



Re-Appropriation of Funding

Question: What is the request in the President's FY08 budget with respect to re-appropriation of funds from the 4th Emergency Supplemental Act of 2006 to the 3rd Emergency Supplemental Act of 2006?

Answer: The FY08 Budget includes FY07 Supplemental language that requests a zero-sum statutory re-appropriation of up to \$1.3 billion of unobligated funds from 4th Emergency Supplemental Act of 2006 activities to 3rd Emergency Supplemental Act of 2006 activities. The re-appropriation will enable the U.S. Army Corps of Engineers to avoid delays in awarding contracts for 3rd Supplemental projects that will provide a greater level of protection to a broad portion of the New Orleans metropolitan area.

Question: Why is it necessary to reallocate funds from the 4th Emergency Supplemental Act of 2006 to the 3rd Emergency Supplemental Act of 2006?

Answer: The re-appropriation of 4th Supplemental money will provide the funds needed to achieve the pre-Katrina authorized level of protection for the entire West Bank and Vicinity project. The funds will also enable the Corps to make progress toward providing pre-Katrina authorized protection for the remaining portions of the Lake Pontchartrain and Vicinity project. Enabling this work to proceed now, in addition to providing greater protection with the available funds, will substantially reduce the time needed to build the entire system to authorized levels when additional funds become available. Without this re-appropriation, a pre-Katrina authorized level of protection can only be achieved for portions of the Lake Pontchartrain and Vicinity project in St. Charles and Jefferson parishes.

Question: Didn't Congress provide the Corps with the funds that were requested by the Corps to do the work?

Answer: The funds that were originally provided by Congress in the 3rd Supplemental were appropriated based on the best estimates available to the Administration and Congress at the time from the U.S. Army Corps of Engineers. Cost estimates for the work authorized in the 3rd and 4th Supplementals were done as "Rough Order of Magnitude (ROM)" for conceptual features without any level of engineering, design, review or quantity estimates. There was only very limited information available at that time about actual project and foundation conditions, final project designs, material quantities such as concrete and steel, or post-Katrina material and construction costs.

Corps project cost estimates are normally the product of thorough study and analysis. The urgency of the need to restore the hurricane and storm damage reduction system to pre-Katrina levels and beyond for the citizens of the New Orleans metropolitan area required the Corps to quickly develop rough estimates for use by the Administration and Congress.

The Corps continues to refine its estimates to more accurately reflect all available information. The work for which the funding has been proposed is at or near final design and the Corps has a high degree of confidence in these estimates.

Question: What factors have impacted cost estimates for the Hurricane and Storm Damage Reduction System and the Corps' ability to complete the work authorized in the 3rd supplemental with the appropriated funds?

Answer: Regional labor and material costs have increased 31 and 41 percent respectively over the past year. Costs have also increased because of the emergency nature of completing repairs (compressed schedules for project delivery); environmental and regulatory requirements; and increased regional and global demand for construction materials, equipment and operators. In addition, more complete information on project foundation conditions and project conditions obtained in detailed, post-Katrina engineering surveys has enabled the Corps to prepare detailed designs and material estimates. Finally, the award and administration of many post-Katrina contracts has enabled the Corps to develop better estimates of the true market prices for materials, labor and other construction costs.

Question: Why can't the Corps of Engineers move already appropriated funds between the supplementals to meet their needs without this re-appropriation being required?

Answer: The funds provided in the supplemental appropriations are designated by Congress in bill language to be used for specific project purposes to repair and restore the Hurricane and Storm Damage Reduction System to pre-Katrina levels of protection and authorized design elevations.

Public Law 109-148, the 3rd emergency supplemental appropriations act of Fiscal Year 2006, provided funds to repair and restore hurricane damaged projects and to accelerate completion of the New Orleans area flood and storm damage reduction projects to the level of protection that was authorized prior to Hurricane Katrina.

Public Law 109-234, the 4th emergency supplemental appropriations act of Fiscal Year 2006, authorized and funded activities that would substantially improve the flood and storm damage reduction system and raise the level of protection above that which had been authorized prior to Hurricane Katrina.

For the funds to be used for purposes other than for those specifically prescribed in law, Congress must agree to and provide language authorizing the changes.

Question: Will the re-appropriation of funds address the increase in cost for the Harvey Canal?

Answer: Yes. The Harvey Canal project will be restored to pre-Katrina authorized levels if these funds are re-appropriated.

Question: How will the \$1.3 billion from the 4th supplemental be used in the 3rd supplemental?

Answer: The reallocated funds may be used by the Secretary of the Army to restore the flood damage reduction projects, hurricane and storm damage reduction projects, and related works to their pre-Katrina authorized level of protection. The funds will also be used to accelerate completion of unconstructed portions of authorized hurricane, storm damage reduction and flood control projects in the greater New Orleans area, as described under the heading "Flood Control and Coastal Emergencies," in Chapter 3 of Public Law 109-148.

Question: Which 4th Supplemental projects are being decremented to provide funds for the re-appropriation and why?

Answer:

Program/Project Activity	Original Approp. (\$000)	Proposed Re-approp. (\$000)	Balance (\$000)	Explanation
Outfall Canal Closures and Permanent Pumps WCC 391 (FCCE, 4 th Supp)	\$ 530,000	(\$420,000)	\$110,000	Funds cannot be utilized at this time. Appropriated funds insufficient to initiate work.

Selective Armoring WCC 393 (FCCE, 4th Supp)	\$ 170,000	(\$122,000)	\$ 48,000	Funding cannot be utilized at this time. Work cannot be performed until other work is done.
Floodwall Reinforcement or Replacement WCC 394 (FCCE, 4th Supp)	\$1,584,000	(\$313,000)	\$1,271,000	Work deferred to fund construction that will provide pre-Katrina authorized level of protection over a greater area.
Incorp. non-Fed Levees in Plaquemines Parish WCC 396 (FCCE, 4th Supp)	\$ 215,000	(\$175,000)	\$40,000	Funding cannot be utilized at this time. Appropriated funds insufficient to initiate work.
Provide 100-Year Level of Protection WCC 707 (CG, 4th Supp)	\$ 495,000	(\$245,000)	\$250,000	100-yr work deferred to fund construction that will provide at least pre-Katrina authorized level of protection over a greater area.
Repairs to St. Charles Parish levees WCC 706 (CG, 3rd Supp)	\$ 25,000	(\$24,965)	\$35	CG funds appropriated for work in St. Charles Parish not needed and will be used for other 3 rd Supplemental activities.
Total	\$3,019,000	(\$1,299,965)	\$1,719,035	

Question: When will the work authorized in the 4th Supplemental be done if Congress agrees to reallocate the funding to projects in the 3rd Supplemental?

Answer: Actionable program cost estimates and schedules for 4th Supplemental work will be available this summer and vetted fall 2007.

Question: What is the Corps of Engineers doing to try to contain costs or to minimize the escalation of costs for the work being done on the hurricane and storm damage reduction system?

Answer: The Corps has an active and thorough cost containment and cost management program that includes:

- Value engineering;
 - Bulk purchases of materials to eliminate need for Corps contracts to bid against one another;
 - Contractor feedback about construction, materials and schedule specifications;
 - Aggressive sequencing of contracts; and
 - Multiple internal and external reviews of contracts.
- Specific cost-cutting measures include:
 - Partner with industry to seek ideas to manage costs;
 - Work with industry to plan and stage construction to minimize the impact of limited industry capability in the impacted areas;
 - Update cost estimating models to apply lessons learned; and
 - Use various acquisition strategies where appropriate to minimize cost.

Question: Why doesn't the Corps have a good estimate of total project costs; after all, it has been 1 ½ years since the storm?

Answer: A wide range of studies, modeling, expert evaluations and applications of the newest technology continually shapes the Corps' cost estimate. It's imperative that the Corps uses the best data available – such as results from the Interagency Performance Evaluation Taskforce – to inform decisions at each step of the process, including that used in preparing future budget requests to Congress.

Question: What will the impact be if Congress does not approve the re-appropriation of funds?

Answer: The Corps will continue to award contracts until funds are exhausted. Other planned contracts will not be awarded, although components can be built in Jefferson and St. Charles parishes. Providing authorized pre-Katrina levels of protection for the entire system will be delayed indefinitely until additional funds are provided.

Question: If the request is to reallocate \$1.3 billion, can we assume that the remaining funds will all be used to the best advantage?

Answer: It is possible that remaining 4th Supplemental funds could be better used to complete all projects, except Inner Harbor Navigation Canal and New Orleans to Venice (Plaquemines), to their pre-Katrina authorized level of protection or to a 100-year level of protection. However, the Corps' confidence in the cost of this additional work is not as great and we are reluctant to request additional funding flexibility until we have more confidence in cost estimates for the remaining projects.