DEPARTMENT OF THE ARMY

COMPLETE STATEMENT

THE HONORABLE JOHN PAUL WOODLEY, JR.
ASSISTANT SECRETARY OF THE ARMY (CIVIL WORKS)

BEFORE

WATER RESOURCES AND ENVIRONMENT SUBCOMMITTEE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
UNITED STATES HOUSE OF REPRESENTATIVES

ON

ARMY CIVIL WORKS PROGRAM
FISCAL YEAR 2009

FEBRUARY 7, 2008

Madam Chairwoman and distinguished members of the Subcommittee:

Thank you for the opportunity to testify before the Subcommittee, and to present the President's Budget for the Civil Works program of the Army Corps of Engineers for Fiscal Year (FY) 2009.

OVERVIEW

The FY 2009 Budget for Army Civil Works provides funding for development and restoration of the Nation's water and related resources within the 3 main Civil Works program areas, namely, commercial navigation, flood and coastal storm damage reduction, and aquatic ecosystem restoration. The Budget also supports hydropower, recreation, environmental stewardship, and water supply services at existing water resources projects owned or operated by the Corps. Finally, the Budget provides for protection of the Nation's regulated waters and wetlands; cleanup of sites contaminated as a result of the Nation's early efforts to develop atomic weapons; and emergency preparedness. The budget does not fund work that should be the responsibility of non-Federal interests or other Federal agencies, such as wastewater treatment and municipal and industrial water treatment and distribution.

Total discretionary funding for the FY 2009 annual program is $4.741 billion. This is $130 million less than the FY 2008 budget and $846 million less than Energy and Water Development appropriations for FY 2008. Within the total Civil Works budget, $2.475 billion is for activities funded in the operation and maintenance (O&M) account. This is slightly higher than the funding level for operation and maintenance proposed in the President's FY 2008 budget, which in turn was a substantial increase over prior budget or appropriation levels for comparable O&M activities.

The Budget also provides $5.761 billion in an FY 2009 emergency appropriations request for the Federal share of the additional funds needed to reduce the risk of storm surge damage to the greater New Orleans, Louisiana area. Based on statutory language proposed in the Budget, the non-federal sponsor would provide $1.527 billion for the non-Federal share of this work. This proposal is discussed further below.

A budget Five Year Development Plan (FYDP) is under development and will be provided to the relevant Committees of Congress.

Enclosure 1 displays the current estimate for the distribution of new discretionary funding among 8 appropriation accounts; 8 program areas; supervision and general administration of the Civil Works program; policy direction and oversight by the Army Secretariat; and 5 funding sources, including the general fund of the Treasury and trust funds. Enclosure 2 is a crosscut between appropriation accounts and program areas.

PERFORMANCE-BASED BUDGETING

The FY 2009 Budget reflects a continuing maturation of the Army's performance-based approach to budgeting. Competing investment opportunities for studies, design, construction, and operation and maintenance were evaluated using multiple metrics. Objective performance criteria guided the allocation of funds among construction projects (see below).

The Budget includes initiatives leading to the development of a more systematic, performance-based budget and improved asset management. For example, the Budget allocates operation and maintenance funding among 54 geographic areas based on USGS sub-watersheds. This approach will improve the overall performance of Civil Works assets by enabling managers within each of these regional areas to focus on their key facilities and address emerging needs.

The focus on Civil Works program performance has a number of foundations. First, the 2004-2009 Civil Works Strategic Plan provided goals, objectives, and performance measures that are specific to program areas as well as some that are crosscutting. A new Civil Works Strategic Plan is under development for 2009-2014. Second, each program area has been assessed using the Program Assessment Rating Tool (PART). Progress to improve the performance measures was made on several programs during the past year. Summaries of all completed civil works program assessments can be found on the Administration's new website, www.ExpectMore.gov. The Civil Works Strategic Plan and the PART-based program evaluations are works in progress and will continue to be updated.

HIGHLIGHTS – WATER RESOURCES DEVELOPMENT ACCOUNTS

Studies and Design

The FY 2008 Budget provides $91 million for the Investigations account and $1 million for investigations in the Mississippi River and Tributaries account. The Budget funds 65 studies and preconstruction engineering and design (PED) activities. We selected these for funding based on their likely performance. For instance, the projects funded for PED were those with benefit-to-cost ratios (BCRs) of 3.0-to-1 or higher.

Within this $91 million, $10 million is for studies and PED under the Louisiana Coastal Area ecosystem restoration program and $10 million more is for the science program that supports, and is an integral component of, this Corps effort to help protect and rebuild the ecosystem. In addition, $21 million is for other project-specific studies and design, $17 million is for research and development, and $33 million is for other coordination, data collection, and study activities.

The Administration urges the Congress to support the President's Budget for the investigations program, which limits the number of proposed projects funded at the study or design stage. The Corps has a very large backlog of ongoing construction work. Adding to

the number of projects heading for a construction start or to their funding will delay the completion of ongoing projects and realization of their benefits to the Nation. The enactment of WRDA 2007 has heightened this concern.

The Civil Works budget includes $1 million to comply with the independent peer review requirements of Section 2034 of the Water Resources Development Act of 2007 (WRDA 2007). This covers only the studies funded in the Budget. If the Congress were to increase the number of studies or their funding, the Corps would likely need more than $1 million to comply with section 2034.

Independent review previously was funded through individual study line items as study costs shared with the non-Federal sponsor. Under WRDA 2007, the costs of independent review are now fully Federal. In future Budgets, we expect to include these costs under individual study line items after studies requiring Section 2034 independent review are identified and accounting codes are set up to distinguish the fully Federal independent review costs from the other study costs, which the non-Federal sponsor will share.

The FY 2009 Budget includes 2 new studies: The Investigations account includes $2 million for a high-priority study of the vulnerability of the U.S. to damage from flooding, including an assessment of the comparative risks faced by different regions of the U.S. This study will provide background for a subsequent effort by policy officials to develop recommendations to improve existing Federal programs, authorities, and roles. The other new study is the Atchafalaya Basin Land Study in the Flood Control, Mississippi River and Tributaries account, for which the Administration has repeatedly requested funding. I urge you to fund this study. It has a high priority because land acquisition is an important component of the overall flood damage reduction plan for this watershed. The FY 2009 Budget also specifically identifies $100,000 for Corps support to the efforts of the inter-agency Committee on the Marine Transportation System, established by the President in the 2004 Ocean Action Plan. Costs to support the Committee previously were included in the Coordination with Other Agencies allocation in the Investigations account.

Construction Program

The Budget provides $1.402 billion in the Construction account and $76 million for construction projects in the Mississippi River and Tributaries account.

Many more construction projects have been authorized, initiated, and continued than can be constructed efficiently at any one time. The funding of projects with low economic and environmental returns and of projects that are not within Civil Works main mission areas has led to the postponement of benefits from the most worthy projects, and has significantly reduced overall program performance.

To remedy this situation and to achieve greater value to the Nation from the Civil Works construction program, the Budget again proposes performance guidelines to allocate funds among construction projects. The guidelines give priority for funding to the projects that yield the greatest returns to the Nation, based upon objective performance criteria. The

FY 2009 guidelines mirror those for FY 2008, except that priority also is accorded to projects that can be completed in FY 2009.

Under the guidelines, the Budget allocates funds among construction projects based primarily on these criteria: BCRs; contribution to reducing significant risk to human safety or to dam safety assurance, seepage control, or static instability correction concerns; capability of high performing projects to be completed in FY 2009 in order to bring significant benefits online; and the extent to which projects cost-effectively contribute to the restoration of nationally or regionally significant aquatic ecosystems that have become degraded as a result of Civil Works projects, or to a restoration effort for which the Corps is otherwise uniquely well-suited. The construction guidelines are provided in Enclosure 3.

The 79 construction projects funded in the Budget consist of: 11 dam safety assurance, seepage control and static instability correction rehabilitation projects; 16 projects funded to address a significant risk to human safety (including 2 new deficiency correction projects); and 52 other projects (including 5 in the Mississippi River and Tributaries program).

Operation and Maintenance Program

The FY 2009 Budget proposes $2.475 billion for the Operation and Maintenance account and $163 million for maintenance activities in the Mississippi River and Tributaries account. The total amount is $16 million higher than the FY 2008 Budget for comparable activities.

The Budget emphasizes performance of existing projects by focusing on the maintenance of key commercial navigation, flood and storm damage reduction, hydropower, and other facilities. The proposed funding would enable the Army Corps of Engineers to carry out priority maintenance, repairs, and rehabilitations, and priority initiatives such as the development of asset management systems.

As in the FY 2007 and 2008 Budgets, the operation and maintenance program includes 4 activities that are directly related to the operation and maintenance of Corps projects, but previously were funded in the Construction program – compliance with the Endangered Species Act at operating projects; rehabilitation of existing projects; replacement of sand due to the operation and maintenance of Federal navigation projects; and construction of facilities, projects, or features (including islands and wetlands) to use materials dredged during Federal navigation operation and maintenance activities. The Budget transfers responsibility for these activities to improve investment decisions on project operation and maintenance and better provide accountability and oversight for those decisions. For the inland navigation rehabilitation projects budgeted in the Operation and Maintenance account, one-half of the project funding would be derived from the Inland Waterways Trust Fund. Construction, replacement, and expansion of inland waterways projects continue to be budgeted in the Construction account.

Like the Budgets for the past 2 years, the FY 2009 Budget proposes to allocate operation and maintenance funding on a regional basis. Last year, the Budget proposed

allocation of funding by 21 watersheds identified by the U.S. Geological Survey's watershed and sub-watershed identification system. This year, in order to more clearly identify the systems among which funding is allocated, the Budget proposes to allocate funding among 54 systems. Within these 54 systems, the justification materials allocate funding for illustrative purposes to flood and coastal storm damage reduction, commercial navigation, hydropower, stewardship, recreation, and water supply program areas. Funding operation and maintenance using this framework will increase efficiency in the operation and maintenance of Civil Works projects. Managers in the field will be better able to properly maintain key infrastructure, adapt to uncertainties, and address emergencies, as well as other changed conditions over the course of the fiscal year, while complying with congressional direction for the appropriations.

HIGHLIGHTS -- PROGRAM AREAS

The Army Civil Works program includes 8 program areas; commercial navigation, flood and coastal storm damage reduction, environment, recreation, hydropower, water supply, emergency management, and the regulatory program. The Budget also funds the supervision and general administration of the Civil Works program in the Corps headquarters and the eight division offices; and the policy direction and oversight for the program by the Office of the Assistant Secretary of the Army (Civil Works). Budget proposals for all areas are discussed below.

Flood and Coastal Storm Damage Reduction, and Emergency Management

The FY 2009 Budget provides $1.322 billion for flood and coastal storm damage reduction and $58 million for emergency management

Among the 79 construction projects funded in the FY 2009 budget, 50 are for flood and coastal storm damage reduction, including 11 dam safety and seepage control and static instability correction rehabilitations, 2 deficiency correction projects at St. Louis Flood Protection, Missouri and Wood River Levee, Illinois; and 29 other projects that address a significant risk to human safety or were selected based on their benefit-to-cost ratios.

The Budget for the emergency management program includes $40 million in the Flood Control and Coastal Emergencies account to fund preparedness for flood and coastal emergencies and other natural disasters. This funding is needed in FY 2009 to maintain and improve the Corps of Engineers ability to respond to disasters. Specifically, this funding would cover review and updating of emergency response plans, periodic exercises to test and evaluate plans, training, procurement of critical supplies and equipment, and pre-disaster coordination with state and local governments and other federal agencies. The FY 2009 Budget reflects the strong belief of the Army in the importance of providing regular funding for emergency preparedness, rather than relying on supplemental appropriations to finance emergency preparedness. The emergency management program also includes $6 million for the National Emergency Preparedness Program and $12 million for facility protection, both of which are funded in the Operation and Maintenance account. We continue to fund facility protection as a remaining item in the operation and maintenance

account. In the past, we allocated these costs among the 8 program areas. This year, we included these costs instead under the emergency management program area.

The Budget includes $14 million in multiple accounts for Actions for Change – a set of actions identified by the Chief of Engineers to aggressively incorporate the lessons learned from Hurricanes Katrina and Rita into the way the Corps plans, designs, constructs, and maintains its infrastructure. The program is being executed by 4 national teams. All actions are interrelated, but each of the 4 teams has one of the following focus areas: comprehensive systems approaches; risk-informed decision making; risk communications; and professional and technical expertise. A common theme throughout the program is increased accountability for public safety. The Corps is working toward the goal of making these changes self-sustaining.

The FY 2009 Operation and Maintenance account includes $10 million for the National Levee Inventory/Inspection and Levee Safety Program. These funds will be used to continue the national levee inventory, assessment, and database development that were begun with emergency supplemental appropriations of $30 million in FY 2006. Funds also will be used for administrative and travel costs of the National Levee Safety Committee established pursuant to Title IX of the Water Resources Development Act of 2007. Title IX broadened the authority under which the Corps conducts the levee inventory program and is being implemented under the ongoing levee inventory and inspection program. The national levee inventory is an interagency effort to improve management of the Nation's flood and storm damage reduction infrastructure. The results of the national project inventory and risk-based project assessments will be linked to the Federal Emergency Management Agency's ongoing flood mapping program, as well as to the Corps levee rehabilitation and inspection program.

The Budget provides funding for all work currently planned to remedy the most serious (Action Class I and II) dam safety, seepage, and static instability problems at Corps dams. The planning, design, and construction of these projects are funded at the maximum amount that the Corps estimates that it can use efficiently and effectively.

The Budget continues to support Federal participation in initial construction, but not in re-nourishment, at beach nourishment projects that provide storm damage reduction or ecosystem restoration outputs.

Commercial Navigation

The FY 2009 Budget provides a total of $1.892 billion for the commercial navigation program area.

The amount budgeted for inland waterway construction projects (construction, replacements, and expansions in the Construction Account, and rehabilitations in the Operation and Maintenance account) is about $326 million, which includes funding to continue 14 inland waterway projects; 3 seepage and static instability correction rehabilitation projects; completion of 5 projects; and continuation of construction on 5 other projects. Half of the funding for these inland waterways investments, about $167 million,

would be derived from the Inland Waterways Trust Fund, reflecting both concurrent financing of 50% of construction costs on most projects and rebalancing of the proportion where prior expenditures from the general fund of the Treasury exceeded 50%.

The FY 2009 Budget is based on enactment of proposed legislation to establish a lockage-based barge user fee and to phase out the existing diesel fuel tax for the inland waterways. The prompt enactment of such legislation is needed to address the declining balance in the Inland Waterways Trust Fund, which otherwise will run out of funds around the end of the 2008 calendar year, and to support ongoing and future inland waterways projects. The funding in the Inland Waterways Trust Fund, which comes from the diesel fuel tax, will not be sufficient after FY 2008 to support needed levels of investment in these waterways.

Enactment of the Administration's legislative proposal would ensure that the commercial users of the Corps locks continue to cover their share of project costs. The amount of the user fee would be tied to the level of spending for inland waterways construction, replacement, expansion and rehabilitation work. The proposed legislation will be transmitted to Congress shortly.

The Budget includes $170 million to construct channel and harbor projects.

The Budget focuses navigation operation and maintenance funding of $1.375 billion on those waterway segments and commercial harbors that support high volumes of commercial traffic, such as the heavily-used Mississippi and Ohio Rivers and the Illinois Waterway. The Budget also funds maintenance of harbors that support significant commercial fishing, subsistence, safety, harbor of refuge, national security, or public transportation benefits.

The Corps continues development of techniques to identify and compare the marginal impacts on the Nation's waterborne commerce of varying maintenance levels for coastal channels and harbors. The FY 2009 Budget provides for $729 million to be appropriated from the Harbor Maintenance Trust Fund for operation and maintenance. The growth of the trust fund balance and ways to address this balance are being discussed within the Administration. We will continue to work within the Administration to develop policies to effectively use the Harbor Maintenance Trust Fund.

The Budget continues the policy of funding beach replenishment, including periodic re-nourishment, where the operation and maintenance of Federal navigation projects is the reason for the sand loss on shorelines.

Environment

The FY 2008 Budget provides $511 million for environmental activities overall, including $286 million for aquatic ecosystem restoration. The costs of compliance with Biological Opinions at existing projects are not included in the above figures. The Budget includes these costs as part of the joint operation and maintenance costs of the affected projects and allocates these costs among the program areas served by the projects.

Within the $286 million for aquatic ecosystem restoration, $185 million is for the Corps of Engineers share of the South Florida Everglades Ecosystem Restoration Program, which is the most ever budgeted or appropriated for the Corps in one year for these activities. This level of funding for the Corps is an increase of $54 million, or 41%, compared to the FY 2008 enacted level. The increase reflects the program's priorities for 2009 – which include more funding for the Modified Water Deliveries to Everglades National Park (Mod Waters) project, a key element of this effort that both the National Park Service and the Corps are funding (+$40 million); and funding to restore a 90 square mile area west of the Everglades known as Picayune Strand, which will provide habitat suitable for the endangered Florida panther and other species (+$24 million). The Budget for this program also emphasizes continued construction of the Kissimmee River restoration effort; and studies and design work under the Comprehensive Everglades Restoration Plan, or CERP. Finally, the Budget also continues construction of the Everglades and South Florida Ecosystem Restoration "Critical Projects," and the South Dade County (C-111) and West Palm Beach Canal (C-51 & STA 1-E) Central and Southern Florida (C&SF) projects.

The Budget provides $20 million for the Upper Mississippi River System Environmental Management Program and $20 million for the Louisiana Coastal Area restoration effort, including $10 million for its important Science Program, which will assist the State and Federal managers of the LCA Ecosystem Restoration Program by providing science support aimed at improving implementation. The Science Program will inform and guide the program by reducing uncertainties and insuring that effective tools and processes are available for use by the project delivery team.

The Budget includes $95 million for environmental stewardship. The Corps administers lands and waters covering 11 million acres, an area equal in size to the States of Vermont and New Hampshire. Funded activities include shoreline management, protection of natural resources, support for endangered species, continuation of mitigation activities, and protection of cultural and historic resources.

The Budget provides $130 million for the Formerly Utilized Sites Remedial Action Program (FUSRAP) to clean up contamination at sites resulting largely from the early atomic weapons program. This funding will enable completion of remedial action at one site (Linde Air Products Soil operable unit) and support continued progress toward completion of remedial actions at a number of other FUSRAP sites.

Regulatory Program

The FY 2009 Budget provides $180 million for the Corps Regulatory Program to protect wetlands and other waters of the United States. This is the same as the amount in both the Budget and appropriations for FY 2008, and represents a $55 million increase since 2001. The funding will be used for permit processing, enforcement and compliance actions, and jurisdictional determinations, including the significant additional field documentation, coordination and evaluation work associated with the Supreme Court's Carabell and Rapanos decisions.

Investing in the Regulatory Program has a win-win result, since it protects valuable aquatic resources while enabling over $225 billion in economic development to proceed annually. The Corps will also use the requested funding to develop and implement improvements such as electronic permit applications and data sharing with other agencies and the public, consistent with Sections 2017 and 2040 of WRDA 2007.

Recreation

The FY 2009 Budget provides $270 million for recreation operations and related maintenance. The Budget re-proposes the Corps of Engineers recreation modernization initiative, which first was developed as part of the FY 06 and FY 07 budgets. This initiative, which requires legislation to implement, would allow the Corps to upgrade and modernize its recreation facilities through an expansion of the current fee structure. It would also enable the Corps, working at the national, state, and local levels, to pursue voluntary public/private partnerships and other means to help finance the recreation program.

Hydropower

Hydropower is a renewable source of energy. The Civil Works program is the Nation's largest producer of hydroelectric energy. The Corps provides one quarter of the Nation's hydroelectric power generation capacity and satisfies 3% of the Nation's total energy needs.

The FY 2009 Budget provides $319 million for hydropower. This investment will help to reduce the forced outage rate, which remains well above the industry average. In addition, the 4 ongoing replacement projects, once completed, will produce enough power to electrify 37,000 homes and reduce carbon dioxide emissions into the atmosphere by 190,000 metric tons.

Water Supply

On average, Civil Works projects provide 4 billion gallons of water per day to meet the needs of municipal and commercial users across the country. The Budget includes $6 million for this program under the operation and maintenance account. These costs can be broken into 5 categories: costs to manage water supply contracts and to operate and maintain specific water supply facilities; ongoing water reallocation studies; the National Portfolio assessment of water reallocation possibilities; the allocated share of costs for compliance with the Endangered Species Act; and the allocated share of other project joint costs. The water supply program manages 307 water supply agreements that cover 7.2 million acre-feet of storage space in 136 of the Corps' multiple purpose reservoir projects. This storage space has an assigned repayment value of $9.8 billion. These costs are repaid directly to the U.S. Treasury by the water users. The opportunities that are being identified through the National Portfolio assessment to reallocate storage space in existing reservoirs can assist in addressing unmet demand for municipal and industrial water supply without building additional projects.

Management Expenses of the Army Corps of Engineers

The FY 2009 budget provides $177 million for the Expenses account to cover the costs of the Army Corps of Engineers Headquarters, Major Subordinate Commands or Divisions, and national support Corps offices such as the Humphreys Engineer Center Support Activity, the Institute for Water Resources, and the Finance Center.

Army Secretariat Policy Direction and Oversight

The FY 2009 Budget includes $6 million for the Office of the Assistant Secretary of the Army (Civil Works). The Assistant Secretary of the Army (Civil Works) has oversight responsibility on behalf of the Secretary of the Army for all aspects of the Civil Works program of the Army Corps of Engineers; for the Army Cemeterial Expenses budget and program for Arlington National Cemetery and the Soldiers' and Airmen's Home National Cemetery; for reimbursable support by the Army Corps of Engineers for other domestic agencies; and for all international activities of the Army Corps of Engineers except those directly in support of U.S. forces overseas. This account finances the personnel and other direct costs of the Assistant Secretary's office in the energy and water development appropriation, consistent with recently enacted appropriations for this office.

PROTECTION OF THE METROPOLITAN NEW ORLEANS AREA

In addition to FY 2009 regular appropriations for the Civil Works program, the FY 2009 Budget recommends enactment of FY 2009 emergency appropriations of $5.761 billion for the remaining Federal share of the New Orleans Area Hurricane and Storm Damage and Risk Reduction System (HSDRRS), which is designed to reduce the risk to the greater New Orleans, Louisiana, area from storm surges that have a 1% annual chance of occurring and to improve internal drainage; to restore and complete construction of hurricane and storm damage reduction features in surrounding areas to previously authorized levels of protection; and to incorporate certain non-Federal levees into the Federal system. The FY 2009 Budget also proposes to authorize the HSDRRS to be constructed with the State of Louisiana as the single non-Federal cost-sharing partner and subsequently maintained and operated by the State. Pre-Katrina, the HSDRRS was built as a collection of separately authorized projects, designed with differing standards, subject to differing requirements for non-Federal cost-sharing, and managed by different local entities.

The new HSDRRS system will be not only higher, but also stronger than the pre-Hurricane Katrina system. Armoring of critical elements will improve resilience during storm events. New pump stations, water control structures, and floodgates will add perimeter protection to reduce the threat of storm surges from outfall canals and navigation channels. Completing the Southeast Louisiana urban drainage project within the geographic perimeter of the Lake Pontchartrain and Vicinity and West Bank and Vicinity projects will enhance the effectiveness of interior drainage systems.

Based on the proposed statutory language included in the President's Budget, local entities would be responsible for 35% of the cost of the Southeast Louisiana project located

within the geographic perimeter of the Lake Pontchartrain and Vicinity and West Bank and Vicinity projects, and for 35% of the increment of levee raises and other enhancements needed to the Lake Pontchartrain and Vicinity and West Bank and Vicinity projects above currently authorized levels to reduce the risk to the greater New Orleans area from storm surges that have a 1% annual chance of occurring. Local entities would also be responsible for 100% of the operation, maintenance, repair, replacement, and rehabilitation cost.

OTHER BUDGET HIGHLIGHTS

General Provisions

The Budget includes proposed statutory language to authorize continuation of limits on reprogramming with certain proposed changes; to replace the continuing contract authority of the Corps with multi-year contracting authority patterned after the authority available to other Federal agencies; and to prohibit committing funds for ongoing and new contracts beyond the appropriated amounts available, including reprogramming.

Improved Cost Estimating

With my full support, the Chief of Engineers is undertaking several initiatives to strengthen the Corps performance in project cost estimating. The Chief will discuss these initiatives in detail in his statement.

WATER RESOURCES DEVELOPMENT ACT OF 2007

Upon passage of WRDA 2007 on November 7, 2007, the Chief of Engineers and I established a joint team to oversee the implementation of this lengthy, complex, and costly Act. We have designated a senior Corps policy analyst to lead our joint efforts. I meet at least bi-weekly with the joint WRDA implementation team to review and approve guidance for major policy and project provisions of WRDA.

The purpose of implementation guidance is to ensure a common understanding of the policies and procedures that will be used to meet the requirements of the law. Provisions that require development of implementation guidance are being identified and prioritized, and the writing of the guidance is underway. Implementation guidance for those provisions directly affecting work within the Divisions and Districts is being developed in consultation with the appropriate District, Division, and Headquarters Regional Integration Team. Due to the large number of provisions in the law, it will take time to issue guidance on each of the provisions. Priority for implementation guidance is being given to national policy provisions (mostly in Title II) and to those project and program provisions where funds are currently appropriated.

Following are some examples of WRDA provisions receiving priority for implementation guidance:

Section 2003 - Written Agreements for water resources projects
Section 2027 – Fiscal Transparency Report
Section 2031 – Water Resources principles and guidelines
Section 2032 – Water Resources priorities report
Section 2033 – Planning
Section 2034 – Independent Peer Review
Section 2035 – Safety Assurance Review
Section 2036 – Mitigation for fish and wildlife and wetlands losses
Title VI – Florida Everglades
Title VII – Louisiana Coastal Area
Title IX – National Levee Safety Program

Working through the joint implementation team, we are making excellent progress in implementation strategies for the significant policy provisions and numerous individual project provisions.

PRESIDENT'S MANAGEMENT AGENDA

The Army Civil Works program is pursuing 5 government-wide management initiatives, as are other Federal agencies, plus a 6th initiative on real property asset management. "Scorecards" for the Army Corps of Engineers and other Federal agencies can be found at the following website: http://www.whitehouse.gov/results/agenda/scorecard.html.

For the first quarter of the 2008 fiscal year, the scorecard rates the Corps status as red on one initiative, yellow on 4, and green on one. I am pleased that the Corps is rated green on progress on all 6 initiatives. The Corps has worked diligently to achieve these ratings, and I am proud of their efforts. The Army is hopeful that the Corps of Engineers will receive an audit opinion in the very near future from the Inspector General of the Department of Defense for its FY 2006 and 2007 Civil Works financial statements. This would be the first time ever that a major component of the Defense Department has received an audit opinion. The opinion is expected to be qualified, and it is anticipated that the auditors will recommend a number of areas that need improvement. With a qualified opinion in hand and this guidance from the DoD Inspector General, the Army has every expectation that the Corps can achieve an unqualified audit opinion on its FY 2008 financial statements.

CONCLUSION

In developing this Budget, the Administration made explicit choices based on performance. The sustained level of O&M funding, transfer of activities from construction to O&M, emphasis on construction projects based on their returns, and focus on preparedness

for flood, hurricane, and other natural disasters, for example, all reflect a performance-based approach.

At $4.741 billion, the FY 2009 Army Civil Works annual budget provides the resources for the Civil Works program to pursue investments that will yield good returns for the Nation in the future. With the proposed $5.761 billion in FY 2009 emergency appropriations, the Corps can also complete the Federal share of work necessary to significantly reduce the risk of storm surge damage to the greater New Orleans area.

This Budget represents the wise use of funding to advance worthy, mission-based objectives. I am proud to present it.

Thank you, Madam Chairwoman and members of the Subcommittee, for this opportunity to testify on the President's Fiscal Year 2009 Budget for the Civil Works program of the Army Corps of Engineers. This is the last time I will appear before this Subcommittee to present the Civil Works budget on behalf of President Bush. It has been my pleasure working with this Subcommittee.

ENCLOSURE 1
DEPARTMENT OF THE ARMY
CORPS OF ENGINEERS – CIVIL WORKS ANNUAL BUDGET, FY 2009
SUMMARY

Requested New Appropriations for Annual Program by Account:		
Investigations		91,000,000
Construction		1,402,000,000
Operation and Maintenance		2,475,000,000
Regulatory Program		180,000,000
Flood Control, Mississippi River and Tributaries		240,000,000
Expenses		177,000,000
Office of the Assistant Secretary of the Army (Civil Works)		6,000,000
Flood Control and Coastal Emergencies		40,000,000
Formerly Utilized Sites Remedial Action Program		130,000,000
TOTAL		4,741,000,000

Requested New Appropriations by Program Area:		
Commercial Navigation		1892,000,000
(Inland and Intracoastal Waterways)	(931,000,000)	
(Channels and Harbors)	(961,000,000)	
Flood and Coastal Storm Damage Reduction		1,322,000,000
(Flood Damage Reduction)	(1,295,000,000)	
(Coastal Storm Damage Reduction)	(27,000,000)	
Environment		511,000,000
(Aquatic Ecosystem Restoration)	(286,000,000)	
(FUSRAP)	(130,000,000)	
(Stewardship)	(95,000,000)	
Hydropower		319,000,000
Recreation		270,000,000
Water Supply		6,000,000
Emergency Management		58,000,000
(Flood Control and Coastal Emergencies)	(40,000,000)	
(National Emergency Preparedness)	(6,000,000)	
(Remaining Items Operation and Maintenance)	(12,000,000)	
Regulatory Program		180,000,000
Oversight and Management		183,000,000
TOTAL		4,741,000,000

Sources of New Appropriations:	
General Fund	3,844,000,000
Harbor Maintenance Trust Fund	729,000,000
Inland Waterways Trust Fund	167,000,000
Disposal Facilities User Fees	1,000,000
TOTAL	4,741,000,000

Additional New Resources:	
Rivers and Harbors Contributed Funds	400,000,000
Coastal Wetlands Restoration Trust Fund	84,000,000
Permanent Appropriations	17,000,000
TOTAL	501,000,000

ENCLOSURE 2
DEPARTMENT OF THE ARMY
CORPS OF ENGINEERS – CIVIL WORKS ANNUAL BUDGET, FY 2009

CROSSCUT BETWEEN APPROPRIATION ACCOUNTS AND PROGRAM AREAS

	Navi-gation	Flood/ Storm	Recre-ation	Aq. Ec. Restor.	Stew-ardshp.	FUS-RAP	Hydro-power	Water Supply	Emerg. Mgmt.	Regul. Prog.	Ovrsgt/ Mgmt	TOT
Investigations	20	36		35								91
Construction	487	627		245			43					1402
Operation & Maint.	1346	482	255	2	90		276	6	18			2475
MR&T – I		1										1
MR&T – C	10	62		4								76
MR&T – O&M	29	114	15		5							163
FUSRAP						130						130
FC&CE									40			40
Regulatory										180		180
Expenses											177	177
Office of the ASA(CW)											6	6
TOTAL	1892	1322	270	286	95	130	319	6	58	180	183	4741

ENCLOSURE 3

DEPARTMENT OF THE ARMY
CORPS OF ENGINEERS – CIVIL WORKS BUDGET
FY 2009 CONSTRUCTION PERFORMANCE GUIDELINES

1. *Project rankings.* All ongoing specifically authorized construction projects, including projects funded in the Mississippi River and Tributaries account, will be assigned based upon their primary purpose to one of the main mission areas of the Corps (flood and storm damage reduction; commercial navigation; aquatic ecosystem restoration) or to hydropower. Flood and storm damage reduction, commercial navigation, and hydropower projects will be ranked by their total benefits divided by their total costs (BCR), calculated at a 7 percent real discount rate. Aquatic ecosystem restoration projects will be ranked by the extent to which they cost-effectively contribute to the restoration of a nationally or regionally significant aquatic ecosystem that has become degraded as a result of a civil works project, or to a restoration effort for which the Corps is otherwise uniquely well-suited (e.g., because the solution requires complex alterations to the hydrology and hydraulics of a river system).

2. *Projects funded on the basis of their economic and environmental returns.* Ongoing flood and storm damage reduction, commercial navigation, and hydropower construction projects with a BCR of 1.5 or higher and ongoing aquatic ecosystem restoration construction projects that are cost-effective in contributing to the restoration of a nationally or regionally significant aquatic ecosystem that has become degraded as a result of a civil works project or to a restoration effort for which the Corps is otherwise uniquely well-suited will receive at least the amount needed to pay estimated contractor earnings required under ongoing contracts and related costs. In allocating funds among these projects, priority will be given to those with the highest economic and environmental returns and to projects where the Corps can complete physical construction of the project and/or related administrative activities in the budget year.

3. *Projects funded to address significant risk to human safety.* Flood and storm damage reduction projects that are funded to address significant risk to human safety will receive sufficient funding to support an uninterrupted effort during the budget year.

4. *Projects with low economic and environmental returns.* Ongoing flood and storm damage reduction, commercial navigation, and hydropower construction projects with a BCR below 1.5 will be considered for deferral, except for flood and storm damage reduction projects that are funded to address significant risk to human safety. Likewise, ongoing aquatic ecosystem restoration construction projects that do not cost-

effectively contribute to the restoration of a nationally or regionally significant aquatic ecosystem that has become degraded as a result of a civil works project, and do not cost-effectively address a problem for which the Corps is otherwise uniquely well-suited, will be considered for deferral.

5. *New starts and resumptions.* The budget could include funds to start up new construction projects, or to resume work on ongoing construction projects on which the Corps has not performed any physical work under a construction contract during the past 3 consecutive fiscal years, only if the project would be ranked that year in the top 20 percent of the ongoing construction projects in its mission area. The term "physical work under a construction contract" does not include activities related to project planning, engineering and design, relocation, or the acquisition of lands, easements, or rights-of-way. For non-structural flood damage reduction projects, construction begins in the first fiscal year in which the Corps acquires lands, easements, or rights-of-way primarily to relocate structures, or performs physical work under a construction contract for non-structural project-related measures. For aquatic ecosystem restoration projects, construction begins in the first fiscal year in which the Corps acquires lands, easements, or rights-of-way primarily to facilitate the restoration of degraded aquatic ecosystems including wetlands, riparian areas, and adjacent floodplains, or performs physical work under a construction contract to modify existing project facilities primarily to restore the aquatic ecosystem. For all other projects, construction begins in the first fiscal year in which the Corps performs physical work under a construction contract.

6. *Other cases.* Projects will receive the amount needed to ensure that they comply with treaties and with biological opinions pursuant to the Endangered Species Act, and meet authorized mitigation requirements. Dam safety assurance, seepage control, and static instability correction projects that are funded in the construction program will receive the maximum level of funding that the Corps can efficiently and effectively spend in each year.