

CORPS OF ENGINEERS—CIVIL WORKS

Since 2001, the Administration:

- Will have completed 37 projects in the construction backlog by the end of 2004, realizing an estimated \$275 million in net benefits to the Nation per year;
- Funded more than \$400 million for Corps ecosystem restoration in the Everglades;
- Increased funding for regulatory protection of wetlands by 11 percent, focusing on improved performance in permit review, enforcement, and compliance; and
- Established five principles to guide future Corps authorization and funding legislation that would maximize net economic and environmental return on each dollar invested.

The President's Budget

- Supports new and continuing construction that offers maximum returns to the Nation;
- Emphasizes essential maintenance and security activities at key Corps facilities; and
- Achieves comprehensive management improvements by applying modern management principles.

Army Corps of Engineers—Civil Works

John Paul Woodley, Jr., Assistant Secretary of the Army

www.hq.usace.army.mil/cepa/cepa.htm 703-697-8986

Number of Employees: 24,800

2005 Discretionary Budget Authority: \$4.0 billion

Major Assets: The Corps builds, maintains, and/or operates 8,000 water projects across the Nation. Each year, it dredges 900 harbors, operates 275 locks and dams and 78 hydropower facilities, and manages 4,300 recreation areas.



Assistant Secretary of the Army Woodley (second from right) breaking ground at a priority project in the Florida Everglades.

OVERVIEW

The civil works program of the Army Corps of Engineers (Corps) carries out three main missions: 1) reducing the damage caused by floods and storms; 2) facilitating commercial navigation; and 3) restoring aquatic ecosystems. In addition, Corps dams generate electric power and create lakes that provide recreation throughout the country. The Corps also regulates the development of roads, shopping centers and other construction affecting wetlands. The Corps carries out this work in partnership with State and local governments and other non-Federal entities, including port authorities and private contractors.

The civil works responsibilities of the Corps date back to the 18th Century when the Nation had no other cadre of engineers to survey and build the dirt roads, and later the canals, needed to reach the Alleghenies and the lands beyond. Since then, the Corps has become the largest of the Federal water resources agencies. Most recently, the expertise developed through the civil works program has been called upon by the Nation to support reconstruction efforts in Afghanistan and Iraq.

Balancing the “Scales”: Fish Recovery and Hydropower in the Pacific Northwest

The Budget funds projects with the highest economic and/or environmental benefits. For example, the President is committed to supporting salmon recovery efforts in the Pacific Northwest, while ensuring the availability of affordable hydroelectric power in the region.

Over the last three years, the Administration has provided \$258 million for Columbia River Fish Recovery (WA, OR, ID), one of eight high-priority projects. The President's Budget provides \$107 million for this Corps construction project, which, together with other Administration-supported salmon recovery efforts, have yielded the following results:

- Since 2000, salmon returns in Oregon, Washington, and Idaho have improved dramatically. On the Columbia/Snake River salmon run, seven of its eight endangered salmon runs have shown marked improvement.
- During 2002, modifications at the 10 major Columbia/Snake River dams have improved fish passage and survival, 700 miles of streams are now accessible to salmon, and 19,000 acres of streamside buffers have been protected in the Columbia Basin.



In the 20th Century, intensive water resources development—by the Corps and several other Federal water resources agencies—transformed the American landscape. By providing an easier way to transport goods to distant markets, building dams that generate inexpensive power, and facilitating the development of flood plains, Corps water projects affected where and how people live and influenced how our country developed. While these accomplishments greatly benefited the country, the projects often resulted in a significant loss of natural habitat.

The country today seeks economic development as well as the protection of environmental values. The Corps is now demonstrating that it is possible to have both if we proceed responsibly. This has required the Corps to improve the quality of its project planning and priority setting. This Administration has emphasized the need to allocate limited Federal funds to projects with a high environmental or economic return and the importance of completing the most deserving projects more quickly to realize these benefits. In the 2004 Budget, the President presented a strategy for achieving his objectives. The 2005 Budget keeps the focus on maximizing the benefits of Corps investments. Funding is targeted to completing the best existing projects, and to a limited number of new projects whose benefits to the Nation greatly exceed their costs, such as an important series of pilot projects in the Everglades.

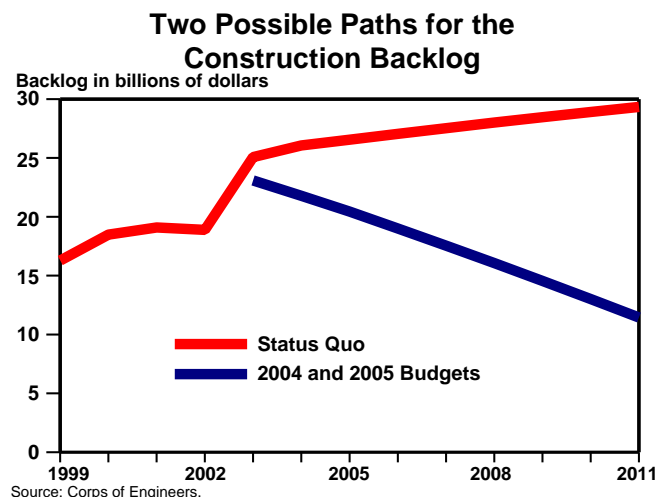
A concerted effort by this Administration and the Congress is needed to ensure that the ongoing and future efforts of the Corps are environmentally sustainable, economically responsible, and fiscally sound. Achieving this goal will require a transformation in cultural attitudes. That needed change has begun both in how the Corps approaches its work, and in the way that the Congress authorizes and funds the projects of the civil works program. This Budget further advances these reforms.

IMPROVING PROGRAM PERFORMANCE

The 2005 Budget focuses resources on two priorities. First, it focuses on completing the work we have already started and, in particular, it accelerates the construction of eight ongoing projects that, once completed, will provide an extremely high net environmental or economic return to the Nation. The second priority is to investigate and start a few new projects with potentially large net benefits compared to their costs.

Reducing the Backlog. The Corps' enormous backlog of ongoing civil works construction represents a significant source of unrealized economic and environmental benefits. The size of the backlog and the amount of funding necessary to complete it have grown in recent years, largely because of the continued addition of new projects to the Corps workload each year. Unfortunately, many of these new projects have benefits that only marginally exceed their costs.

This growth trend in the construction backlog unfairly penalizes both taxpayers and project sponsors. The addition of new construction projects diverts resources from completing ongoing construction work, so that the benefits that the public reasonably expects to receive from Corps projects are often deferred many years. In order to restore the long-term viability of the Corps construction program, the Budget proposes to direct most of the available funds toward those ongoing projects that are either nearing completion or offer the highest returns (environmental or economic) to the Nation. Toward that end, the funds provided for construction work in 2005 will result in the completion of 11 projects and enable significant progress on eight high-priority, high-return projects. Once completed, these projects will significantly reduce flood and storm damage, augment the capability of major commercial harbors and waterways, restore the aquatic environment, and reduce the impacts of major water projects on endangered species.



Supporting New Starts. In addition to placing a priority on finishing backlogged projects, this Budget proposes funding for a limited number of new starts. This approach reflects the Corps commitment to a construction program that is guided by the Principles for Improving Program Performance, which were announced in the 2004 Budget. These principles stress the importance of using objective criteria, such as benefit-cost analyses, to compare and rank projects across the Nation. Using these data, the Budget directs funding to projects that will provide the highest net environmental and economic return to the Nation.

Priority Projects	2005 Budget Authority (in millions of dollars)	Project Purpose
New York/New Jersey Harbor (NY, NJ).....	103	Commercial Navigation
Olmsted Locks and Dam, Ohio River (IL, KY)	75	Commercial Navigation
Missouri River Fish and Wildlife Recovery (IA, NE, KS, MO).....	69	Commercial Navigation/Mitigation
Upper Mississippi River System Environmental Management Program (IL, IA, MN, MO, WI).....	28	Commercial Navigation/Mitigation
Sims Bayou, Houston (TX)	16	Flood Damage Reduction
West Bank, New Orleans (LA)	37	Flood/Storm Damage Reduction
Columbia River Fish Recovery (OR, WA, ID).....	107	Hydropower/Mitigation
Everglades (FL)	125	Aquatic Ecosystem Restoration

The 2005 Budget includes construction funding to start two new flood damage reduction projects and one new aquatic ecosystem restoration program. The two flood control projects are expected to return to the Nation three dollars in net benefits for every dollar spent. The Budget also proposes several new high-priority reconnaissance-level studies. The Corps’ new performance-based budgeting process, discussed in the next section, is instrumental in identifying such “high return” projects.

Mitigating Project Impacts. The Corps is committed to limiting the adverse environmental impacts of its projects. Its concurrent and post-construction mitigation activities permit the Corps to offset damage to natural habitat, while minimizing the impact on commercial navigation, flood damage reduction and other water uses. For example, the Budget includes \$28 million for the Upper Mississippi River System Environmental Management Program to revitalize the side channels of the upper Mississippi, where habitat has been damaged by the construction and operation of a navigation channel.

Responding to Change. The Corps is adapting its missions and processes to reflect advances in science, engineering and economics, changing public values and priorities, and new laws. This process has accelerated in recent years in response to a greater focus on efficiency and environmental challenges and opportunities. For example, the Corps has established five national centers of planning expertise and has begun using interagency groups to guide complex studies.

A Fiscally Responsible, Performance-Based Approach

In developing its budget proposal for 2005, the Corps assessed the relative merits of each potential investment in each of its program areas. This approach represents an important step towards the President’s goal of making fiscally responsible funding decisions based more on results and less on factors such as “what did they get last year.” This is the essence of the Corps’ performance-based budget. The Administration funds activities that will yield the greatest net benefit to society per dollar invested, and evaluates them relative to the Corps’ three main mission areas:



A top bottom. The Budget provides \$103 million to dredge and improve the Port of New York and New Jersey. This is one of eight top priority projects identified in the Budget. The estimated net benefits of the construction under way are two times greater than the costs.

Louisiana. In addition, the Budget proposes two new flood damage reduction construction starts in Rio Guanajibo, Puerto Rico, and in Washington, D.C., whose estimated net benefits are 2.5 and 3.6 times greater, respectively, than their costs. As with the budget for commercial navigation, existing performance measures informed the Administration's funding decisions in this program area. The 2005 Budget continues progress on the construction of beach nourishment projects that will reduce storm damages. The Budget funds the initial construction phase of these projects, while shifting to non-Federal sponsors the responsibility for financing follow-up re-nourishment work.

Aquatic Ecosystem Restoration. The 2005 Budget provides \$408 million for restoration work, including significant funding for the two projects discussed below.

- *Everglades.* The Administration continues to honor its commitment to restore the fragile Everglades ecosystem in south Florida. Specifically, the Budget provides \$125 million for Corps restoration work in the Everglades and another \$106 million for the Department of the Interior's Everglades restoration efforts. Given the importance of underground water storage and other cutting-edge approaches to the success of the Comprehensive Everglades Restoration Plan, the President's Budget proposes a new construction start for pilot projects to examine techniques, such as underground aquifer storage, that will guide future restoration strategies. Since 2001, the Corps has funded \$406 million in Everglades restoration work.



More like it used to be. The President's Budget accelerates portions of the Everglades restoration project.

- *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

Commercial Navigation. The Corps ranked its potential operation and maintenance and construction priorities based on existing performance measures. The 2005 Budget provides \$1.1 billion to operate and maintain ports and inland waterways, and \$528 million for construction at these sites. This includes \$103 million to deepen the New York/New Jersey Harbor and \$75 million for Olmsted Locks and Dam in Illinois and Kentucky. Both of these projects have been high priorities of the Administration, and since 2001, the Administration has proposed more than \$421 million and \$259 million in funding, respectively, to complete construction of these projects.

Flood / Storm Damage Reduction. The Budget provides \$450 million to continue progress on flood damage reduction projects, including projects in Sims Bayou, Texas, and West Bank,



Less like it used to be. Portions of the Louisiana coast continue to slowly submerge into the Gulf due to both natural and manmade causes. The above photos show the same navigation channel in 1970 and 2001.

by 2050. This wetlands loss results from human intervention and natural processes, including: 1) efforts by the Corps to maintain a commercial navigation channel from the Gulf of Mexico to New Orleans and farther up the Mississippi River and to provide flood and storm damage reduction to communities in the Louisiana coastal plain; 2) oil and gas development, including thousands of miles of canals built by private interests for exploration and production; and 3) natural subsidence and erosion of the lands where the Mississippi delta meets the Gulf of Mexico. The affected area supports a complex coastal wetlands and barrier island ecosystem, an environmental resource of national significance. Further measures are needed to help protect and rebuild this ecosystem. The Corps is currently working with the State of Louisiana to address the State's coastal problems.

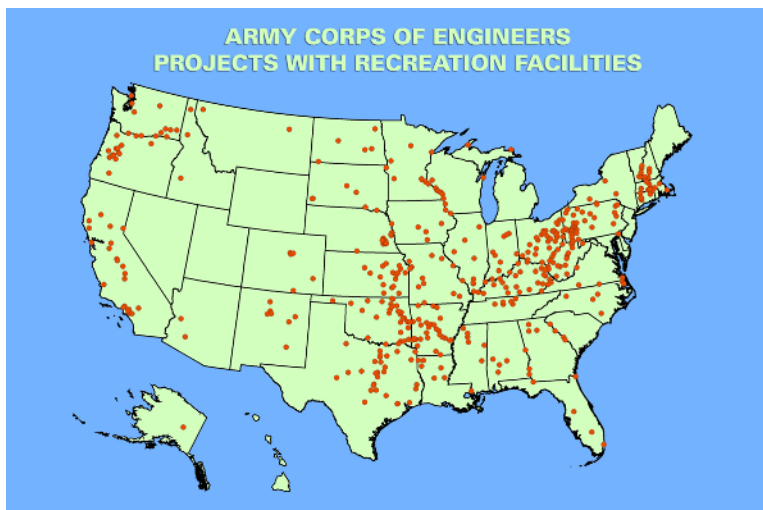
- In 2004, the Corps will work to issue a draft report that identifies the most critical ecological needs and proposes a near-term program of highly cost-effective projects to address them. The report will also highlight the key long-term scientific uncertainties and engineering challenges facing the effort to protect and restore the ecosystem, and propose demonstration projects and studies to help answer these questions. The report will focus on the specific coastal areas that require the most immediate attention and on the best way to sequence the proposed work over the next 10 or so years, as we learn what works best.
- In 2004, the Corps will begin developing studies of potentially promising, long-term ecosystem restoration concepts, with the objective of determining whether they would provide a cost-effective way to create coastal wetlands.
- An existing Federal-State Task Force established under 1990 legislation will increase its efforts to build and evaluate highly cost-effective fresh-water and sediment diversion projects.

This coordinated approach to restoration combines a commitment to address the highest priority needs with a search for innovative solutions. It also ensures that the coastal Louisiana restoration effort will, in the long-term, be able to adapt and evolve as needed, based on the best available science.

INITIATIVES THAT ENCOURAGE INNOVATION

Modernizing Recreation Facilities

The Corps is one of the largest Federal providers of outdoor recreation services. It manages 4,300 recreation areas at 456 Corps projects in 43 States. The agency's recreation program serves millions of people each year because many of its facilities are located near metropolitan areas. For example, Lake Lanier attracts large numbers of visitors from Atlanta, Georgia, as does J. Percy Priest Lake from Nashville, Tennessee.



The Corps spends about \$260 million each year to support this popular program. Intense competition for limited Federal funds, however, has left the Corps unable to adequately modernize its recreation facilities in many instances. Many of the Corps' facilities were built 30 to 40 years ago and were designed to meet recreation needs of the public at that time.

The 2005 Budget proposes a Corps recreation facility 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 Rec Mod initiative has three major components:

- The Administration will submit legislation authorizing the Corps to participate in the existing Federal Recreation User Fee Demonstration project. This will allow the Corps to use a portion of the fees it collects to maintain and upgrade recreation facilities at the Corps sites where the fees are collected.
- The Corps will undertake six recreation demonstration projects. At each location, the agency 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 agency will provide \$6 million to upgrade Corps recreation facilities related to the Lewis and Clark Bicentennial commemoration.



Nice Catch. More to come. The Administration is proposing a recreation modernization initiative that would improve the quantity and quality of services available at Corps recreation sites, such as this one, below J. Percy Priest Dam, near Nashville, Tennessee.

Increasing Responsiveness by Establishing a Maintenance Reserve Fund

The 2005 Budget provides \$1.9 billion for the operation and maintenance of existing Corps projects, including funding to improve the security of Corps facilities.



Be prepared. In the past, emergency repairs have been funded by transferring money from the maintenance of other projects. The President's Budget provides for a reserve fund, so that when the unexpected happens, the money is already available. This means planned maintenance, such as lock repairs shown at Smithland Locks and Dam in Kentucky, can proceed without interruption.

Within this amount, the Budget proposes to create a \$35 million 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 Corps facilities. Under current practice, the Corps allocates appropriated funds to its 38 District offices, which in turn commit them to specific projects. When an unexpected emergency occurs, it is sometimes difficult to find the needed funds on a timely basis. Under the new arrangement, the Assistant Secretary for Civil Works will be able to respond to these emergency situations promptly, without interfering with other program commitments.

PERFORMANCE EVALUATION OF SELECT PROGRAMS











The Budget continues to focus on improving program performance. Six of the Corps' programs were assessed using the Program Assessment Rating Tool (PART), which evaluated the programs' design and purpose, strategic planning efforts, how well they are managed, and whether they are generating positive results for taxpayers. Below are some of the highlights and recommendations from the PART evaluation conducted this year. For further details on the Corps' performance assessments, see the White House budget website at www.whitehouse.gov/omb/budget/.

Program	Rating	Explanation	Recommendation
Regulatory Program	Moderately Effective	The program gets mixed reviews. It adds somewhat to the costs and uncertainty that developers face, but it avoids gridlock and encourages environmentally responsible economic activity. It has performance standards but they need to be upgraded. It is not clear in all cases whether developers are meeting the terms of their permits and whether created wetlands meet quality standards.	Corps program managers should increase program flexibility where appropriate. They should address wetland quality issues. They should implement improved performance targets as quickly as possible, for example, completing compliance verification inspections on 20 percent of all permits issued the prior year and issuing more than 70 percent of permits within 120 days after the agency receives the application.

The PART analyses the Administration completed last year also helped shape this year’s Budget. The PART analysis of inland waterways, for example, concluded that the Corps should give priority to the operation and maintenance of high-use segments of inland waterways, and the 2005 Budget proposal is consistent with that assessment. The PART analysis of non-regulatory wetland activities concluded that the Corps should focus on identifying where and how the agency can best contribute to the overall national wetland effort. The Budget proposal developed in response to the loss of Louisiana coastal wetlands includes practical ways to follow up on that PART assessment.

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, 2003.

	Human Capital	Competitive Sourcing	Financial Performance	E-Government	Budget and Performance Integration
Status					
Progress					
<p>The Army Corps of Engineers has developed a sound, comprehensive human capital plan and has completed functional area assessments for the “Corps 2012” reorganization 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 consolidate 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 2004. To address problems identified in its audits for 2002 and 2003, the Corps is improving documentation to support older assets.</p>					

CORPS OF ENGINEERS—CIVIL WORKS

(In millions of dollars)

	Actual		Estimate	
	2001	2003	2004	2005
Spending				
Discretionary Budget Authority:				
Construction	1,716	1,743	1,733	1,422
Operation and Maintenance	1,984	1,928	1,956	1,926
Flood Control, Mississippi River and Tributaries	359	342	322	270
Flood Control and Coastal Emergencies	50	77	-2	50
General Investigations	161	134	116	90
Regulatory Program	125	138	139	150
Formerly Utilized Sites Remedial Action Program ...	140	144	139	140
General Expenses	152	154	159	167
Subtotal, Discretionary budget authority adjusted	4,687	4,660	4,562	4,215
Legislative Proposal, Operation and Maintenance...	—	—	—	-150
Legislative Proposal, Cancellation of construction balances	—	—	—	-100
Total, Discretionary budget authority	4,687	4,660	4,562	3,965
Total, Discretionary outlays	4,723	4,850	4,289	4,132
Mandatory Outlays:				
Existing law	3	-134	15	64
Legislative Proposal, Recreation Program User Fee Pilot	—	—	—	-7
Total, Mandatory outlays	3	-134	15	57
Total, Outlays	4,726	4,716	4,304	4,189