

CORPS OF ENGINEERS—CIVIL WORKS

AT A GLANCE:

2006 Discretionary Budget Authority: \$4.3 billion
(Decrease from 2005: 7 percent)

Major Programs:

- Commercial navigation
- Flood and storm damage reduction
- Aquatic ecosystem restoration



MEETING PRESIDENTIAL GOALS

Making Government More Effective

- Establishing clear, performance-based guidelines for allocating funds among construction projects in order to increase the net economic and environmental return of the Army Corps of Engineers' (Corps) construction program.

Agency-specific Goals

- Prioritizing construction funding for projects with the highest net economic and environmental return.
- Reducing the large backlog of construction work, by providing \$114 million in the Budget to complete 20 projects by the end of 2006, yielding an average return of \$6.64 per dollar invested.
- Using innovative means to strengthen partnerships with local stakeholders to improve the quality of Corps recreation services through a Recreation Modernization Initiative.
- Restoring aquatic ecosystems, with an emphasis on the Florida Everglades, the Louisiana coastal area, and the Upper Mississippi River; and assisting recovery efforts for endangered and threatened fish and wildlife on the Columbia and Missouri Rivers.
- Protecting the Nation's waters and wetlands.

MAKING GOVERNMENT MORE EFFECTIVE

A Performance Budgeting Initiative for Construction

The 2006 Budget proposes an initiative that improves the performance of the Corps construction program. The initiative establishes objective, performance-based guidelines for developing the Corps construction budget, which will maximize the overall net economic and environmental return from the construction program. These funding guidelines are based on sound financial management principles similar to those used by private industry to rank and select investments. The initiative would improve the program's overall performance and benefit to the Nation by redirecting funds from low-performing to high-performing construction projects.

The 2006 Budget provides \$1.4 billion for the Corps construction program, with an additional \$0.2 billion available for the highest performing projects contingent upon congressional adoption of this initiative. The President's Budget directs resources to construction projects based on guidelines summarized below.

The Performance Budgeting Initiative: Guidelines for Making Better, Smarter Construction Investments

1. *Budgeting by mission area.* Projects compete for funding in each of the Corps' three main mission areas: commercial navigation, flood and storm damage reduction, and aquatic ecosystem restoration.
2. *Performance-based project rankings.* Projects are ranked based on objective performance criteria.
 - In all mission areas except aquatic ecosystem restoration, projects are ranked based on their remaining benefits, relative to their remaining costs.
 - Aquatic ecosystem restoration projects are ranked based on the extent to which they use resources effectively to address a significant regional or national ecological problem.
3. *Performance-based funding allocations.* The performance rankings will determine what level of funding projects will receive. Projects ranking at, or near, the top will be funded at very high levels, while low-performing projects will receive reduced funding levels, and in some cases, may be suspended.
 - Highest ranking projects will receive at least 80 percent of the amount that the Corps can efficiently spend.
 - Low-ranking projects that do not meet baseline performance thresholds will be considered for deferral.
4. *Limitations on multiyear contracts.* The Budget proposes appropriations language to repeal the Corps' continuing contract authorities. The proposal will reduce out-year funding commitments, while allowing the Corps to issue multiyear contracts where appropriate.

Reducing the Construction Backlog. Between 2000 and 2005, funding for the Corps construction program increased by 30 percent in nominal terms. Much of this increase was for work on projects with relatively low benefits or outside of the Corps' three main mission areas: 1) facilitating commercial navigation; 2) reducing damages caused by floods and storms; and 3) restoring aquatic ecosystems. During the same period, the Corps construction workload grew at an unmanageable rate and more projects faced construction delays, as additional projects were authorized without funding for timely completion. This growth trend has resulted in a \$50 billion cost to complete authorized

projects, of which only \$15 billion is for projects that are both within the Corps' main mission areas and meet current economic and environmental performance standards. Funding new projects further stresses the Corps' workload as these projects inevitably compete for funding with ongoing projects that offer much greater benefits, relative to their costs. As a result, some projects cost more than they need to, and most projects are completed many months—and sometimes years—later than they could.

The Administration's performance budgeting initiative will reduce the construction backlog over time by placing a higher priority on completing high-return projects and limiting the start of new projects to the highest performing projects that are consistent with long-term fiscal management goals. In addition, the Administration's principles for improving program performance, which were in the President's 2004 Budget, will contribute significantly to achieving this objective. Those principles emphasize the need for using sound economic analysis in the formulation and design of proposed projects, funding only those new projects that have a very high net economic and environmental return and developing a process for de-authorizing projects that are inactive, have low return, or fall outside the Corps' mission areas.

Priority Funding for High-Ranking National Projects. Based upon the performance rankings within each mission area, the Budget focuses funding on the highest-performing projects, including nine projects that are national priorities.

Priority Projects	2006 Budget Authority (in millions of dollars)	Project Purpose
Sims Bayou, Houston (TX).....	18	Flood Damage Reduction
West Bank, New Orleans (LA).....	28	Flood/Storm Damage Reduction
New York/New Jersey Harbor (NY, NJ).....	101	Commercial Navigation
Oakland Harbor (CA).....	48	Commercial Navigation
Olmsted Locks and Dam, Ohio River (IL, KY).....	90	Commercial Navigation
Missouri River Fish and Wildlife Recovery (IA, NE, KS, MO) .	83	Hydropower, Flood Damage Reduction, Commercial Navigation/Mitigation
Upper Mississippi River Restoration (IL, IA, MN, MO, WI).....	34	Commercial Navigation/Mitigation
Columbia River Fish Recovery (OR, WA, ID).....	102	Hydropower, Commercial Navigation/ Mitigation
Everglades (FL).....	137	Aquatic Ecosystem Restoration

A Five-Year Plan for Corps Investments

The Corps is developing a comprehensive five-year budget plan for future spending that meets the goals set by the Administration's performance budgeting initiative. This effort will encourage greater fiscal discipline by requiring current budget decisions to be made in light of their long-term funding implications. It also will establish an important link between Corps spending projections and the agency's annual and long-term performance targets. The plan will include a summary of projected civil works funding by both appropriation and program area, disaggregated to the individual project level.











MAKING GOVERNMENT MORE EFFECTIVE—Continued

Program Performance



Several Corps programs were assessed this year using the Program Assessment Rating Tool (PART). The PART analyses helped shape the Budget by reviewing the programs’ design, purpose, and strategic planning efforts; how well they are managed; and whether they are generating positive returns for taxpayers. The PART analysis of the storm damage reduction program, for example, concluded that the Budget should continue to limit funding for long-term beach re-nourishment, and the Corps should better coordinate its beach nourishment activities with Federal, State and local plans for hazard mitigation, to reduce overall storm damages more cost-effectively. In addition, the reassessment of the Corps hydropower program concluded that in response to deficiencies cited in the initial PART, the Corps has since developed an overall asset management plan for plant and program managers to use in making risk-based hydropower investment decisions and setting regional and national hydropower investment priorities.

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, 2004.

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

The Corps is assessing implementation of its 2012 Reorganization Plan to determine whether organizational changes are achieving intended results. The Corps also developed a leadership guide to focus leadership training and development efforts. The Corps has ensured the security of 87 percent of its Information Technology (IT) systems and expects to be fully accredited by 2005. The Corps has two ongoing competitions for IT and Facilities Management and has completed plans for three more. To address problems identified in its financial audit, the Corps is aggressively working to correct past audit deficiencies. To advance Budget and Performance Integration, the Corps revised the Civil Works strategic plan and is using performance measurement to guide budget and management decisions, such as in the wetlands permitting program.

Initiative	Status	Progress
Real Property Asset Management		

The Corps has completed its initial assessment of its Real Estate Management Systems and has made important progress in developing its real property inventory analysis and asset management plan.

AGENCY-SPECIFIC GOALS

Facilitating Commercial Navigation

The Corps manages nearly 11,000 miles of commercial waterways and about 300 ports and harbors, typically through lock and dam operations and dredging. In allocating operation and maintenance funds, priority is given to maintaining key infrastructure, which yields the highest economic returns. The average return on investment from completing the construction of ongoing commercial navigation projects included in the 2006 Budget is 6.4 to one.

Ports and Harbors. The Budget provides \$921 million for ports and harbors, including \$588 million for maintaining existing channels and \$260 million for continuing construction. The Budget also includes funding for high-return harbor deepening projects, such as New York/New Jersey Harbor and Oakland Harbor.

Inland Waterways. The Budget provides \$932 million for inland waterway navigation, including \$369 million to continue progress on high performing inland projects such as Olmsted Locks and Dam, Illinois and Kentucky; Marmet Lock, West Virginia; and McAlpine Locks and Dam, Illinois and Kentucky.



The Port of Oakland in California is a priority navigation project in the 2006 Budget.

Flood and Storm Damage Reduction

Flood Damage Reduction. The 2006 Budget provides \$390 million to continue construction on highly cost-effective flood damage reduction projects, such as Sims Bayou, Texas and West Bank, Louisiana. Upon completion, both ownership and maintenance responsibility for such projects will be turned over to local sponsors. In addition, the Budget proposes a new flood damage reduction project in Washington, D.C., for which the estimated benefits are 4.1 times greater than the costs.

Storm Damage Reduction. The Budget also provides \$54 million to continue progress on beach nourishment projects based on the degree to which they will reduce storm damage. Similar to the President's 2005 proposal, the Budget funds the initial construction phase of those projects, while local sponsors will have the responsibility for financing long-term follow-up re-nourishment. The Budget includes \$14 million for beach nourishment and re-nourishment to mitigate the impacts of Federal navigation projects.

Aquatic Ecosystem Restoration

The 2006 Budget provides \$510 million for aquatic ecosystem restoration work, focusing resources on nationally significant projects such as the Florida Everglades and Coastal Louisiana.

AGENCY-SPECIFIC GOALS—Continued

Everglades. The Administration continues its commitment to restore the fragile Florida Everglades ecosystem in partnership with the State of Florida. Specifically, the Budget provides \$137 million for restoration of the Everglades, including \$68 million for the Comprehensive Everglades Restoration Plan (CERP). Under CERP, the Corps will support the State's decision to use its own funds to accelerate certain work on the restoration project. In addition, the Corps will broaden its role in the Modified Water Delivery Project, which will make more water available for the Everglades National Park and is a prerequisite for CERP. The Corps will share funding responsibilities with the Department of the Interior while continuing to manage construction efforts.

Louisiana Coast. Over the past 75 years, more than one million acres of the Louisiana coastal plain have submerged into the Gulf of Mexico. Another third of a million acres could be lost by 2050. The affected area supports a coastal wetlands and barrier island ecosystem that is an environmental resource of national significance. The Corps is continuing to work closely with the State of Louisiana to address its coastal problems. The 2006 Budget provides \$20 million, an increase of \$11.5 million over the 2005 level, with emphasis on the science and technology program; a long-term hydrodynamic study of the Mississippi River; and studies and design work on one or more significant restoration projects.

A Budgetary Priority: Implementing the Missouri River Master Manual



The Budget provides funds to create sand bar habitat along the Missouri River.

In the Missouri River basin, a series of Corps actions over more than a century contributed to the economic growth of the region, but also dramatically altered the natural ecosystem.

Three Missouri River species are of particular concern: two birds, the interior least tern and the piping plover, which nest along the river; and a large fish called the pallid sturgeon. The 2006 Budget requests \$83 million—an increase of \$64 million above 2005—to enable the Corps to manage the flow of the river as provided in recent revisions to the Missouri River Master Manual, without jeopardizing the continued existence of these species. The Administration is committed to invest these funds to improve the environment in a manner that will reflect the best available science, consistent with commercial navigation and other needs. These investments include:

- Creating side channels that provide shallow water habitat under a range of river conditions and support healthy forage fish and insect populations;
- Purchasing low-lying land from willing sellers to re-establish a hydrologic connection between the river and its floodplain and improve the biological productivity of the side channels;
- Assisting pallid sturgeon recovery below Fort Peck Dam and on the Yellowstone River;
- Establishing sand bar habitat for the nesting birds; and
- Collecting baseline and annual biological data.

Regulating Development that Affects Wetlands

The Corps manages a permitting program that plays an important role in the status of our Nation's wetlands. It requires real estate developers and builders of roads, bridges, and shopping centers to avoid, minimize or mitigate any damage they cause to aquatic resources, including wetlands. The agency processes some 80,000 permits annually. In 2003, developers received permits for projects that will adversely affect 21,300 acres of wetlands nationwide, in return for which they were required to create or restore 43,400 acres (roughly the size of the District of Columbia) of wetlands. The 2006 Budget proposes \$160 million for the agency's regulatory program, an increase of 11 percent over the 2005 level, which will help improve the speed and quality of permit processing and increase the Corps' mitigation and compliance activities.

Maintaining Key Infrastructure

The 2006 Budget provides \$2.0 billion for the operation and maintenance of existing Corps projects, including funding for continued security improvements at Corps facilities to reduce their vulnerability to terrorist threats. In order to allow more timely maintenance at Corps hydropower facilities, the Budget proposes that the Corps' hydropower-related operation and maintenance expenses be directly financed by the Department of Energy's Power Marketing Administration receipts, which are generated by the sale of power from these Corps facilities. This will enable the Corps to reduce downtime and increase the reliability of power generation. In addition, the 2006 Budget proposes to create an emergency maintenance reserve fund—managed directly by the Assistant Secretary of the Army for Civil Works—to meet high-priority, unexpected, and urgent maintenance needs at key Corps facilities each year. Under the proposed arrangement, the Assistant Secretary for Civil Works will be able to respond to these emergency situations promptly, without interfering with other program commitments.



The Corps maintains navigation infrastructure in Illinois.

Recreation Management that Draws on Local Resources and Local Leadership

The Corps is one of the largest Federal providers of outdoor recreation services, managing 4,300 recreation areas at 465 projects in 43 States. The Corps spends about \$268 million each year to support this popular program.

The 2006 Budget proposes a Corps recreation modernization initiative, based on a promising model now used by other major Federal recreation providers such as the National Park Service and the Forest Service. The agency would use a portion of the recreation fees that it collects (such as entrance fees) to upgrade the site where the fees are collected. In addition, the Corps will seek legislative authority to conduct a limited number of demonstration projects such as lake improvement districts. These public/private partnerships encourage local community leaders and property owners to work with the Corps to maintain and upgrade Corps recreation facilities. The work would be performed in a collaborative manner, similar to the approach taken in the President's cooperative conservation efforts. The demonstration projects could be expanded subsequently if they prove to be an effective way to pay for and improve the program.

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

	2004 Actual	Estimate	
		2005	2006
Spending			
Discretionary Budget Authority by Program:			
Construction.....	1,730	1,782	1,637
Operation and Maintenance.....	1,955	1,943	1,979
Flood Control, Mississippi River and Tributaries.....	322	322	270
Flood Control and Coastal Emergencies	3	—	70
General Investigations.....	116	143	95
Regulatory Program.....	139	144	160
Formerly Utilized Sites Remedial Action Program.....	139	164	140
General Expenses	159	166	162
Office of Assistant Secretary (Civil Works).....	—	4	—
Subtotal, Discretionary budget authority	4,563	4,668	4,513
Reclassification of PMA Receipts, Operation and Maintenance	—	—	-181
Total, Discretionary budget authority	4,563	4,668	4,332
<i>Memorandum: Budget authority from enacted supplementals</i>	—	372	—
Total, Discretionary outlays	4,696	4,909	4,625
Mandatory Outlays:			
Existing law.....	142	-18	27
Legislative Proposal, Recreation Program User Fee	—	—	-9
Total, Mandatory outlays	142	-18	18
Total, Outlays	4,838	4,891	4,643