

CORPS OF ENGINEERS—CIVIL WORKS

Since 2001, the Administration:

- Completed 64 civil works construction projects;
- Focused the Corps construction program on building projects with the highest economic and environmental return;
- Helped protect the Nation's environment by encouraging developers to avoid development on 25,000 acres of wetlands; and
- Led efforts to prioritize resources for the completion of ongoing construction projects before starting new ones.

The President's Budget:

- Completes an additional 16 construction projects in 2007, with an average return of \$9.57 per dollar invested;
- Initiates a comprehensive inventory and risk assessment of the Nation's flood and storm damage reduction projects;
- Invests in maintenance of key locks and dams on the Nation's busiest inland waterways; and
- Supports improvements in the Corps emergency management program that build upon lessons learned from Hurricane Katrina.

FOCUSING ON THE NATION'S PRIORITIES

Katrina Response and Recovery: Emergency Management in Action

The 2007 Budget reflects the Administration's robust support for the Corps emergency management program and its ongoing contribution to the Gulf Coast recovery effort. The Administration will continue to work with the Congress to fund and complete vital improvements to the New Orleans levee system, which will help provide protection for New Orleans that is better and stronger than ever before. In addition to emergency preparedness, response, and recovery work performed under its own authority, the Corps responds to national emergencies, such as Hurricane Katrina, as part of the larger, Federal response team led by the Federal Emergency Management Agency (FEMA). As part of the coordinated Federal response to Hurricane Katrina in 2005, the Corps



Planning for Emergencies Now Pays Off Later. The Budget supports critical training and preparedness activities so the Corps can respond quickly and effectively to emergencies, such as Hurricane Katrina. Ensuring a rapid, effective, and efficient response to future events requires budgeting for preparedness, response and recovery activities now.

mobilized over 2,500 of its employees to meet the critical needs of hurricane victims quickly and effectively. A response of that magnitude is a major logistical challenge, and the Corps emergency operations team met that challenge. As of January 2006, the Corps had:

- Delivered 232 million pounds of ice and 112 million gallons of drinking water to hurricane victims;
- Removed 34 million cubic yards of debris from affected areas; and
- Placed 189 thousand temporary roofs for residents of damaged homes.

The Budget takes steps to improve upon the successes of both the Corps' direct emergency response program and its support to FEMA's Federal response team, building upon several lessons learned from the 2005 hurricane season. First, the Budget provides funding to improve the Corps' overall logistics capability so that its emergency operations teams will be prepared for a broader array of post-disaster logistical challenges, including commodities distribution and tracking, and response team mobilization and integration.

Second, the Budget continues the Administration's policy of ensuring an effective response to future emergencies through responsible funding and planning now. In recent years, the Corps has often not received funding for emergency management in regular annual appropriations, and instead has had to rely upon support from emergency transfers or supplemental funding. The 2007 Budget supports a more proactive approach to emergency management by funding the Corps' planning, preparedness, response and recovery activities through the regular budget process.

Third, the Budget provides \$20 million for three key efforts that will help ensure that Americans can make more informed decisions on building homes, locating businesses, and purchasing flood insurance based upon the actual risk of flood and storm damages where they live. The Corps will: (1) inventory the Nation's levees and other flood and storm damage reduction projects, including those built or maintained by State, local, or private entities; (2) develop a risk assessment tool for

evaluating the structural and operational integrity of these identified projects; and (3) create a national flood and storm project database that identifies project location, actual level of protection, maintenance condition, and the parties responsible for project maintenance. The Corps will coordinate these efforts with FEMA's Map Modernization Program to enhance the accuracy of that ongoing floodplain mapping effort. This collaboration builds upon two Corps pilot projects now underway to better integrate Federal and non-Federal floodplain management programs and policies.

Maintaining Key Inland Navigation Infrastructure



The Budget gives priority to the maintenance of infrastructure on the Nation's most important inland waterways.

The 2007 Budget increases funding to properly maintain locks and dams on the Nation's three busiest inland waterways—the Ohio River, the Mississippi River, and the Illinois Waterway. Since the 1960s, the Federal Government has invested heavily in the maintenance and rehabilitation of these major transportation arteries, which support substantial movements of agricultural products, energy-related materials, and other bulk commodities and handle the vast majority of all inland waterway traffic. The Corps is giving priority to the continued maintenance and rehabilitation of the locks and dams on these key waterways.

For example, a series of rehabilitation projects at locks and dams 24 and 25 on the Upper Mississippi River over the past 10 years has contributed to improved performance by reducing the incidence of malfunctioning and breakdowns. These investments reduce the likelihood that barges will encounter unexpected, protracted delays. The Corps periodically evaluates the condition of all of the lock and dam sites on the Upper Mississippi River and the Illinois Waterway, and has concluded that the existing locks can continue to process tows safely and reliably for the next 50 years or more, as long as we continue to invest prudently in their maintenance and rehabilitation. The Budget furthers this objective by funding four rehabilitation projects and boosting spending for maintenance.

Helping to Restore Nationally Significant Aquatic Ecosystems

The 2007 Budget includes a focus on the restoration of three important aquatic ecosystems: Coastal Louisiana, the Upper Mississippi River, and Everglades/South Florida.

Coastal Louisiana. The wetlands of coastal Louisiana support many plant and animal species, but are subject to continuing pressures as a result of human intervention and natural causes. The 1990 Coastal Wetlands Planning, Protection and Restoration Act took steps to address this ecological challenge. The Administration seeks to build upon the 1990 Act by supporting generic authorizing legislation to address the most critical ecological needs over the next 10 years, with the understanding that significant additional work will be needed in subsequent years. These wetlands also provide a natural buffer that can lessen the impacts of some storms, and are in fact an important part of the overall storm damage reduction system for coastal communities, such as New Orleans. The Budget includes \$25 million for studies, design work, and a science program to lay the groundwork for this effort, a \$4 million (19-percent) increase over the 2006 level of funding.

FOCUSING ON THE NATION'S PRIORITIES—Continued

Upper Mississippi River. Through the Upper Mississippi System Environmental Management Program, the Corps is helping to revitalize the side channels of the Upper Mississippi, where habitat has been damaged by the construction and operation of the existing navigation system. The Budget includes the funding needed to continue critical baseline environmental data collection and related analysis, while making further progress on the ongoing projects. A Corps report has recommended a major expansion of the Federal commitment to restore this ecosystem. The Budget includes \$3 million for a focused 10-year plan—modeled after the one recently developed for Coastal Louisiana—that will establish near-term priorities for this program.

Everglades/South Florida. The Corps budget includes \$164 million for activities that will benefit the ecosystem of South Florida, including the Everglades, while supporting future population growth. In 2007, the Corps will begin construction of one or more bridges along the Tamiami Trail (U.S. Highway 41), allowing more water to enter Everglades National Park. Work on seepage control north and south of Tamiami Trail, the Kissimmee River, and aquifer storage and recovery pilot projects will be a priority. The Corps will also work with the non-Federal sponsor to develop a full range of options to: (1) optimize management of the waters in and around Lake Okeechobee over time, based on the expected net environmental and net economic returns; and (2) develop a full range of options for improving water flows through the Central Everglades, both in the Water Conservation Areas and in Everglades National Park.

Strengthening the Regulatory Program for Wetlands

The Budget provides \$173 million for the Corps regulatory program, a \$15 million (9-percent) increase over the 2006 funding level. The program helps to preserve and protect the Nation's wetlands. The Corps evaluates permit applications submitted by developers of roads and real estate and others whose activities will affect wetlands. It requires developers to avoid, minimize, and mitigate any wetland damage. Increased funding for the program will allow the Corps to improve permit processing, increase compliance by permit recipients with the terms of their permits, and upgrade the ability of the Corps to assess and review wetland-related projects using a broadly focused watershed approach rather than a narrower and less effective site-by-site approach. The funding increase will also allow the Corps to work with local officials to identify environmentally sensitive areas in advance of development and to work with the Environmental Protection Agency to upgrade the database both agencies use to track and coordinate wetland-related data.



Restoring the Mississippi Flyway. The Upper Mississippi River, the Illinois Waterway, and their floodplains support one of the principal flyways for migratory birds in North America. The area includes 285,000 acres of National Wildlife Refuge and is home to nearly 500 species of fish, amphibians, reptiles, birds, and mammals, 10 of which are listed as endangered or threatened.

RESTRAINING SPENDING AND MANAGING FOR RESULTS

Setting Priorities for the Construction Program

The 2007 Budget provides strong support for the Corps construction program with a sharpened focus on completing more projects sooner, building the best projects faster, and ensuring that taxpayer dollars are spent on projects with the greatest return on the investment, based on objective performance criteria. The Budget again proposes to use performance guidelines to guide the development of the Corps construction budget and establish a clear, performance-based framework for selecting the most worthy construction investments. This approach mimics the decision-making of businesses and individuals who seek the greatest return from the investment of their own resources. The Budget supports a major change to the guidelines proposed in the 2006 Budget to ensure funding for flood and storm damage reduction projects that address a significant, ongoing risk to human safety.

One of the lessons learned from Hurricane Katrina is the importance of setting spending priorities to meet the water resources needs that are most compelling from a national perspective. To that end, the budget for construction focuses funding on six national priorities and other high-ranking projects within the Corps main mission areas.

| Priority Construction Projects | 2007 Budget Authority (in millions of dollars) | Project Purpose |
|--|--|----------------------------------|
| Sims Bayou, Houston (TX)..... | 22 | Flood Damage Reduction |
| New York/New Jersey Harbor (NY, NJ)..... | 90 | Commercial Navigation |
| Olmsted Locks and Dam, Ohio River (IL, KY)..... | 110 | Commercial Navigation |
| Oakland Harbor (CA)..... | 44 | Commercial Navigation |
| Upper Mississippi River System Environmental Management Program (IL,IA,MN,MO,WI) | 27 | Commercial Navigation/Mitigation |
| Everglades/South Florida Ecosystem Restoration (FL) .. | 164 | Aquatic Ecosystem Restoration |

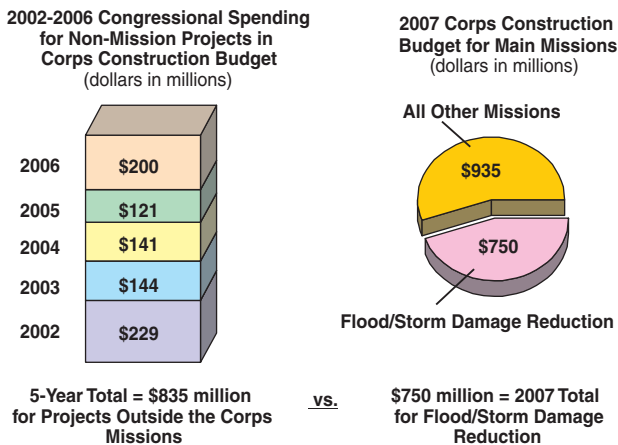
Two other efforts are also national priorities—the work now underway in the Columbia River and Missouri River basins to benefit listed species. The Budget funds these efforts under the operation and maintenance program. The Budget does not include additional funding for the flood damage reduction project in the West Bank and Vicinity, Louisiana, because sufficient funds to complete that project were provided in 2006.

Staying on Mission

In any given year, there are about 300 new or ongoing construction projects that compete for limited available resources in the Corps construction budget. Not all of these projects, however, are appropriate investments. For example, many projects fall outside the Corps main missions—commercial navigation, flood and storm damage reduction, and aquatic ecosystem restoration. Other projects have not completed the necessary policy review within the Executive Branch or, as a result of such review, have raised serious policy concerns.

RESTRAINING SPENDING AND MANAGING FOR RESULTS—Continued

Staying and Spending on Mission Matters



In response to an Administration proposal last year, the Congress took an important step and placed limits on the Corps’ use of continuing contracts. The 2007 Budget builds upon this successful effort by improving and reproposing performance guidelines for the Corps construction program. The guidelines continue to focus on projects that are within the Corps mission areas and have completed rigorous policy review. Projects are then ranked within each mission area by their estimated economic or environmental return. Projects with economic outcomes are ranked by the ratio of their remaining economic benefits to the remaining costs. Environmental projects are given priority if they involve restoration of

a nationally or regionally significant aquatic ecosystem that has become degraded as a result of a Corps project or, if the Corps is otherwise uniquely suited to undertake the restoration. Flood and storm damage reduction projects that address significant risk to human safety also receive priority. The highest-ranking projects in each mission area will receive at least 80 percent of the maximum amount the Corps can efficiently spend, and the lowest-ranking projects will be considered for deferral. Setting priorities and adhering to objective performance criteria will help ensure that the construction program produces the best value for the American taxpayer. The Administration will continue to work with the Congress to achieve this worthy goal.

Authorizing New Ways to Support Recreation at Corps Lakes and Reservoirs

The Corps manages 4,300 recreation areas at 465 Corps projects (mostly lakes and reservoirs) in 43 States. Millions of people each year enjoy the marinas, camping areas, and conference centers that line Corps lakes. The Corps spends about \$267 million each year to support this popular program. To help finance upgrades to recreation facilities at Corps lakes, the Administration repropose a recreation modernization (RecMod) initiative that would improve these facilities and increase program quality through additional fees (e.g., entrance fees, which are not now authorized), leasing arrangements, and public/private partnerships. The RecMod initiative would provide better service to all visitors at less cost to taxpayers. The initiative would be implemented in a collaborative manner that draws on local leadership and protects environmental values, similar to the approach taken in the President’s cooperative conservation efforts.

Budgeting for Operation and Maintenance

The Budget supports development of risk-based facility condition indices to enable strategic, objective investment decisions on the maintenance of the Corps’ aging infrastructure. The Corps will use these analytic tools to standardize decision-making across its divisions and districts and to help set priorities for maintenance spending. In addition, to improve accountability and oversight, reflect the full cost of operating and maintaining existing projects, and support an integrated investment strategy, the Budget transfers the following activities from the construction program to the operation and maintenance program:

- Rehabilitation of navigation and hydropower infrastructure, where the extent of the work is not large enough to be considered a replacement;
- Endangered Species Act compliance, where the Corps is implementing a reasonable and prudent alternative set forth in a biological opinion in order to be able to continue operating an existing project without jeopardizing the existence of listed species;
- Construction of facilities, projects or features (including islands and wetlands) to use materials dredged during navigation maintenance; and
- Mitigation of impacts on shorelines from navigation maintenance activities.

Assessing Corps Program Performance and Management

The Corps worked with the Office of Management and Budget to assess two programs this year using the Program Assessment Rating Tool (PART). These assessments yielded a set of findings and follow-up actions for improving the performance and management of each program. For example, an assessment was completed for the Corps environmental stewardship program, which involves management of 12 million acres of land and water nationwide (equal in size

Innovations in Management: Improving the Quality of Water Resource Project Review











In March 2005, the Corps established a Civil Works Review Board to serve as a corporate checkpoint for reviewing the quality of the recommendations that Corps field offices make regarding future Federal water resource projects. The Board, chaired by the Deputy Commanding General of the Corps of Engineers, will allow for improved quality control in project formulation and a more integrated and collaborative project review process.

to the States of Vermont and New Hampshire combined). The assessment found that the natural resource inventories and management plans for these properties are in many cases incomplete or out of date. In response to this finding, the Corps will complete and update these inventories and plans to ensure Corps environmental assets are managed in a more responsible way. An assessment was also completed for the Corps program tasked with cleaning up sites contaminated as a result of the Nation's early efforts—mostly under the Manhattan Project—to develop atomic weapons. The assessment found that many stakeholders at individual clean-up sites have significantly differing views on the purpose and goals of this program. In response, the Corps will work with local community leaders and other stakeholders to better document and clarify agreements on the program's goals and commitments at the 22 sites scheduled for clean-up.



RESTRAINING SPENDING AND MANAGING FOR RESULTS—Continued

Update on the President’s Management Agenda

The table below provides an update on the Corps’ implementation of the President’s Management Agenda as of December 31, 2005.

| | Human Capital | Competitive Sourcing | Financial Performance | E-Government | Budget and Performance Integration |
|-----------------|---|---|---|---|---|
| Status |  |  |  |  |  |
| Progress |  |  |  |  |  |

The Corps continued to refine improvements to its 2012 Reorganization Plan while deploying over 2,500 employees to areas affected by Hurricanes Katrina, Rita, Ophelia, and Wilma. The Corps is aggressively working to ensure the security of its information technology systems and expects all systems to be secure and fully accredited by the end of 2006. The Corps is taking advantage of competitive sourcing to lower costs and improve the performance of information technology, finance, and public works activities. The Corps is working diligently to address and resolve problems identified in past financial audits, which it must do to lay the groundwork for a future audit. To advance Budget and Performance Integration, the Corps has completed assessments of two additional programs this year using the PART: the Environmental Stewardship program and the Formerly Utilized Sites Remedial Action Program.

| Initiative | Status | Progress |
|--------------------------------|---|---|
| Real Property Asset Management |  |  |

The Corps is completing its real property inventory, asset management plan and performance measures, as called for by the Federal Real Property Council. These efforts are expected to be completed by mid-2006.

Corps of Engineers—Civil Works
(In millions of dollars)

| | 2005 Actual | Estimate | |
|--|----------------|----------|-------|
| | | 2006 | 2007 |
| Spending | | | |
| Discretionary Budget Authority: | | | |
| Construction ¹ | 1,755 | 2,348 | 1,555 |
| Operation and Maintenance ¹ | 1,944 | 1,970 | 2,258 |
| Flood Control, Mississippi River and Tributaries | 298 | 396 | 278 |
| Flood Control and Coastal Emergencies | 59 | — | 81 |
| Investigations | 144 | 162 | 94 |
| Regulatory Program | 144 | 158 | 173 |
| Formerly Utilized Sites Remedial Action Program | 164 | 139 | 130 |
| Expenses | 166 | 152 | 164 |
| Office of Assistant Secretary (Civil Works) | 4 | 4 | — |
| Total, Discretionary budget authority | 4,678 | 5,329 | 4,733 |
| <i>Memorandum: Budget authority from enacted supplementals</i> | 772 | 2,900 | — |
| Total, Discretionary outlays | 4,885 | 7,380 | 5,843 |
| Mandatory Outlays: | | | |
| Existing law | – 119 | 33 | 45 |
| Legislative proposal, Recreation Program User Fee | — | — | – 9 |
| Total, Mandatory outlays | – 119 | 33 | 36 |
| Total, Outlays | 4,766 | 7,413 | 5,879 |

¹ The 2007 Budget reflects a transfer of certain activities from the construction program to the operation and maintenance program.