

DEPARTMENT OF THE ARMY CORPS OF ENGINEERS

COMPLETE STATEMENT

OF

**LIEUTENANT GENERAL ROBERT B. FLOWERS CHIEF OF ENGINEERS U. S.
ARMY CORPS OF ENGINEERS**

BEFORE

**THE SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE UNITED STATES
HOUSE OF REPRESENTATIVES**

ON

THE CIVIL WORKS PROGRAM BUDGET FISCAL YEAR 2005

FEBRUARY 26, 2004

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MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE SUBCOMMITTEE:

INTRODUCTION

I am honored to be testifying before your subcommittee today, along with the Acting Assistant Secretary of the Army for Civil Works, the Honorable John Paul Woodley, Jr., on the President's Fiscal Year 2005 (FY05) Budget for the United States Army Corps of Engineers' Civil Works Program.

My statement covers the following 6 topics:

- Summary of FY05 Program Budget,
- Civil Works Construction Backlog,
- Civil Works Program Transformation,
- Need for a More Robust Business Management System, and
- Value of the Civil Works Program to the Nation's Economy
- Value of the Civil Works Program to the Nation's Defense

SUMMARY OF FY05 PROGRAM BUDGET

Introduction

This budget provides new funding for the Civil Works Program, including the Direct and Reimbursed programs, is expected to approach \$5.602 billion.

Direct Program funding, including discretionary and mandatory funding appropriated directly to the Corps, totals \$4.652 billion. Discretionary funding, including amounts ultimately replaced by mandatory funding, totals \$4.215 billion; additional mandatory funding totals \$437 million.

Reimbursed Program funding is projected to be \$950 million.

Direct Program

The proposed budget reflects the Administration's commitment to continued sound development and management of the nation's water and related land resources. It provides for continued efficient operation of the nation's navigation, flood protection, and other water resource management infrastructure, fair regulation of the nation's wetlands, and restoration of the nation's important environmental resources, such as the Florida Everglades.

The budget provides for continued funding of nearly all studies and projects underway, including many started in FY05. It also provides for funding of 4 new studies under the General Investigations (GI) program.

Comment [SMT1]: Is it 4 or 5 new studies?

Reimbursed Program

Through the Interagency and Intergovernmental Support Program we help non-DOD federal agencies, state, and other countries with timely, cost-effective implementation of their programs, while maintaining and enhancing capabilities for execution of our Civil and Military Program missions. These customers rely on our extensive capabilities, experience, and successful track record. The work is principally technical oversight and management of engineering, environmental, and construction contracts performed by private sector firms, and is fully funded by the customers.

Currently, we provide reimbursable support for about 60 other federal agencies and several state and local governments. Total reimbursement for such work in FY05 is projected to be \$950 million. The largest share -- nearly \$250 million -- is expected from the Environmental Protection Agency (EPA) for cleanup of wastes at numerous sites under its Superfund program. 90% of Reimbursed Program funding is provided by other federal agencies.

Staffing

Total staffing for the Civil Works Program for FY05 is 24,800 FTEs, unchanged from FY04. Of the total, 23,700 FTEs are for the Direct Program and 1,100 FTEs are for the Reimbursed Program. Total staffing is allocated 90.6% to districts, 4.9% to laboratories and other separate field operating agencies, 2.7% to division offices, and 1.8% to headquarters.

CIVIL WORKS CONSTRUCTION BACKLOG

In the broadest sense, the "construction backlog" is unfunded work. For the Civil Works Program, it is defined more specifically, as the federal share of unfunded continuing and future construction work at some point in time, e. g., the beginning of some funding period, such as FY05. This definition can be further variously qualified. Such continuing and future work could include, for example, only work that is currently programmed on projects now actively under physical construction, while excluding such work where a project has not yet begun physical construction or where physical construction has been suspended for more than a year.

At the end of FY05, it will cost approximately \$11 billion in non-inflated dollars to complete the construction projects of the Construction, General, Program funded in the FY05 budget, which represents a decrease from last year. The decrease partly reflects a decision to display the backlog in FY05 dollars rather than inflating amounts to future dollars. The decrease is also the result of project completions, as well as the decision not to budget for periodic renourishment of shore protection projects.

As part of a comprehensive strategy to reduce the construction backlog, the FY05 Budget focuses on completing those ongoing construction projects that are consistent with current policies and accelerating work on eight high-priority projects. We believe that narrowing the focus on funding and completing a smaller, more beneficial set of projects will bring higher net benefits to the Nation sooner. We need to be careful that we do not continually start new projects and subsequently stretch out the completion of existing ones. That is why the Budget proposes only three new starts of projects that have a very high benefit-cost ratio.

Maintenance Program

Water and related land resource management facilities of the Civil Works Program are aging. As stewards of this infrastructure, we are challenged to ensure that it continues to provide an appropriate level of service to the nation. Sustaining such service, and the resultant flows of benefits, through proper operation and maintenance projects, is becoming increasingly more expensive as infrastructure ages.

The "Operation and Maintenance (O&M) Program" includes costs funded under the Operation and Maintenance, General, and Mississippi River and Tributaries, Maintenance, appropriation accounts, for the operation, maintenance and security of existing river and harbor, flood and storm damage reduction, aquatic ecosystem restoration, owned and operated by, or on behalf of, the Corps of Engineers, including administrative buildings and facilities and laboratories. Funds are also included for surveys and charting of northern and northwestern lakes and connecting waters, clearing and straightening channels, and removal of obstructions to navigation. Work to be accomplished includes dredging, repair, and operation of structures and other facilities, as authorized in the various River and Harbor, Flood Control, and Water Resources Development Acts. Related activities include aquatic plant control, monitoring of completed coastal projects and, removal of sunken vessels.

The FY05 budget includes \$1.926 billion for the Operation and Maintenance Program. In an effort to improve the efficiency of our investment in operation and maintenance, we are looking closely at how we determine the appropriate level of service and the amount of spending needed to support that level of service. Furthermore, we are searching for ways to reduce costs and thereby accomplish more with available resources.

CIVIL WORKS PROGRAM TRANSFORMATION

Throughout its long and distinguished history, the Civil Works Program has continually changed in response to advances in science, methods, and processes, changing public values and priorities, and laws. For our program to remain a viable contributor to national welfare, we must remain sensitive to such factors, and continue to reorient, rescope, and refocus the program in light of them. To that end, I'm committed to reforming the Civil Works Program to meet the nation's current water and related land resource management needs.

We have been working very hard internally, within the Corps of Engineers, to transform. We are making our processes more open, and more collaborative. We are working to revitalize our planning capabilities, and to become more efficient, more centralized, with one planning center for each of our eight divisions.

We are becoming a team of teams within the organization, focusing on eight regional business centers, which will move efficiently and deliver service to the public and the armed forces.

Let me tell you about some of the major steps we've already taken:

- We are continuing to spread the spirit and the word of the Corps' Environmental Operating Principles - a clear commitment to accomplishing our work in environmentally sustainable ways - with the express purpose of instilling the principles as individual values in all members of the Corps team.
- We are continuing a rigorous training curriculum to improve our planning capability. This will ensure that the best science is applied in project development and that our planners will integrate economics and ecology in developing Corps projects. We're cooperating with major universities and have begun to sponsor graduate education in water resources planning. We've re-instituted our very successful Planning Associates Program, the first class graduated last year.
- Our FY05 Budget for the Research and Development (R&D) Program includes funding to improve economic models. One of our principal efforts will be to focus on economic methods and tools for navigation evaluations designed to address, update, and improve specific models, and to address modeling issues raised by the Corps and others. We need to make substantial modeling advances to support decision making on proposed major investments.
- We have redoubled our efforts to engage federal, state, and local agencies, stakeholders, and the public in meaningful dialogue. We have brought the major resource agencies to the table to assist in decision-making.
- The Corps and ASA(CW) have allocated additional resources to strengthen our internal review capability, and are considering other measures to further improve such capability. With our restructuring under USACE 2012, we have just created an Office of Water Project Review here in Headquarters which effectively doubled the size of our policy compliance review staff. The goal is to have our economists, plan formulation specialists, and environmental reviewers focus on early involvement in study development to assure compliance with established policy as projects are being developed. This group is equipped to additionally oversee administration of external independent review on controversial and complex projects through contracts with outside experts. Over the past year, we have also developed a series of policy compliance checklists to assist District and Division Commanders in the early identification and resolution of issues. I am committed to working with field commanders in providing training, lessons learned and other tools to strengthen the policy compliance quality control/quality assurance process.

- We are making good progress on developing a new Civil Works Strategic Plan that emphasizes the sustainable development, management and protection of our Nation's water and related land resources.
- We have established 5 national planning centers of expertise staffed with engineers and scientists --- a step that is essential for successfully addressing the issues that increasingly arise in planning a water resources project, especially those that are costly, complex, or controversial, or which otherwise require very specialized planning work.

We're committed to change that leads to open and transparent modernization of the Civil Works Program for the 21st Century. To this end, we're committed to continuing the dialogue with you and the Corps Reform Network Steering Committee. Additionally, I have issued communication principles to ensure open, effective, and timely two-way communication with the entire community of water resources interests. We know well that we must continue to listen and communicate effectively in order to remain relevant.

NEED FOR A MORE ROBUST BUSINESS MANAGEMENT SYSTEM

Introduction

We have a reputation as the world's premier public engineering organization, which we aim to keep. Our challenge, to this end, is to "stay at the leading edge" in service to the Army, federal government, and nation. The degree to which we will succeed will depend largely upon improved business operations. To enable providing service of highest relevance, we must improve our operations for more expeditious and productive performance. In recognition of this, I have been engaged, throughout my tenure as Chief, in an effort, initiated by my predecessor, to reengineer the organizations and business operations of the Corps of Engineers Civil Works and Military Programs. In that effort we have selected the project management way of doing business, or "modus operandi," as the basis for developing a business management system and attendant organizations and operations. Accordingly, we have come to call our effort the Project Management Business Process (PMBP) Initiative.

Project Management Business Process Initiative

Rationale for Selection

Our philosophy is that everything we do is a project, and every employee is a member of some one or more project teams. Selection of the project management modus operandi as the basis for developing a business management system is consistent with this philosophy. Furthermore, the Corps has used project management principles and methods in accomplishment of much of its business throughout its existence, providing seamless, flexible, efficient, and effective service for its customers. Applying this highly successful model to all of our business was eminently logical.

Purpose

In order that our 41 districts, 8 laboratories, 2 centers, and 8 divisions to work together as one United States Army Corps of Engineers (USACE), we established common business practices that transcend organizational and geographic boundaries. Accordingly, the purpose of our PMBP Initiative is to develop, implement, and sustain a set of modern, standardized business processes, based on industry's best business practices, and an automated information system (AIS) to facilitate use of the PMBP throughout USACE. In short we call our Project Management AIS "P2".

Implementation

The PMBP Initiative focuses on the business relationships between and among people, including customers and stakeholders; process, and communication. To create and sustain the PMBP we must examine and define, to the PMBP system, how we do our work. In the process, we are transforming ourselves into a customer-focused, team-based, learning organization. Implementation of PMBP will be accomplished in four steps, described below, under the aegis of subject matter experts from all functions and echelons of the Corps.

Business Process Manual

The PMBP Manual provides guidance for achieving our policy and doctrine. It establishes standard business processes for Corps-wide application that: ensure consistency in program and project execution,

- focus on meeting customer expectations,
- set parameters for means to measure progress across the entire organization, and
- enhance our ability to function both regionally and virtually with efficient management of diverse resources.

These standard business processes are used to accomplish project delivery and provide services. They enable sharing workforce resources throughout the Corps to complete projects. If a project delivery team needs someone with a particular skill to accomplish work on its project, it can borrow service of whomever may be available with that skill in any Corps office. The processes enable effective management of projects in all lines of business in our Civil Works and Military Programs. The processes are open for continuous improvement, giving all team members opportunity to change them for the better. This will lead to addressment of concerns of project managers, technical experts, and customers to assure improvements in quality, project performance, and customer satisfaction.

Automated Information System "P2"

Management of projects in accordance with the PMBP will be facilitated through use of "P2" - an automated information system. This system, expanding upon and replacing PROMIS, will be used by the Corps team for project delivery in all lines of work. It comprises commercial-off-the-shelf (COTS) software configured with templates of our standard business processes to assist project delivery teams in managing their projects. The manufactures of this software - Oracle, Primavera, and Project Partners - are assisting the Corps in configuring the software to provide the templates.

P2 software employs state-of-the-art technology embracing program and project management best-practices and enabling compliance to our PMBP Business Manual. P2 will become the principal tool of Corps project and technical managers in collecting, manipulating and storing program and project data. P2 provides a single source of all project-related information for all programs and projects managed by field commands, and will interface with other modernized systems to assure single-source data entry. P2 will enable streamlined project and resource management, affording wider availability and Web interfaces. And, finally, because of lower costs to maintain and upgrade COTS software in future years, P2 will be more cost-effective than PROMIS.

PMBP Training

We have developed a training curriculum to promote PBBP as our new way of conducting business within the Corps and to guide individuals and organizations in the progressive development of skills for using PMBP. The curriculum promotes cultural change through individual self-paced compact-disk courses followed by small group discussions on the courses. Each individual covers the material and shares his/her interpretation with others in facilitated small group discussions. This process promotes common understanding of PMBP, its purpose, the roles of individuals, and the means to develop projects through teamwork.

Summary

In summary, the PMBP is being implemented Corps-wide to manage all Corps projects more efficiently and effectively. Supporting policy and doctrine, definitions of our business processes, and curriculum are in now in place Corps-wide. We are currently in the process of deploying P2 throughout the Corps. P2 is scheduled to be fully deployed during June of this year. Once fully deployed, the PMBP system will greatly enhance our ability to better support the Army, other federal agencies, and the nation.

VALUE OF THE CIVIL WORKS PROGRAM TO THE NATION'S ECONOMY

The National Welfare

Water resources management infrastructure has improved the quality of our citizens' lives and supported the economic growth and development of this country. Our systems for navigation, flood and storm damage reduction projects, and efforts to restore aquatic ecosystems contribute to our national welfare. The stream of net benefits, realized as reduced transportation costs, avoided flood and storm damages, and improvements in environmental value can be considerable.

Research and Development

Civil Works Program research and development provides the nation with innovative engineering products, some of which can have applications in both civil and military infrastructure spheres. By creating products that improve the efficiency and competitiveness of the nation's engineering and construction industry and providing more cost-effective ways to operate and maintain infrastructure, Civil Works Program research and development contributes to the national economy.

VALUE OF THE CIVIL WORKS PROGRAM TO THE NATION'S DEFENSE

The National Defense

The Civil Works Program is a valuable asset in support of the National Security Strategy in that it provides a way to maintain a trained engineering workforce, with world-class expertise, capable of responding to a variety of situations across the spectrum of national defenses. This force is familiar with the Army culture and responsive to the chain of command. Skills developed in managing large water and land resource management projects transfer to most tactical engineering-related operations. As a byproduct, Army Engineer officers assigned to the Civil Works Program receive valuable training, in contracting and managing large projects.

The Corps of Engineers continues to contribute to the ongoing war on terrorism, as our civil works experience proves invaluable in restoring and rebuilding Iraqi and Afghanistan infrastructure. To date, over 1,000 Corps soldiers and civilians have volunteered to serve in Iraq, sharing their technical knowledge and expertise along with their project management skills and experience with Iraqi Engineers and other professionals. Corps employees have also served in other Central Command areas of operations providing a wide range of services and support to the CENTCOM commander's efforts.

Comment [SMT2]: HOW MANY CIVILIANS? Break out civilian and military #s separately.

In Iraq, we have been deeply involved in the restoration of the Iraqi Oil industry. Our involvement has helped ensure that more than 268 Million Barrels of crude oil have been exported, resulting in more than seven billion dollars being returned to the Iraqi economy. This income is forming the basis of the emerging national economy in Iraq, with much of the profit being reinvested in restoring Iraqi infrastructure. We are also

assisting in the procurement of refined oil products in Iraq, which are essential to every day life in Iraq.

The Corps is proud to have worked closely with the Coalition Provisional Authority, U.S. Agency for International Development, and the Iraqi Governing Council in restoring reliable electricity throughout Iraq. When it became obvious that years of neglect and sabotage had brought the Iraqi electrical power production and transmission to near collapse, the Corps, working with the CPA and USAID exercised its time-proven civil emergency response capabilities and provided a much-needed boost to electricity delivery across Iraq. We continue to assist the CPA and USAID in electrical power production and distribution, and today, the average Iraqi has greater access to electricity than he had before the war. No longer is access to electricity a measure of loyalty to the Iraqi regime.

The Corps is also playing a major role in securing and making safe the more 600,000 tons of former regime munitions spread cross Iraq through our Captured Enemy Ammunition mission. As of February 10, 350,000 tons of captured enemy ammunition had been secured and protected from the hands of saboteurs and terrorists. Another 43,00 tons has been destroyed. This mission is vital to the safety of our soldiers, coalition partners, and innocent citizens of Iraq, as it helps deny terrorists access to raw materials they need to make weapons and explosives.

We are also contributing to the continuous improvement of the safety and quality of life for soldiers, sailors, airmen and marines in both Iraq and Afghanistan as we continue to construct and upgrade their living and working areas. In Afghanistan, we are also working with the USAID and the Ministry of Transportation as they restore the infrastructure necessary for a prosperous Nation.

Homeland Security

In addition to playing an important role in supporting the war on global terrorism. We are providing security for critical physical infrastructure, throughout the nation, including components of transportation, water, and power systems vital to our Nation's welfare. The Corps is also a key member of the Federal Response Plan team with proven experience in support of disaster response.

The Civil Works Program has completed over 300 security reviews and assessments of our inventory of locks, dams, hydropower projects and other facilities. We have improved our security engineering capability and prioritized infrastructure and are currently implementing recommended features at the highest priority security improvement projects.

For FY05, \$84 million is targeted for security enhancements at key Corps facilities. Facility security systems can include cameras, lighting, fencing, structure hardening, and access control devices designed to improve detection and delay at each facility

CONCLUSION

Under both our Civil Works and Military Programs, we are committed to staying at the leading edge in service to the nation. In support of that, we are working with others to transform our Civil Works Program. We're committed to change that leads to open and transparent modernization of the Civil Works Program for the 21st Century. We also are strengthening our business management capability for best performance of both programs Corp-wide.

Thank you, Mr. Chairman and Members of the Committee. This concludes my statement.