

DEPARTMENT OF THE ARMY

COMPLETE STATEMENT

OF

**THE HONORABLE JOHN PAUL WOODLEY, JR.
ASSISTANT SECRETARY OF THE ARMY (CIVIL WORKS)**

BEFORE

**THE SUBCOMMITTEE ON ENERGY AND WATER DEVELOPMENT
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE**

ON

**THE ARMY CIVIL WORKS PROGRAM
FISCAL YEAR 2005**

APRIL 20, 2004

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Mr. Chairman and distinguished members of the Subcommittee:

Thank you for the opportunity to testify before the Energy and Water Development Subcommittee of the Appropriations Committee and to present the President's budget for the Civil Works program of the Army Corps of Engineers for Fiscal Year (FY) 2005.

OVERVIEW OF FY 2005 ARMY CIVIL WORKS BUDGET

The FY 2005 budget for Army Civil Works provides funding to continue the development and restoration of the Nation's water and related resources, the operation and maintenance of existing navigation, flood damage reduction, and multiple-purpose projects, the protection of the Nation's regulated waters and wetlands, and the cleanup of sites contaminated as a result of the Nation's early efforts to develop atomic weapons.

The FY 2005 budget for Army Civil Works includes new discretionary funding requiring appropriations of \$4.215 billion and an estimated \$4.132 billion in outlays from discretionary funding (see Table 1). These figures are approximately the same as in the FY 2004 budget.

The new discretionary funding includes \$610 million from the Harbor Maintenance Trust Fund for harbor operation and maintenance and dredged material disposal facility construction. The discretionary funding also includes \$115 million from the Inland Waterways Trust Fund for construction and rehabilitation on the inland waterways.

The budget includes proposed appropriations language for direct funding of hydropower facility operation and maintenance by Federal power marketing administrations. New discretionary funding of \$150 million would be derived from direct funding in FY 2005. This proposal is described in greater detail below.

Other sources of new discretionary funding include \$3.303 billion from the general fund and \$37 million from Special Recreation User Fees.

Additional program funding, over and above funding from the sources requiring discretionary appropriations, is estimated at \$437 million. This total includes \$71 million from the Bonneville Power Administration (BPA) for operation and maintenance of hydropower facilities in the Pacific Northwest, \$287 million contributed by non-Federal interests for their shares of project costs and for project-related work, \$63 million from the Coastal Wetlands Restoration Trust Fund, and \$16 million from miscellaneous permanent appropriations.

The budget proposes cancellation of at least \$100 million of previous discretionary budget authority. Net discretionary budget authority, including this proposal and the direct funding proposal, is \$3.965 billion.

PERFORMANCE-BASED BUDGETING

Performance-based budgeting is one of the President's Management Initiatives, and the one that is most central to the preparation of the budget. For the Army Civil Works program, performance planning is built around eight program areas: Navigation (including inland waterway navigation and coastal channels and harbors); Flood and Storm Damage Reduction (including from riverine flooding and coastal storms); Environment (including aquatic ecosystem restoration, stewardship of natural resources at operating projects, and the Formerly Utilized Sites Remedial Action Program); Hydropower; Recreation; the Regulatory Program, Emergency Management; and Water Supply (storage at existing reservoirs).

The first element in our performance planning is a strategic plan, which is required by the Government Performance and Results Act (GPRA). I am happy to announce that on March 22, 2004, I provided our strategic plan to the committees and subcommittees of Congress responsible for water development authorizations and appropriations, including this committee and subcommittee. This plan is a work in progress. We will continue to work with the Office of Management and Budget to establish program goals, objectives, and performance measures that are called for by GPRA and that provide a sound basis for setting performance targets and building future budgets.

The second element in our performance planning is the use of a government-wide process to assess program performance, which first was instituted for the FY 2004 budget. These assessments are intended to improve the effectiveness of programs and to improve the quality of their management and oversight. Five business programs, program components, or sets of activities were assessed for the FY 2004 budget: the

Hydropower program; the riverine flood damage reduction component; the inland waterway navigation component; the Emergency Management program; and wetlands-related activities apart from the Regulatory Program. For FY 2005, the Regulatory Program was assessed. Two of the programs – the Regulatory Program and Emergency Management – have been rated as moderately effective and have received substantial funding in the FY 2005 budget.

The third element is to develop the Civil Works budget and manage the program based on objective performance measures. The FY 2005 budget for Army Civil Works focuses funding on the most productive investments. This is reflected, for instance, in the allocation of funding to the most productive design activities, construction projects, and maintenance activities. At the same time, I recognize that we can do a better job of performance-based budgeting, and one of my priorities is to improve our capabilities in this area. I have placed a priority on making significant progress on further development of sound performance measures for each business program and on using the measures to build our FY 2006 budget. A great deal of hard work is in store for us as we transition to this approach, but the advantages are enormous, and the Army is fully committed to this effort.

FOCUS ON HIGH-RETURN NEW INVESTMENTS

The FY 2005 budget for Army Civil Works targets funding to the new investments that have very high economic or environmental returns. The budget does so by emphasizing priority missions and allocating substantial funding to new and continuing high return continuing construction projects while de-emphasizing the design and initiation of new projects. However, the budget funds three new projects that have high economic or environmental returns and several new high priority studies that competed successfully for funding. The budget also discontinues Federal participation in beach renourishment activities, and proposes to cancel unobligated balances for projects that do not provide high returns or that are not Civil Works responsibilities.

Priority Missions

The budget emphasizes ongoing studies, projects and programs that provide substantial benefits in the priority missions of the Civil Works program for new investments, namely, commercial navigation, aquatic ecosystem restoration, and flood and storm damage reduction.

The budget also provides funding for other areas of Corps involvement, including regulatory protection of waters and wetlands, cleanup of sites contaminated by the Nation's early atomic weapons program, and the management of natural resources and provision of hydroelectric power and recreation services at Federally operated Civil Works projects.

No funds are provided for studies and projects that carry out non-traditional missions that should remain the responsibility of non-Federal interests or other Federal agencies,

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

Ongoing, Budgeted Construction Projects

In recent years, ongoing construction projects that the budget funds have had to compete for funding with numerous new construction starts. To maximize the net returns of the construction program and finish the construction backlog more quickly than under current trends, the budget directs funding to complete 11 ongoing projects in FY 2005, and continues progress on projects consistent with long-established policies, including eight projects that are the highest priorities in the Nation. It also provides substantial funding for dam safety investments. In addition, the budget funds three new projects with high economic and environmental returns.

Altogether, the budget includes funding for construction of 149 projects, not including the projects constructed under the Continuing Authorities Program.

Consistent with this focus on projects already under construction, the budget includes funding to continue or complete design of 23 proposed projects that were selected based on their economic and environmental returns. The budget defers work on all lower priority design efforts. Similarly, we made an effort to prioritize studies of proposed projects. In general, funding is targeted to the most productive study and design activities, including \$8 million for the expanded Louisiana Coastal Area Study. Funding is provided for five new studies that competed successfully with ongoing work.

Beach Renourishment

The budget does not include any funding for beach renourishment. The Administration's view is that non-federal interests should carry out renourishment activities once the initial nourishment has been accomplished, just as they operate and maintain other types of projects once the installation is complete. This policy applies to all types of projects involving beach renourishment, including projects for which Project Cooperation Agreements already have been executed. Work under such agreements is subject to the availability of funding, and the new policy specifies that funding no longer will be sought for renourishment phases.

We will continue to plan for and design shore protection projects, and we will continue to construct initial nourishment phases as well as the structural measures for coastal projects. We also will continue to deposit dredged material from navigation projects on the adjacent shores when it is the least-cost, environmentally acceptable disposal method. In addition, we will participate financially in one-time placements of dredged material for the beneficial use of shore protection, and we will perform follow-on placements for the beneficial use of shore protection if non-Federal interests finance the incremental costs. Within these ground rules, we will continue to participate in regional sediment management activities.

There is one exception to the policy in FY 2005, for the Westhampton Shores, New York, area. We are funding periodic renourishment program as ordered by the district court in the settlement of the case of Rapf et al. vs. Suffolk County of New York et al.

Cancellation of Unobligated Balances

To free up funding for higher priority needs, the budget proposes to cancel the unobligated balances of 41 projects that are not consistent with current policy. The cancellation would take effect with enactment of Fiscal Year 2005 appropriations.

FINANCING AND MANAGEMENT INITIATIVES FOR OPERATING PROJECTS

The Operation and Maintenance program includes funding for four significant initiatives: direct funding of hydropower operation and maintenance costs; recreation modernization; a new emergency maintenance reserve fund; and anti-terror facility protection.

Direct Financing of Hydropower Operation and Maintenance Costs

Historically, each year the Army Civil Works program has financed the operation and maintenance costs of Corps of Engineers hydroelectric facilities, and Federal power marketing agencies have repaid the Treasury for these costs from the revenues provided by ratepayers. The exception has been in the Pacific Northwest, where under section 2406 of the National Energy Policy Act of 1992, Public Law 102-486, the Bonneville Power Administration (BPA) has directly financed the costs of operating and maintaining the Corps' hydroelectric facilities from which it receives power. BPA has been providing operation and maintenance funds in this manner each year, beginning in FY 1999.

Each year, Corps facilities experience unplanned outages around 3 percent of the time. In 1999, the General Accounting Office found that the Corps' hydropower facilities are twice as likely to experience "unplanned outages" as private sector facilities, because the Corps does not always have funds for maintenance and repairs when needed.

To address this problem, the budget proposes that the Southeastern Power Administration, the Southwestern Power Administration, and the Western Area Power Administration finance hydropower operation and maintenance costs directly, in a manner similar to the mechanism used by Bonneville. The budget contemplates that these power marketing administrations, in consultation with the Corps, would make funding available for those hydropower operation and maintenance expenditures that they believe are justified in order to provide economical, reliable hydropower to power customers. We believe that, as a consequence, unplanned outages would decline over time to levels comparable to the industry average. The Administration is submitting this as an appropriations proposal. Under current Congressional Budget Office and Office

of Management and Budget scoring, the funds provided by the power marketing administrations offset appropriated funds without PAYGO consequences.

Recreation Modernization

The second initiative is to modernize recreation facilities. The recreation modernization initiative has three components. The first is a legislative proposal that: 1) authorizes the Corps to establish a permanent recreation fee program that is consistent with the existing Federal Recreation User Fee Demonstration program; 2) authorizes the Corps to collect entrance fees; and 3) authorizes the Corps to retain all recreation use fees over \$37 million per year and to use the retained fees for its recreation facilities. To support this proposal, we currently are developing a proposed schedule of recreation use fees, lease receipts, and other sources of revenue, showing the locations where we expect to collect revenue and the kinds and amounts of revenue we expect to collect at each location.

The second is six recreation demonstration projects, at Texoma Lake in Texas, Shelbyville Lake in Illinois, Rathbun Lake in Iowa, W. Kerr Scott Lake in North Carolina, Cumberland Lake in Kentucky, and Beaver Lake in Arkansas. At each location, the Corps will demonstrate new planning, management and financing partnership arrangements with state and local government park authorities and private sector concessionaires. These will be designed to upgrade Corps recreation facilities at little or no cost to the Federal government. If these six demonstration projects are a success, the Corps will expand the model to other Corps facilities in the future.

The third is \$6 million to upgrade Corps recreation facilities related to the Lewis and Clark Bicentennial commemoration.

Emergency Maintenance Reserve

The budget includes \$35 million for an emergency maintenance reserve fund, from which the Assistant Secretary of the Army for Civil Works will make allocations to meet high-priority, unexpected, and urgent maintenance needs at key facilities. When an unexpected emergency occurs under current practice, it is sometimes difficult to find the needed funds on a timely basis. The new arrangement will enable us to respond to these situations promptly, without interfering with other program commitments.

The Assistant Secretary will make the allocation decisions based on the urgency of the maintenance or repair requirements, the relative availability of funding from lower-priority work, and the likelihood that additional high-priority needs would be identified in the remainder of the fiscal year.

Anti-Terrorist Facility Protection

Since the events of September 11, 2001, the Civil Works program has received appropriations of \$278 million to provide facility protection measures that have recurring costs (such as guards), to perform assessments of threats and consequences at critical

facilities, and to design and implement the appropriate “hard” protection at those critical facilities. The Administration is continuing its commitment to facility protection in FY 2005, with a budget of \$84 million for facility protection. Of the \$84 million, \$72 million is for projects funded from the Operation and Maintenance account and \$12 million is for other projects and facilities.

PRESIDENT’S MANAGEMENT AGENDA

We are pleased with the progress we are making on the President's Management Agenda. Like most agencies, we started out in 2002 with “red” ratings across the board. Our status rating for the human capital initiative is now “yellow.” We now have “green” or “yellow” progress ratings for all five of the President's Management Agenda initiatives.

The Army Corps of Engineers has developed a sound, comprehensive human capital plan and has implemented its “USACE 2012” plan. The 2012 plan is the Corps guiding document for organizational changes and process changes to improve service delivery.

The Corps continues to be a strong supporter of E-Gov initiatives such as Recreation One-Stop, Geospatial, and Disaster Management. It is aggressively working to improve the overall management of its information technology investments by extensively using the Federal Enterprise Architecture to identify opportunities to identify like systems and identify possible opportunities to collaborate.

The Corps has developed a plan and management infrastructure to conduct competitive sourcing and has completed all preliminary planning steps for its first two standard competitions to be announced in FY 2004.

To identify problems identified in its audits for 2002 and 2003, the Corps is improving documentation to support older assets.

We are confident that our work on the President’s initiatives will yield greater program efficiency and effectiveness in the years to come.

APPROPRIATION ACCOUNTS

Although the budget was formulated largely by program area, it is presented to Congress by traditional appropriation account.

General Investigations

The budget for the General Investigations program is \$90.5 million. This funding level reflects an emphasis on completing policy-consistent projects that are already budgeted in the Construction account, rather than continuing to plan, design, and initiate new work.

Within this amount, \$8.6 million is to continue or complete preconstruction engineering and design of the 22 projects with the highest expected economic or environmental returns. The remaining funding will be used to continue the ongoing phases of policy-consistent reconnaissance and feasibility studies, and to continue coordination, technical assistance, and research and development. The budget funds four new studies that competed successfully with ongoing work. These studies are as follows: Southern California Wetlands Restoration, California; Boulder Creek, Colorado; Chesapeake and Delaware Canal Environmental Restoration, Delaware and Maryland; and Mississippi River – Gulf Outlet Ecosystem Restoration, Louisiana.

One of my priorities is to improve analytical tools to support water resource planning and decision-making. The budget addresses this, for instance, by increasing funding for research and development on modeling and forecasting tools, including \$2.5 million for the Navigation Economic Technologies research program funded in this account.

Construction

The FY 2005 budget for the Construction program is \$1.4215 billion. Of that total, \$115 million would be derived from the Inland Waterways Trust Fund to fund 50 percent of the costs of construction and major rehabilitation of inland waterway projects, and \$10 million would be derived from the Harbor Maintenance Trust Fund to fund the Federal share of dredged material disposal facilities at operating coastal harbor projects.

The budget proposes funding for three new starts that have very high economic and environmental returns: the Washington, D.C., and Vicinity flood damage reduction project; the Rio Guanajibo, Puerto Rico, flood damage reduction project; and the Everglades Pilot Projects Program, Florida. The pilot projects program is part of the Comprehensive Everglades Restoration Plan, which in turn is part of the Central and South Florida project.

Substantial funding is provided for the 11 projects completing construction in FY 2005, for dam safety assurance, seepage correction, and static instability correction projects, and for eight high priority projects nation-wide. The high priority projects are the New York and New Jersey Harbor deepening project (\$103 million); the Olmsted Locks and Dam, IL & KY, project (\$75 million); projects to restore the Florida Everglades (\$125 million) and the side channels of the Upper Mississippi River system (\$28 million); two projects to provide flood damage reduction to urban areas, namely, the Sims Bayou, Houston, TX, project (\$16 million) and the West Bank and Vicinity, New Orleans, LA, project (\$37 million); and projects to meet environmental requirements in the Columbia River Basin (\$107 million) and the Missouri River basin (\$69 million). The Everglades work actually is comprised of three distinct projects, as is the Columbia River Basin work.

The budget provides \$52.9 million for the planning, design, and construction of projects under the Continuing Authorities Program. These are small projects for flood damage reduction, navigation, shoreline protection, streambank protection, navigation project

impact mitigation, clearing and snagging, aquatic ecosystem restoration, project modifications for improvement of the environment, and beneficial uses of dredged material (including beneficial uses for environmental purposes as well as beneficial use for coastal storm damage reduction).

Flood Control, Mississippi River and Tributaries

The budget includes \$270 million for the Flood Control, Mississippi River and Tributaries account.

The budget includes funding for preconstruction engineering and design for the Morganza to the Gulf, Louisiana, project. The budget also includes funding for one new study of opportunities for the acquisition of additional real property interests in the Atchafalaya Basin.

Operation and Maintenance

The budget for Operation and Maintenance emphasizes essential operation and maintenance activities at Corps facilities, including maintenance dredging and structural repairs. The overall budget for the Operation and Maintenance account is \$1.926 billion.

The budget continues the past policy of directing funding for navigation maintenance primarily to those harbors and waterways that have high volumes of commercial traffic. For small ports and recreational harbors, the budget funds maintenance work where needed to support significant commercial navigation, commercial or subsistence fishing, or public transportation benefits.

Approximately \$1.103 billion is to fund projects and programs supporting navigation for commercial cargo, commercial or subsistence fishing, and public transportation. Within this amount, the budget provides about \$539 million for deep draft harbors (harbors with authorized depths of greater than 14 feet); \$28 million for shallow draft harbors; \$411 million for inland waterways with commercial traffic of more than one billion ton-miles per year; and \$49 million for waterways with less commercial traffic. An additional \$74 million represents joint use costs at multi-purpose projects that are allocated to navigation.

Approximately \$823 million is for projects and programs other than navigation, including flood damage reduction (\$286 million), recreation (\$253 million), natural resources management (\$92 million), hydroelectric power generation (\$153 million), and emergency management (\$40 million, including the \$35 million emergency maintenance reserve).

Regulatory Program

The recent performance assessment of this program concluded that it is moderately effective overall. The budget provides \$150 million, which is a substantial increase over

the FY 2004 enacted amount and reflects our assessment that this program needs additional funding. The activities funded in the budget include permit evaluation, enforcement, oversight of mitigation efforts, administrative appeals, watershed studies, special area management plans, and environmental impact statements.

One of my priorities for the Civil Works program is to improve the effectiveness of aquatic resource protection and the efficiency of permit reviews and decision-making. The budget will enable us to reduce permit evaluation times, improve protection of aquatic resources, and continue wetlands protection through watershed approaches.

Formerly Utilized Sites Remedial Action Program (FUSRAP)

The Formerly Utilized Sites Remedial Action Program (FUSRAP) is an environmental cleanup program for sites contaminated as a result of the Nation's early efforts to develop atomic weapons. Congress transferred the program from the Department of Energy in FY 1998. We are continuing to implement needed cleanups at contaminated sites. This year's budget is \$140 million.

General Expenses

Funding budgeted for the General Expenses program is \$167 million. These funds will be used for executive direction and management activities of the Corps of Engineers headquarters, the Corps division offices, and related support organizations. Within the budgeted amount, \$7 million is to audit the Civil Works financial statements, a function formerly carried out by the Army Audit Agency (AAA) using its own funding. The AAA has done this work in the past, but it is not sufficiently independent of the Corps to conduct this audit under new General Accounting Office auditing standards.

Flood Control and Coastal Emergencies

The Flood Control and Coastal Emergencies account finances response and recovery activities for flood, storm, and hurricane events, as well as preparedness for these natural events and for support to the Federal Emergency Management Agency through the Federal Response Plan.

The recent performance assessment of this program concluded that it is moderately effective overall. Accordingly, the FY 2005 budget includes \$50 million, which is the approximate amount the Corps of Engineers spends on flood and coastal storm emergency preparedness, response, and recovery activities in a typical year. This funding will reduce the likelihood of having to borrow from other accounts or obtain supplemental appropriations.

CONCLUSION

The Army Civil Works budget for FY 2005 will enable us to move ahead with many important investments that will yield enormous returns for the Nation in the future.

Table 1

DEPARTMENT OF THE ARMY
CORPS OF ENGINEERS – CIVIL WORKS
FY 2005 BUDGET

Requested New Appropriations:

General Investigations	90,500,000
Construction	1,421,500,000
Operation and Maintenance	1,926,000,000
Regulatory Program	150,000,000
Flood Control, Mississippi River and Tributaries	270,000,000
General Expenses	167,000,000
Flood Control and Coastal Emergencies	50,000,000
Formerly Utilized Sites Remedial Action Program	<u>140,000,000</u>
TOTAL	4,215,000,000

Sources of New Appropriations:

General Fund	3,303,000,000
Harbor Maintenance Trust Fund	610,000,000
(O&M)	(600,000,000)
(Construction -- Disposal Facilities)	(10,000,000)
Inland Waterways Trust Fund	115,000,000
Special Recreation User Fees	37,000,000
Power Marketing Administration Direct Funding	<u>150,000,000</u>
TOTAL	4,215,000,000

Additional New Resources:

Rivers and Harbors Contributed Funds	287,000,000
Bonneville Power Administration	71,000,000 ^{1/}
Coastal Wetlands Restoration Trust Fund	63,000,000
Permanent Appropriations	<u>16,000,000</u>
TOTAL	437,000,000

Total New Program Funding 4,652,000,000

Proposed Cancellation of Prior-Year Funds (100,000,000)

1/ Beginning in FY 2005, budget authority from BPA is limited to budget authority for joint use costs. Funding for the specific costs of hydropower will be executed in a BPA account and will not count as Corps budget authority. Accordingly, the amount of \$71 million for FY 2005 appears to be a reduction from the total FY 2004 amount of \$143.205 million, but in fact is a slight increase from the corresponding FY 2004 amount of \$69.5 million for joint use costs.