexity and dynamics of flood problems – the interaction of natural forces, human development, and change through time – and the partnerships necessary to be adaptable and sustain effectiveness through time. Risk management is defined as the process of identifying, evaluating, selecting, implementing and monitoring actions taken to alter levels of risk.

The goal of risk management is scientifically sound, cost-effective, integrated actions that reduce risks while taking into account social, cultural, ethical, political and legal considerations. The Corps approach to flood risk management must include our partners and stakeholders. We must involve others such as FEMA, HUD, NOAA, states, sponsors, and affected citizens to collaborate effectively and efficiently to make the Nation more "flood wise."

The change in the name of the Corps business line to "Flood Risk Management" (FRM) better reflects the new approach to dealing with flooding situations. The Corps also will be changing the names of its national Planning Centers of Expertise to better reflect this more holistic approach, as well as making agency-wide changes to use the flood risk management language in briefings, newsletters, and press releases.

Life/Safety Projects. We will work with OMB staff to clarify the contents of lists they are provided and in the continuing evolution of risk management analysis. We concur that the use of the risk index and the consideration of risk to life are evolving contribution to a better approach to risk management.

Aquatic Ecosystem Restoration Program

Biological Opinions. Consistent with the passback, the budget will include \$95.7 million for Columbia River fish recovery. However, concerning the Missouri River fish and wildlife recovery program, I have decided that the Army budget for FY 2009 will include no funding for work in the state of Missouri, because Missouri has set up barriers for obtaining state permits that are impossible to meet. As a result, the Army appeal includes \$55 million for Missouri River fish recovery. Unobligated funding from FY 2008 is likely to carry over and be available in the event that Missouri decides to grant the needed permits. Intake Dam will be funded at the capability level of \$15 million. The BIOP costs will be distributed to the appropriate projects within the O&M account.

Everglades/South Florida Ecosystem Restoration. The passback document states that the Corps should allocate sufficient funding in FY 2009 to complete the Kissimmee River Expansion Study that was funded in the FY 2008 Budget. However, the Corps will not initiate this study in FY 2008 since a sponsor could not be identified willing to cost share the feasibility study.

Coastal Louisiana. The passback included \$20 million for the Louisiana Coastal Area (LCA) restoration program and LCA science program, within the total provided for the Investigations account. We will work with you to develop proper goals and objectives for both these programs and on options for allocating the restoration program funding in the FY 2008 Budget to ensure consistency with the proposed allocation for FY 2009.

Recreation Program.

The Army has implemented a modernization work plan as requested in the FY 2008 Passback. The major milestone will be enactment of the Administration's proposed legislation to retain user fees at projects and expanded authorities for grants and agreements to increase our ability to leverage the recreation program through partnerships. The Army urges OMB to approve our prior request that the

Administration propose legislation to add the Corps to Federal Lands Recreation Enhancement Act of 2004, expanded non-Federal contribution of funds, and recovery of costs to administer the shoreline use permit program.

The modernization work plan does not specifically identify three demonstration projects. The Corps conducted six demonstration projects pursuant to the FY 2005 budget. In addition, Corps districts are always exploring and utilizing ways to cooperate and partner with non-Federal units of government and non-profit entities within Corps authority. Singling out particular projects is of little added benefit. An example of why demonstration projects are no longer necessary is Lake Quachita, at which the Corps recently leveraged \$10,000 into \$800,000 through partnering.

In addition, "tax districts" are not advisable. The Corps does not believe the Federal Government should be advocates for additional local government taxation. This is an improper role for federal managers. Taxing adjacent/area residents for living on Corps projects such as Lake Lanier would further perpetuate the notion that they "own" the public land between their property and the water and encourage more unauthorized private exclusive use. A more equitable way to balance that scale would be to raise shoreline use fees, for their authorized private exclusive use facilities, e.g. boat docks and appurtenant structures, to reflect closer to true market value.

Water Supply Program

The apparent increase in funding for water supply is in fact merely an accounting correction. The actual program level is the same as in prior budgets.

Cross-Cutting Issues

Outlay Projections and Financial Management.

The Corps is developing improved methods for estimating outlays. When funds have been appropriated and project schedules for expenditures have been developed, these will be used. Otherwise, the existing "rules of thumb" that derive outlay estimates from estimates of available funds will be updated for the various accounts to reflect recent outlay experience. The Corps also will develop targets for estimating accuracy for inclusion in the second quarter financial management scorecard.

Five-Year Development Plan

The Army requests that OMB provide five-year target numbers, which we normally receive in passback. We plan to provide the Civil Works Five-Year Development Plan (FYDP) to OMB for clearance by January 15th, in order to transmit it to Congress by February 15th. While we can prepare the high (enacted) level scenario with available information, we cannot prepare the budget level scenario without the outyear targets from OMB.

Continuing Contracts

The Army will be pleased to work with OMB on the proposal for multi-year contracting authority. We will begin by providing proposed legislative language based on the concept proposed in the FY 2008 Budget Appendix.

Principles and Guidelines

The Secretary of the Army has been given statutory authority and responsibility, under section 2031 of WRDA 2007, to develop principles and guidelines specific to the Army Civil Works program. We intend to carry out that statutory mandate, convening an open interagency process as required by WRDA 07, to which we will be pleased to invite both OMB and CEQ. We cannot, however, delegate this responsibility Congress has entrusted to the Army.

Capital Asset Acquisitions.

The Earned Value Management System (EVMS) is already integrated into the Corps capital planning and acquisition processes. As you know, the Corps includes EVMS in its acquisition programs for Information Technology investments, including the recent agreement for Information Technology and Information Management awarded under OMB Circular A-76. EVMS is also a feature in the Primavera scheduling software that is at the heart of the Corps' P2 project management system, which is used for all studies, design, and construction. No additional applications of EVMS are necessary.

Site Security.

We will provide OMB with detailed progress report on its site security program on a quarterly basis, starting on December 14th. The information will include the methodology for determining the costs associated with site security operations, and an explanation of how the sites needing security are chosen. We will also update OMB on the status of its long-range security plan by December 14th, including an assessment of program achievements to date as measured against the last such Corps plan.

Actions for Change.

We respectfully disagree with disaggregating the funding and applying "charges" to existing projects in the budget. The products and activities in Actions for Change are designed to change the way the Corps plans, designs, constructs, operates and maintains its infrastructure. We will be developing new planning and engineering tools/models, developing, testing and issuing new policies and procedures, and changing the overall culture of the Corps to be more risk-informed. Our Actions for Change budget request was built from the bottom up. That is, we have budgets for every planned activity in the program. We also have a chronological order

based on the critical nature (priority) of some products as well as precedence for others. Additionally, through our Office Counsel, we have established the most appropriate funding account for each activity. The requested budget was a simple consolidation of the scheduled activities for FY09, by funding account. There are four major "themes" in Actions for Change: Comprehensive Systems Approach, Risk Informed Decision Making, Communication of Risk to the Public, and Communication of Risk to the Public. The Actions for Change products will benefit the development and delivery of all projects across our mission areas. As such, these Actions are not attributable to specific, line-item projects already in the budget.

Reimbursement of Fish and Wildlife Service (FWS) Mitigation Hatchery O&M costs

The Army has reached agreement with the Department of the Interior to proceed during FY 2008 with analysis of mitigation fish hatchery costs and, beginning with the FY 2010 budget for Civil Works, to reimburse the FWS for the appropriate operation and maintenance costs of mitigation hatcheries associated with Civil Works projects. If OMB does not agree to this plan, then additional funds will be needed in FY 2009 to cover the unplanned cost of reimbursing the FWS.

Hurricane Storm Damage Reduction System for the New Orleans, Louisiana Area

In support of the supplemental appropriations to be requested along with the transmittal of the FY 2009 Budget to Congress, the Corps will provide its final project-by-project estimates to complete the work needed to meet the objectives, and draft appropriations language and provide an accompanying justification narrative by December 17th, as required in passback.

Guidance for Congressional Justifications and Press Book

Balance to Complete. Estimates of project costs and balances to complete will be provided in inflated dollars, as has been the case for decades. The current method provides valuable information to the Appropriations Committees about appropriation requirements, and under the current method, it is easy to track costs for each project from year to year and to identify the reasons for changes, such as changes to inflation estimates, post-contract award adjustments, or changes in project scope or design. If constant-dollar figures were used, the Committees would not know the appropriation requirements for the projects. In addition, each year sunk costs would be in nominal dollars but future costs would be in constant dollars, so the basis for the estimates would change every year, there would be an illusion of cost growth, and true changes in costs would be masked. It is sound budget practice to provide the Committees realistic estimates of appropriation requirements. These estimates more accurately represent the ultimate cost of construction of the project to the taxpayer. The data supporting the budget are developed and automated based on these estimates. Constant dollar data are not available, calculations of constant dollar estimates are difficult and time consuming, and constant dollar estimates are confusing to the reader. This reiterates the Army's position stated in several prior year appeals.

Provision of J Sheets to OMB in MSWord Format. We do not plan to implement this guidance. The Army and Corps must maintain control over editing of the J-sheets. The task of providing consistent materials to Congress is already a highly complex task, and the Corps must maintain control over changes to the documents to ensure there is not more than one version of any particular document.

Health – Pandemic Flu preparedness

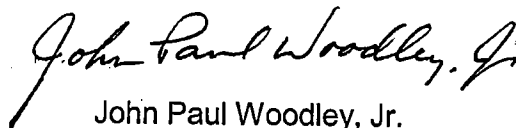
The Corps will be assigning this to the appropriate office. Tasks will include developing a list of high priority personnel, procurement of medicines and other supplies in sufficient quantities and other activities. The Safety Office has taken the lead for this in the past.

Views on Passback

I am concerned that the passback does not appear to recognize the great economic and environmental contributions the Civil Works program provides to the Nation. The great majority of the proposals that are left unfunded would have a positive net effect on the Federal budget deficit over time, as the economic activity they would facilitate gave rise to increased incomes and wealth for our citizens. However, given the President's overall priorities and the general fiscal situation, I have limited this appeal of the passback to only the most essential items beyond the funding provided in the passback. I urge you to carefully consider the Army's appeal and to support it to the maximum extent possible.

I look forward to resolution of the issues raised in this letter and the enclosure, and to the completion and defense of the President's FY 2009 budget for the Army Civil Works program.

Very truly yours,



John Paul Woodley, Jr.
Assistant Secretary of the Army
(Civil Works)

Enclosure

Enclosure

Details of the Army Civil Works Appeal for FY 2009 Construction Account

Passback provides \$1,321,000,000 for Construction. The minimum requirements for the Civil Works construction program in accordance with OMB guidelines total \$1,235,185,500.

Dam safety assurance, seepage control, and static instability correction projects will require \$392,206,000 including an additional \$17,000,000 for Wolf Creek Dam, Lake Cumberland, KY for the recently revealed capability level of \$57,000,000.

Funding National Priority Projects at the ceiling level will require \$361,557,000 including \$185,000,000 for Everglades and \$20,000,000 for Upper Mississippi River Restoration, IL, IA, MN, MO & WI and New York/New Jersey Harbor \$2,000,000.

The mix of projects that provide substantial life saving benefits totals \$138,139,000 in accordance with OMB guidelines. This includes \$9,000,000 for American River Folsom Dam as directed by OMB.

\$11,720,000 will be needed to fund projects with mitigation or environmental requirements in accordance with OMB guidelines.

Basic requirements for the high performing continuing projects total \$71,543,500 again in accordance with OMB guidelines. This includes capability level funding for Chicago Sanitary and Ship Canal Dispersal Barrier, IL as directed.

Other ongoing, previously budgeted projects with Continuing Contracts will require \$115,100,000 again in accordance with OMB guidelines. Those without continuing contracts total \$39,620,000 (\$5,620,000 for Des Plaines River, IL, and \$34,000,000 for McCook and Thornton Reservoirs, IL).

The remaining \$86,000,000 is to be distributed to National Priority Projects, High Performing Projects per the OMB guidelines. Unfortunately New York/New Jersey Harbor was the only project able to take advantage of these funds and is provided all of the funds bringing its total to \$88,000,000.

We continue to believe there is strong justification for additional, previously approved and worthwhile projects. An additional \$41,000,000 is requested to fund the following projects considered High Priority.

Risk to Life Projects (\$18,350,000):

St. Louis Flood Protection, MO - \$850,000
Barnegat Inlet to Little Egg, NY - \$15,000,000
Blue River Basin, Kansas City, MO - \$1,500,000
Marysville/Yuba City Levee Reconstruction, CA - \$1,000,000

Funding St. Louis Flood Protection, MO (\$850,000); Barnegat Inlet to Little Egg, NY (\$15,000,000); Blue River Basin, Kansas City, MO (\$1,500,000) and Marysville/Yuba City Levee Reconstruction, CA (\$1,000,000) will all provide significant risk reducing benefits. Marysville/Yuba City Levee Reconstruction will be completed with the additional funding

Environmental Mitigation and Treaty Projects (\$5,500,000):

Columbia River Treaty Fishing Access Sites, OR & WA - \$5,300,000
Myrtle Beach, SC - \$200,000

Funding is also requested for Columbia River Treaty Fishing Access Sites, OR & WA (\$5,300,000) and Myrtle Beach, SC (\$200,000) in the amount of \$5,500,000 to meet environmental and treaty requirements

Performing but not ongoing Projects (\$17,050,000):

Napa River, CA in the amount of \$8,500,000
Columbia River Channel Improvements, OR & WA - \$7,800,000.
Point Marion Lock and Dam, MS - \$150,000
Grays Landing Lock and Dam, Monongahela River, PA - \$600,000

Funding is requested for Napa River, CA in the amount of \$8,500,000. This project was included in the FY08 budget although it is below the 1.5 BCR cutoff and per the guidelines would be subject to termination. But since it provides significant flood damage reduction and environmental benefits it is deemed to be high performing. Maintaining the funding stream for Columbia River Channel Improvements, OR & WA requires \$7,800,000 and is also a reflection of maintaining commitments with those sponsors two budgets ago. Funding in the amount of \$150,000 is requested to complete Point Marion Lock and Dam, MS (BCR 1.6) and \$600,000 to complete Grays Landing Lock and Dam, Monongahela River, PA (BCR 2.9) which a relatively small amounts of funding for high return on nearly completed, previously budgeted projects..

H-13-6

Water and Power Branch Response to Army Appeal -- FY 2009 Budget

Appeal Item	Description of Army Appeal to Passback	Appeal (\$M)	Settlement
Operation and Maintenance	Additional funding to address risk and reliability at the level of its "ceiling" program request (\$39m + \$24.3m + \$10m), provide more than the ceiling level for maintenance of coastal channels and harbors (\$58.9m), and implement the new national levee safety program authorization (\$20m).	+152.2 million	No additional funding.
Construction	Additional funding for completions, treaty-related activities, project deficiency corrections, and other projects not consistent with the 2008 Budget performance guidelines.	+\$41 million	An additional \$34 million is provided for the highest performing construction projects and technical adjustments. We look forward to working with the Army in ensuring the highest performing projects receive funding first. Within this amount, the Corps may fund the two proposed design deficiency corrections (St. Louis and Wood River) (see issue below).
Investigations	Additional funding for the activities specified in Passback.	+\$10.2 million	An additional \$1 million is provided above the amount assumed in Passback for independent review. The Corps should allocate sufficient funds to fully fund this activity within the \$91 million allocation.
Regulatory Program	Additional funding to maintain performance and address staffing issues related to the Carabell-Rapanos Supreme Court decision.	+\$28.5 million	No additional funding.
Mississippi River & Tributaries	Additional funding for levee construction and for the Old River Control Structure	+\$21.4 million	No additional funding beyond the funds provided above for the construction program.
Expenses	Additional funding to maintain PB08 FTE levels	+\$2 million	An additional \$2 million is provided.
TOTAL Appeal/Settlement		+\$255 million	+\$37 million
Total Funding	Passback included \$4,657 million for civil works.	\$4,912 million	The Budget would provide a total of \$4,694 million for the civil works program in FY 2009.

Water and Power Branch Response to Army Appeal – FY 2009 Budget

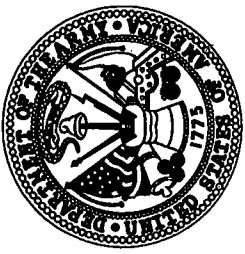
Appeal Item	Description of Army Appeal to Passback	Appeal (\$M)	Settlement
Missouri River Fish and Wildlife Recovery	Increase Passback guidance funding level by \$15 million due to the inability to spend funds in the State of Missouri in FY09		In order to ensure that the Corps is able to meet its FY10 and FY11 biological opinion goals, it should maintain the Passback funding level of \$70 million (excluding Intake Dam) for Missouri River Fish and Wildlife Recovery (e.g. to purchase priority lands as they become available from willing sellers). This is especially critical moving forward due to recent state of Missouri actions.
Columbia River Treaty Fishing Access Sites	Fund activities authorized by Congress after initial project authorization		Do not fund relocation of Cello Village since it is not a treaty requirement.
Construction guidelines	Adjust construction guidelines to ensure continued funding for all projects included in the 2008 Budget, to fund miscellaneous exceptions to the guidelines, and to allow new starts to compete with all projects for funding on an equal basis.		The construction guidelines will be the same as those proposed in the 2008 Budget. These guidelines were designed to focus funding on the highest performing projects so they could be completed sooner before starting new ones.
New Starts/ Resumptions	Determine which new starts, if any, should be included in the 2009 Budget.		The construction guidelines will continue to allow for new starts and resumptions but the Budget will not propose any in the 2009 Budget.
Deficiency Corrections	Fund two deficiency corrections under the life and safety criterion: St. Louis, MO and Wood River, IL.		Within the additional \$34 million provided by the construction program, fund these two projects under the dam safety category. Adding these projects to the dam safety category is consistent with the intent of this provision of the guidelines. Design deficiency corrections, along with other safety-related projects, will be included in the upcoming review of dam safety policy.
Harbor Maintenance Ad Valorem Tax	In appropriations testimony, recommend that the Congress decrease the ad valorem tax to the level of HMTF spending		This issue is premature, has not been vetted within the Administration and should not be raised in the prepared and oral testimony.

Other Issues:

Water and Power Branch Response to Army Appeal -- FY 2009 Budget			
Appeal Item #	Description of Army Appeal to Passback	Appeal (\$M)	Settlement
Balance to Complete	The backlog figure should reflect fully funded cost estimates, i.e. including the impact of initiation in future years. Such estimates more closely reflect the out-year appropriations requirements.		The backlog estimates should reflect the cost of completing work in real terms, so that the Corps can determine how and why the backlog is changing over time, and to provide a basis for an analysis of policy options. The current approach combines dollars with different real values (depending upon the year in which the Corps now estimates that it could spend them), producing an aggregate number that has virtually no meaning.
J-Sheets format	The J-sheets should be kept in PDF format.		The current PDF format has limited the ability to edit the J-sheets and does not provide a sufficient electronic record of proposed changes. Converting back to MS Word format will expedite the editing process. It is technically straightforward and would allow Army and Corps headquarters to maintain control of the documents.

H -13-7

**Fiscal Year 2009
Civil Works
Budget for the
U.S. Army Corps of Engineers**



Department
of the Army
Office, Assistant Secretary
of the Army (Civil Works)

February 2008

ERRATA

Page 4 – Flood and Coastal Storm Damage Reduction – Construction changed from \$627 to \$619; Total changed from \$1,322 to \$1,314; inland changed from \$608 to \$600; Total Inland changed from \$1,295 to \$1,287.

Page 4 – Navigation - Construction changed from \$487 to \$495; Total changed from \$1,892 to \$1,900; Coastal changed from \$180 to \$188; Total Coastal changed from \$961 to \$969.

Page 9 - Oakland Harbor (50 Foot Project), CA budget changed from \$17,092,000 to \$25,092,000 due to a recently announced cost increase.

Page 9 - Success Dam, Tule River, CA (Dam Safety) budget changed from \$16,000,000 to \$8,000,000 due to a recently discovered decrease in capability.

Page20 – Neuse River, NC - changed from Surveys to Preconstruction Engineering and Design

Page 24 – Freeport Harbor, TX – changed from Preconstruction Engineering and Design to Surveys

Page 94 - Surveys in second line changed to \$33,156,000 and Preconstruction Engineering in the third line changed to \$7,727,000

Page 95 – Dam Safety and Seepage/Stability Correction Program changed to \$48,600,000

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY FOR CIVIL WORKS
WASHINGTON, D.C. 20310-0108

OVERVIEW OF FISCAL YEAR 2009 CIVIL WORKS BUDGET

The President's Budget for fiscal year (FY) 2009 for the Civil Works program of the Army Corps of Engineers addresses the continued development and restoration of the Nation's water and related resources, operation and maintenance of existing Corps water resources projects, protection of the Nation's waters and wetlands, and restoration of sites contaminated as a result of the Nation's early atomic weapons development program. The Budget continues to focus on the three main water resources mission areas of the Civil Works program, namely, commercial navigation, flood and coastal storm damage reduction, and aquatic ecosystem restoration.

The Budget provides \$4.741 billion in discretionary funding for the annual Civil Works program. Additional sources of funding for the annual program are estimated at \$501 million, including \$400 million contributed in cash provided by non-Federal interests.

The Budget also provides \$5.761 billion in an FY 2009 emergency request for the additional Federal funds needed to reduce the risk to the greater New Orleans, Louisiana, area from storm surges that have a 1% annual chance of occurring and to improve internal drainage; to restore and complete construction of hurricane and storm damage reduction features in surrounding areas to previously authorized levels of protection; and to incorporate certain non-Federal levees into the Federal system. The Budget proposes to authorize the works in greater New Orleans (including certain internal drainage) as a single project, to be constructed with the State as cost-sharing partner, and subsequently maintained and operated by the State. Pre-Katrina, storm damage reduction was provided through separately authorized projects, which were designed to different standards, subject to different requirements for non-Federal cost sharing, and managed by different local entities.

Construction. The Budget provides \$1.478 billion for construction (including \$76 million in the MR&T account) and again proposes objective performance criteria to guide the allocation of funds among projects. The guidelines give priority to projects with the greatest net economic and environmental returns per dollar invested; those that address a significant risk to human safety; dam safety assurance, seepage control, and static instability correction projects; and projects that can be completed in FY 2009. Those funded include 11 dam safety assurance, seepage control, and static instability correction projects; 16 projects that address a significant risk to human safety, including the St. Louis Flood Protection, Missouri and Wood River Levee, Illinois deficiency corrections; 12 projects that can complete construction in FY 2009; and 41 others.

The Budget is based on proposed legislation to authorize a user fee on commercial barges passing through locks on the inland waterways, and to phase out the existing diesel fuel tax for the inland waterways. The prompt enactment of such legislation is needed to address the declining balance in the Inland Waterways Trust Fund, which will otherwise run out of funds around the end of the 2008 calendar year, and to support ongoing and future inland waterways projects. The proposal would ensure that the commercial users of the Corps locks continue to cover their share of project costs, which is financed from the Inland Waterways Trust Fund. The amount of the user fee would be tied to the level of spending for inland waterways construction, replacement, expansion and rehabilitation work.

Operation and Maintenance. The Budget provides \$2.638 billion for operation and maintenance (including \$163 million in the MR&T account). It emphasizes performance by focusing on the maintenance of key facilities. For example, the Budget continues to give priority to those harbors and waterway segments that support high volumes of commercial traffic, such as the heavily-used Mississippi and Ohio Rivers, and the Illinois Waterway. The Budget also funds harbors that support significant commercial fishing, subsistence, or public transportation benefits.

The Budget presents information for operation and maintenance activities by 54 areas based on U.S.G.S. sub-watersheds, setting the stage for improved management of Civil Works assets in FY 2009 and more systematic budget development in future years. As in the FY 2007 and 2008 Budgets, the operation and maintenance program also includes four activities that are directly related to the operation and maintenance of Corps projects, but previously were funded in the construction program – compliance with the Endangered Species Act at operating projects; rehabilitation of components of existing projects; replacement of sand lost due to the operation and maintenance of Federal navigation projects; and construction of dredged material placement facilities, projects, or features (including islands and wetlands) to use materials dredged during federal navigation operation and maintenance activities. The Budget transfers responsibility for these activities to improve investment decisions on project operation and maintenance, and better provide accountability and oversight for those decisions. For similar reasons, the \$10 million for the National Levee Inventory program is funded in the operations and maintenance program. The Budget provides \$270 million for the operation and maintenance of recreation areas at Corps projects. The Budget again proposes legislation to raise additional funds to upgrade and modernize recreation facilities through expansion of the current fee structure and through voluntary partnership arrangements.

Investigations. The Budget provides \$92 million for investigations (including \$1 million in the MR&T account). Within this amount, the Budget includes \$1 million for the studies funded in the Budget to comply with the independent peer review requirements of Section 2034 of the Water Resources Development Act of 2007 and \$2 million for a high-priority study of the vulnerability of the U.S. to damage from flooding, including an assessment of the comparative risks faced by different regions of the U.S. The study will provide background for a subsequent effort by policy officials to develop recommendations to improve existing Federal programs, authorities, and roles.

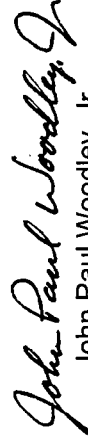
Emergency Management. The Budget emphasizes disaster preparedness, by providing \$40 million in the Flood Control and Coastal Emergencies account to prepare for flood and coastal emergencies and other natural disasters. In addition, the Operation and Maintenance account includes \$6 million for the national emergency preparedness program and \$12 million for facility protection and security.

Regulatory. The Budget provides \$180 million for the Regulatory Program to protect the Nation's waters and wetlands.

Everglades/South Florida Ecosystem Restoration. The Budget provides \$185 million for this program, an increase of \$54 million (41 percent) compared to the enacted 2008 level. The Budget emphasizes continued funding for the Modified Water Deliveries to Everglades National Park project, the Kissimmee River restoration effort, and the Comprehensive Everglades Restoration Plan.

The Budget includes initiatives leading to the development of a more systematic, performance-based budget and improved asset management. Many of these initiatives are in response to program assessments using the Program Assessment Rating Tool, or PART. To help identify, evaluate, and establish priorities for the maintenance, replacement, and rehabilitation of existing flood and storm damage reduction, commercial navigation, and hydropower assets, the Budget provides funding to develop asset management systems and risk-based condition indices, and to measure performance under new performance measures using the PART. These analytical tools enable the Corps to more strategically evaluate these investment choices for existing Corps assets.

This Budget represents the prudent use of available funding to advance important, mission-based objectives. I am proud to present it.



John Paul Woodley, Jr.
Assistant Secretary of the Army
(Civil Works)

NOT FOR PUBLIC RELEASE BEFORE
 12:00 o'clock noon EST on the day the
 President's Budget is presented to Congress

DEPARTMENT OF THE ARMY
 CORPS OF ENGINEERS – CIVIL WORKS
 FISCAL YEAR 2009 BUDGET REQUEST

The Fiscal Year 2009 Budget provides \$4,741,000,000 for the Civil Works program of the Army Corps of Engineers. The Civil Works program supports water resources development, management, and restoration through investigations and surveys, engineering and design, construction, and operation and maintenance, as authorized by Congress. Funding for the Civil Works program includes \$501,000,000 in additional new resources, including \$400,000,000 in non-Federal contributions. Based on current estimates, requested FY 2009 appropriations and additional new resources are as follows:

	<u>Amount (\$)</u>
Requested Appropriations:	
Investigations	91,000,000
Construction	1,402,000,000 1/
Operation and Maintenance	2,475,000,000 2/
Regulatory Program	180,000,000
Mississippi River and Tributaries	240,000,000
Expenses	177,000,000
Flood Control and Coastal Emergencies	40,000,000
Formerly Utilized Sites Remedial Action Program	130,000,000
Assistant Secretary of the Army, Civil Works	6,000,000
TOTAL APPROPRIATION REQUEST	4,741,000,000
Sources of Appropriations:	
General Fund	(3,844,000,000)
Harbor Maintenance Trust Fund	(729,000,000)
Inland Waterways Trust Fund	(167,000,000)
Disposal Facilities User Fees	(1,000,000)
TOTAL APPROPRIATION REQUEST	(4,741,000,000)
Additional New Resources:	
Rivers and Harbors Contributed Funds	400,000,000 3/
Coastal Wetlands Restoration Trust Fund	84,000,000 4/
Permanent Appropriations	17,000,000
TOTAL ADDITIONAL NEW RESOURCES	501,000,000
TOTAL PROGRAM FUNDING	5,242,000,000

1/ Includes \$157,000,000 from the Inland Waterways Trust Fund.

2/ Includes \$729,000,000 from the Harbor Maintenance Trust Fund and \$10,000,000 from the Inland Waterways Trust Fund.

3/ Cost-sharing contributions required by law for budgeted work and work financed 100 percent by non-Federal interests.

4/ Transferred from the Sport Fish Restoration Account of the Aquatic Resources Trust Fund for planning, protection, and restoration of coastal wetlands in the state of Louisiana.

**FY 2009 Budget
Business Line/Account Cross-Walk (\$ Millions)**

Business Lines/Funding Categories:	I			C			O&M			MR&T			TOTAL MRT	FUSRAP	FCCE	REG	E	ASA (CW)	TOTAL
	I	C	O&M	I	C	O&M	I	C	O&M										
Flood and Coastal Storm Damage Reduction	36	619	482	1	62	114	177												1,314
Coastal	2	19	6	0	0	0	0												27
Inland	34	600	476	1	62	114	177												1,287
Hydropower		43	276																319
Navigation	20	495	1,346		10	29	39												1,900
Coastal	17	188	760		0	4	4												969
Inland	3	307	586		10	25	35												931
Environment																			
Aquatic Ecosystem Restoration	35	245	2		4		4												286
Stewardship			90			5	5												95
FUSRAP												130							130
Regulatory														180					180
Recreation			255			15	15												270
Emergency Management 1/			18											40					58
Water Supply			6														177		6
Expenses																			
ASA(CW)																		6	6
TOTAL	91	1,402	2,475	1	76	163	240	130	40	180	177	6	4,741						

1/The O&M account includes \$6M for NEPP and \$12M for Facility Protection, which in previous years was spread across Business Lines.

I = Investigations; C= Construction; O&M = Operation and Maintenance; FUSRAP = Formerly Utilized Sites Remedial Action Plan; FCCE = Flood Control and Coastal Emergencies; REG= Regulatory; E= Expenses; NEPP = National Emergency Preparedness Program ASA(CW) = Assistant Secretary of the Army for Civil Works; MR&T = Flood Control, Mississippi River and Tributaries

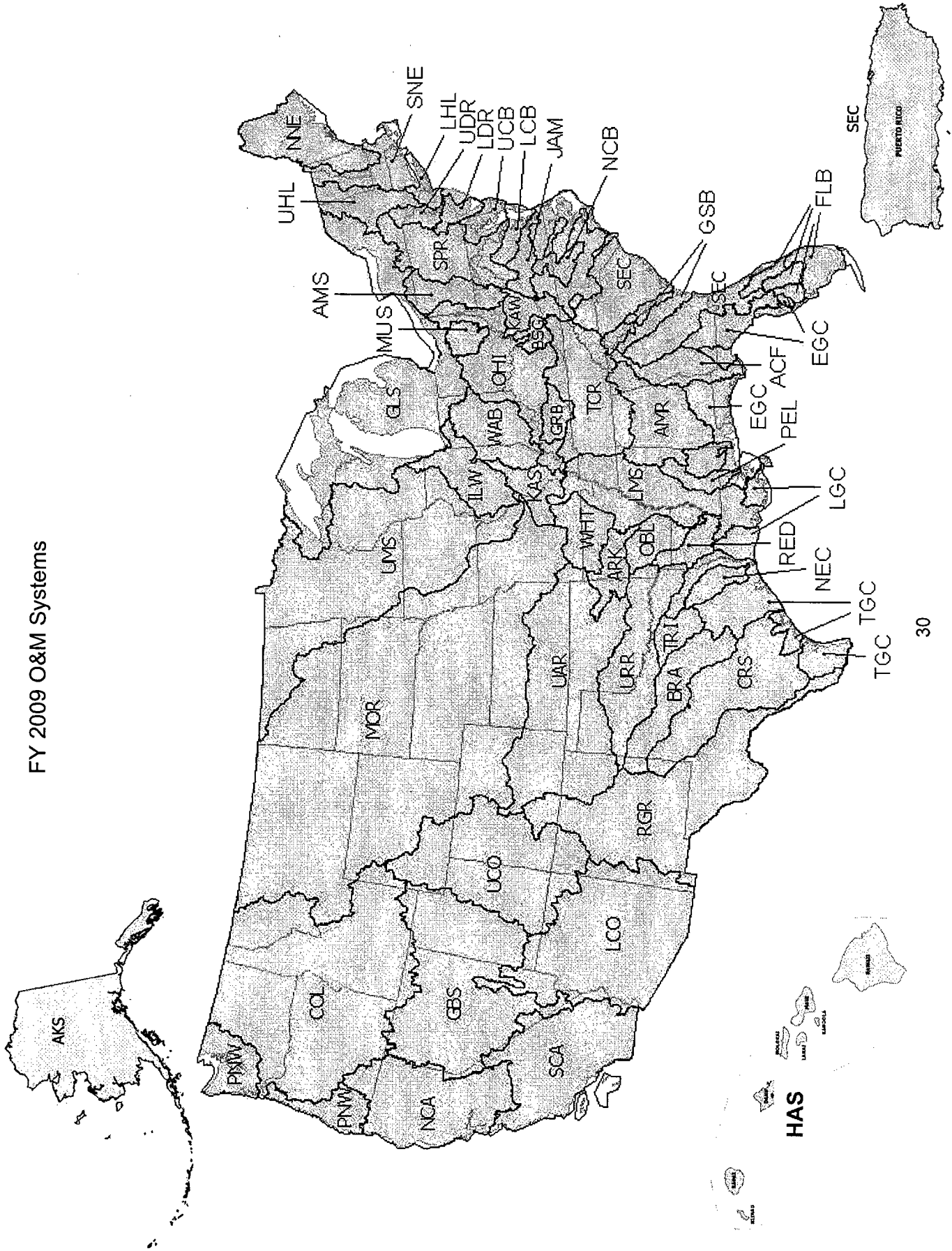
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1/ Also see Breakdown for Flood Control, Mississippi River and Tributaries

PROJECT	TYPE OF PROJECT	SURVEYS	PRECONSTRUCTION ENGINEERING & DESIGN	CONSTRUCTION
ALASKA				
ANCHORAGE HARBOR DEEPENING, AK	N	100,000		
BARROW COASTAL STORM DAMAGE REDUCTION, AK	SP	400,000		
YAKUTAT HARBOR, AK	FDP	700,000		
ARIZONA				
PIMA COUNTY, AZ	E	275,000		
VA SHLY-AY AKIMEL SALT RIVER RESTORATION, AZ	E		658,000	
ARKANSAS				
OZARK - JETA TAYLOR POWERHOUSE, AR (REPLACEMENT)	H			17,300,000

FY 2009 O&M Systems



APPROPRIATION TITLE: Operation and Maintenance, FY 2009

SUMMARY BY SYSTEM			
ACF - Apalachicola-Chattahoochee and Flint Rivers	36,392	MUS - Muskingum River	10,471
AKS - Alaska System	24,024	NCA - Northern California System	67,926
AMR - Alabama - Mississippi Basin	78,172	NCB - North Carolina Basins	51,183
AMS - Allegheny and Monongahela Rivers	45,799	NEC - Neches System	8,555
ARK - Arkansas River	61,577	NNE - Northern New England	5,272
BRA - Brazos River System	28,483	OBL - Ouachita-Black Rivers	27,800
BSG - Big Sandy River	12,569	OHL - Ohio River	154,206
COL - Columbia River System	238,642	PEL - Pearl River	193
CRS - Colorado River System	2,386	PNW - Pacific Northwest System	58,182
EGC - Eastern Gulf Coast	42,539	RED - Red River	17,633
FLB - Florida Basins	22,841	RGR - Rio Grande System	10,316
GBS - Great Basin System	1,004	SCA - Southern California System	37,892
GLS - Great Lakes	104,725	SEC - Southern East Coast	72,438
GRB - Green and Barren Rivers	17,804	SNE - Southern New England	38,911
GSB - Georgia- South Carolina Basins	32,029	SPR - Susquehanna and Potomac	16,548
HAS - Hawaii System	1,396	TCR - Tennessee and Cumberland Rivers	83,496
ILW - Illinois Waterway	39,466	TGC - Texas Gulf Coast	101,571
JAM - James River	5,689	TRI - Trinity River System	23,352
KAS - Kaskaskia River	15,389	UAR - Upper Arkansas River	43,320
KAW - Kanawha River	15,173	UCB - Upper Chesapeake	28,614
LCB - Lower Chesapeake	17,402	UCO - Upper Colorado System	648
LCO - Lower Colorado System	3,098	UDR - Upper Delaware	3,290
LDR - Lower Delaware	45,352	UHL - Upper Hudson and Lake Champlain	2,730
LGC - Louisiana Gulf Coast	39,472	UMS - Upper Mississippi River	185,910
LHL - Lower Hudson - Long Island	34,293	URR - Upper Red River	35,734
LMS - Lower Mississippi River	72,337	WAB - Wabash River	11,465
MOR - Missouri River	179,913	WHT - White River	32,968
		Subtotal	2,348,590
		Remaining Items	126,140
		Grand Total for O&M	2,474,730

