



Updated Cost Estimates and Appropriations Authority

Question: Why is the Corps asking for re-appropriation of funds?

Answer: Re-appropriation will provide more flexibility by allowing the Corps to maximize and direct the available resources most effectively, allowing us to direct those resources to work where they can best be used. We are working to streamline and expedite the construction process while using sound engineering judgment to make decisions about design that consider the technical feasibility, environmental impacts and economics of the projects.

Question: How do the Corps' cost estimates fit into the reallocation request?

Answer: Cost estimates for the work authorized in the 3rd and 4th Supplementals were done over a year ago as "Rough Order of Magnitude (ROM)" for conceptual features without any level of engineering, design, review or quantity estimates. The Corps has continued to refine its estimates to more accurately reflect the rising costs of resources as well as 100-year surge elevations, which also impacts planning and design.

Question: What factors have impacted cost estimates for the Hurricane Protection System?

Answer: Rapid increases in construction resources such as labor and material, which have increased 31 and 41 percent respectively over the past year; the emergency nature of completing repairs (compressed schedules for project delivery); increased regional demand for construction materials, equipment and operators in unfavorable conditions with low supply; and the global situation (increased demands for construction resources in China, India and Iraq and the declining value of the U.S. dollar).

Question: Who provided the original cost estimates?

Answer: Cost estimates were put together in the aftermath of Katrina by the Corps engineering and project management team. They relied heavily on local experience and extrapolated information from reports and documentation for similar projects.

Question: What has been spent by the Corps thus far?

Answer: The Corps was authorized \$5.7 billion dollars (through the 3rd and 4th Emergency Supplementals) to bring the greater New Orleans Hurricane Protection System to 100-year levels of protection. Of that \$5.7 billion, \$1 billion was used to repair the system to pre-Katrina levels. Analysis and design to complete and improve the remaining components are on-going.

Question: How can the Corps say it doesn't have enough funding if it hasn't started the work yet?

Answer: The funding appropriated through the 3rd and 4th Supplementals is assigned to specific projects, while the Corps is developing a comprehensive plan to ensure all past and future project features are integrated into the region's Hurricane Protection System.

Question: Is the Corps asking for more funding?

Answer: The Corps is not requesting more funding at this time. When we complete the cost estimate for the 100-year system level of protection, we will determine what additional funds are necessary and will seek through the standard budget and appropriation process.

Question: If you are asking for the flexibility to reallocate funding, does this impact the “sequence” of project work and will it put anyone at additional risk?

Answer: No one will be at any additional risk. Our goal is to complete the identified projects in coastal Louisiana within the funding levels allocated. We will address areas with the greatest deficiencies while ensuring that our work provides maximum risk reduction with available funds.

Question: Would re-appropriation of funding result in some work being delayed?

Answer: Some features would be initially delayed; however, this will not delay providing pre-authorized levels of protection.

Question: It appears that Corps does not know the costs of its projects and keeps changing them. Is this true?

Answer: The size and magnitude of this program and its aggressive timeline are unique. We are confident we have the engineering data at hand for reliable cost estimates used for the 3rd Supplemental re-appropriation request. By this fall, we'll have the remaining data to complete the estimate for the 100-year system level of protection.

Question: What are you doing to improve cost estimating procedures for this program?

Answer: A cost estimating team has begun to refine cost estimates for remaining work. A separate cost estimating design team is working to update the cost estimates for each individual construction contract and to implement a system to refine the estimates once the 100-year design elevations are defined. The Corps' Cost Estimating Center of Expertise is leading the cost estimating efforts, and the Corps will also utilize independent technical reviews to ensure the integrity of the estimates.

Question: Can you do anything to cut the Corps' cost of doing business and address the issue of potentially increasing costs?

- The Corps has an active a 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.