DEPARTMENT OF THE ARMY

COMPLETE STATEMENT

OF

THE HONORABLE JO-ELLEN DARCY
ASSISTANT SECRETARY OF THE ARMY
(CIVIL WORKS)

BEFORE

THE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT

UNITED STATES HOUSE OF REPRESENTATIVES

ON

THE ARMY CIVIL WORKS PROGRAM

FISCAL YEAR 2012

MARCH 8, 2011

Mr. Chairman and distinguished members of the Subcommittee, thank you for the opportunity to present the President's Budget for the Civil Works program of the Army Corps of Engineers for Fiscal Year (FY) 2012.

OVERVIEW

The FY 2012 Budget for the Civil Works program reflects the Administration's priorities through targeted investments in the Nation's infrastructure that help restore the environment and revitalize the economy, while also reflecting the need to put the country on a fiscally sustainable path. With those tenets in mind, the primary objectives of the Budget are as follows:

- Focus funding on water resources infrastructure projects that produce high economic and environmental returns to the Nation and those that address public safety needs.

- Restore high-priority ecosystems such as the California Bay-Delta, Chesapeake Bay, the Everglades, the Great Lakes, and the Gulf Coast.

- Support a comprehensive levee safety initiative to help ensure that Federal levees are safe and to enhance efforts to assist non-Federal parties to address safety issues with their levee systems.

- Provide priority funding to the maintenance of high performing projects.

- Propose changes in the way Federal activities in support of commercial navigation through the Nation's ports are funded, and support increases in inland waterways receipts.

- Improve the way in which the Army Corps of Engineers addresses the Nation's most pressing water resources challenges.

- Increase the organizational efficiency and improve the management, oversight, and performance of ongoing programs.

The Budget concentrates funding for development and restoration of the Nation's water and related resources within the three main Civil Works program areas: commercial navigation, flood and coastal storm damage reduction, and aquatic ecosystem restoration. Additionally, the Budget 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 water and wastewater treatment projects.

FY 2012 DISCRETIONARY FUNDING LEVEL

The Budget provides gross new discretionary funding of $4.631 billion, which will keep the Civil Works program moving forward to help revitalize the economy, and provide for restoration and stewardship of the environment. The Budget also proposes cancellation of the $57 million in unobligated funding previously provided in the Mississippi River and Tributaries account for construction of the Yazoo Backwater Pumps, Mississippi project. This cancellation would achieve $57 million in real savings for the American taxpayer. Of the amount proposed to be cancelled, $22 million is an offset to FY 2012 gross appropriations, for a net request of $4.609 million. (The Congress appropriated the remaining $35 million to "restore" funds that the Corps had "borrowed" under the Stafford Act while responding to a natural disaster at another project. Because the Congress restored these funds in an emergency supplemental appropriation, their cancellation does not "score" as an offset to our discretionary funding request.)

In keeping with the Administration's program to put the Nation on a sustainable fiscal path, the funding for Civil Works in the 2012 Budget is $836 million, or about 15 percent, below the enacted amount of $5.445 billion in FY 2010. It is about 6 percent below the FY 2011 Budget level. The FY 2012 funding level reflects a considered, practical, effective, and sound use of available resources, focusing on those investments that are in the best interest of the Nation.

Within the $4.631 billion recommended gross appropriations, $1.48 billion is for projects in the Construction account, and $2.314 billion is for activities funded in the Operation and Maintenance (O&M) account. The Budget also includes $104 million for Investigations; $210 million for Mississippi River and Tributaries; $27 million for Flood Control and Coastal Emergencies; $196 million for the Regulatory Program; $109 million for the Formerly Utilized Sites Remedial Action Program; $185 million for the Expenses account; and $6 million for the Office of the Assistant Secretary of the Army for Civil Works. Attachment 1 shows this funding by account and by program area.

The FY 2012 Budget continues the Army's commitment to a performance-based approach to budgeting to provide the best overall return from available funds from a national perspective in achieving economic, environmental, and public safety objectives. Competing investment opportunities for studies, design, construction, and operation and maintenance were evaluated using multiple metrics, and objective performance criteria guided the allocation of funds.

The FY 2012 Budget supports investments in flood and storm damage reduction, commercial navigation, environmental restoration, and other programs. The distribution of funding among these programs is similar to the distribution in the FY 2011 Budget, except that environmental restoration received a slightly lower proportion of overall funding. Of the total in the FY 2012 Budget, 31 percent is allocated to flood and storm damage reduction; 34 percent is allocated to commercial navigation; 18 percent is allocated to environmental restoration and protection; and 17 percent is allocated among other program areas.

NEW INVESTMENTS IN FY 2012

The Civil Works budget includes funding for two construction new starts and several other new initiatives, as described below.

In the Construction account, the budget includes $8 million for a new start for the Hamilton City project in California, which provides environmental restoration and flood damage reduction benefits. The budget also includes $3 million to initiate a storm damage reduction project along the New Jersey coast between Raritan Bay and Sandy Hook Bay in the Port Monmouth area.

There are four new study starts in the Investigations account: Fish Passage at Englebright and Daguerre Point Dams on the Yuba River in California for $100,000; environmental restoration and flood damage reduction at Cano Martin Pena in Puerto Rico for $100,000; the Chesapeake Bay Comprehensive Plan for $250,000; and the Louisiana Coastal Area Comprehensive Plan for $100,000.

The O&M program includes $12.3 million for a new environmental and energy sustainability program. This will involve developing tools to enable the Corps to meet Federal sustainability goals and implementing energy-saving measures at Corps projects and buildings. The 38 Civil Works Corps districts will compete for these funds by proposing specific measures to conserve energy. Lessons learned from this competition will inform future investments to increase environmental and energy sustainability of the Civil Works program.

The Budget provides $50 million for a comprehensive levee safety initiative. This initiative includes $46 million in the O&M account to continue and expand activities to help ensure that Federal levees are safe and to assist non-Federal entities to address safety issues with their levees. The levee safety initiative also includes $4 million in the Flood Control and Coastal Emergencies account. These funds will be used for Corps participation in the expansion of interagency teams, known as Silver Jackets, to include every State, and to provide unified Federal assistance in implementing flood risk management solutions.

AQUATIC ECOSYSTEM RESTORATION

The FY 2012 Budget places priority on collaboration with other Federal agencies in the development of funding allocations for aquatic ecosystem restoration. Attachment 2 provides a list of the ecosystems and funding amounts budgeted on this basis.

In connection with this effort, the Budget provides $168 million for the Corps for the ongoing South Florida Everglades Restoration Program, consisting of $163 million for Construction and $5 million for O&M. The Budget supports the continued construction of five ongoing aquatic ecosystem restoration projects in South Florida: Picayune Strand, Site One Impoundment, Indian River Lagoon South, Kissimmee River, and the C-111 (South Dade) project.

The Budget also supports work on other major ecosystem-wide initiatives, such as $58 million for studies and projects in the California Bay-Delta, including an important new reconnaissance study for fish passage at Englebright and Daguerre Point Dams on the Yuba River; an ongoing feasibility study for the Sacramento-San Joaquin Delta Islands and Levees; an ongoing comprehensive feasibility study for the Sacramento-San Joaquin River Basins; and a new construction project at Hamilton City for ecosystem restoration and flood damage reduction.

The Budget includes $128 million for the Columbia River Fish Mitigation program, an ongoing effort to reduce the adverse impacts of a series of Corps dams on migrating salmon. Funds will be used to construct juvenile fish bypass facilities, improve adult fish ladders and conduct other activities that support salmon habitat. The Budget also provides $73 million for ongoing work under the Missouri River Fish and Wildlife Recovery program to construct shallow water habitat and undertake other activities to recover and protect Federally listed species, such as the pallid sturgeon.

INFRASTRUCTURE RECAPITALIZATION

The Administration plans to work with Congress and stakeholders to explore ways to support recapitalization of aging Corps infrastructure, modification of its operations, or de-authorization, consistent with modern-day water resources principles and today's and tomorrow's water resources priorities. Under these principles, direct beneficiaries would be asked to pay a significant share of the costs to rehabilitate, expand or replace projects, as they would for a new project, commensurate with the benefits they receive. Options such as direct financing will be considered as part of this effort, where appropriate.

The aging of infrastructure affects all of our activities. For example, with regard to the production of hydropower, the FY 2012 Budget provides $176 million to operate and maintain Corps hydropower facilities. In order to decide how best to use the available funding, the Corps has been working under its Hydropower Modernization Initiative (HMI) to develop a long-term capital investment strategy. One significant feature of the HMI is the Asset Investment Planning Tool, which was designed to: (1) analyze the condition of critical components and the consequences of failure; (2) determine the value of additional hydropower and its cost; (3) quantify risk exposure for capital investments; and (4) create 20-year funding scenarios to allow for timely and cost-effective rehabilitation or replacement of hydropower facilities and their components. To assist the Federal government in rehabilitating aging equipment, the Corps also is pursuing increased use of non-Federal funds.

HARBOR MAINTENANCE TRUST FUND

The Budget provides for use of $758 million from the Harbor Maintenance Trust Fund to maintain coastal channels and harbors. Despite an overall Civil Works reduction

of 15 percent below the enacted FY 2010 level, the amount recommended in the FY 2012 Budget for harbor maintenance and related work is essentially unchanged from the two prior years. The Administration also plans to develop legislation to expand the authorized uses of the Trust Fund, so that its receipts are available to finance the Federal share of other efforts in support of commercial navigation through the Nation's ports. No decisions have been made yet on what additional costs would be proposed to be paid from receipts into the Harbor Maintenance Trust Fund. Development of proposed legislation will proceed in the coming months.

INLAND WATERWAYS TRUST FUND

Inland waterways capital investments are funded in the Budget at $166 million, of which $77 million is financed from the Inland Waterways Trust Fund. This is the total amount that is affordable in FY 2012 with the current level of revenue coming into the Trust Fund. The Administration will work with Congress and stakeholders to revise the laws that govern the Trust Fund, to include increasing the revenue paid by commercial navigation users of the inland waterways to meet their share of the costs of activities financed from this trust fund.

AMERICA'S GREAT OUTDOORS INITIATIVE AND CIVIL WORKS RECREATION

On April 16, 2010 President Obama signed a Presidential Memorandum establishing the America's Great Outdoors (AGO) initiative to promote and support innovative community-level efforts to conserve outdoor spaces and to reconnect Americans to the outdoors. This initiative was celebrated at several events around the country, including a public "listening" event the Secretary of the Interior and I held in August 2010 at a Civil Works project near St. Louis, Missouri.

The Corps has been actively involved with the AGO initiative, working in concert with its partners to leverage financial and human resources so the public can continue to enjoy water-based recreation opportunities at Corps lakes. The Civil Works recreation program and activities are closely aligned with the goals of the initiative and include a variety of measures to reconnect Americans, especially young people, with the Nation's outdoor resources.

The Corps manages 12 million acres of lands and waters supporting water-based recreation and environmental stewardship. The Civil Works program is particularly well-suited to support the AGO initiative, given that 90 percent of Corps projects are within 50 miles of metropolitan areas. Camping, hiking, swimming, boating, and other water-oriented recreation opportunities attract 370 million visits a year to 422 Corps projects. In addition, the Corps has active programs to conserve and protect lands and waters for wildlife, fisheries, endangered species and open space.

PLANNING IMPROVEMENTS

Working through the Chief of Engineers, the Army continues to strengthen and improve the planning expertise of the Corps, including greater support for planning Centers of Expertise, better integration of project purposes, greater reliability of cost estimates and schedules in planning and programming, and continued support for the development of revised water project planning Principles and Guidelines. Also, the Army has initiated a pilot program to identify means of enabling studies to reach decisions more efficiently.

VETERANS CURATION PROJECT

The FY 2012 Budget includes $2 million to continue the Veterans Curation Project, which provides vocational rehabilitation and innovative training for wounded and disabled veterans, while achieving historical preservation responsibilities for archaeological collections administered by the Corps. The project supports work by veterans at curation laboratories located in Augusta, Georgia; St. Louis, Missouri; and Washington, DC.

LOWER PRIORITY PROGRAMS

Funding of $76 million is provided in the FY 2012 Budget for maintenance of navigation harbors and waterway segments that support low commercial use. This is a reduction of $64 million from the FY 2011 Budget. The Estuary Restoration Program is funded at $2 million, compared to $5 million in the FY 2011 Budget.

No funding is provided for small projects in four of the nine Continuing Authorities Programs (CAPs): Section 14 (emergency streambank and shoreline protection), Section 103 (shore protection), Section 107 (navigation), and Section 208 (snagging and clearing). The Budget proposes to reprogram $23 million of CAP funds carried over from prior years from these four CAPs to finance ongoing phases of projects in four or the remaining five CAPs: Section 111 (mitigation of shoreline damages caused by navigation projects), Section 204 (beneficial use of dredged material); Section 206 (aquatic ecosystem restoration), and Section 1135 (modification of completed projects for the benefit of the environment). Section 205 (flood damage reduction) also is supported, and has sufficient carryover within it to finance the FY 2012 program without a reprogramming.

No funding is provided for the Aquatic Plant Control program, nor is specific line item funding provided for coordination activities associated with the National Estuary Program and the North American Waterfowl Management Program. Coordination activities will take place, as appropriate, in connection with separately funded programs and projects.

Funding under the Formerly Utilized Sites Remedial Action Program (FUSRAP) is reduced by $21 million, from $130 million in the FY 2011 Budget to $109 million in the FY 2012 Budget.

AMERICAN RECOVERY AND REINVESTMENT ACT

The Corps continues the work funded in the 2009 American Recovery and Reinvestment Act (ARRA). The Act provided $4.6 billion for the Civil Works program. That amount includes $2 billion for Construction; $2.075 billion for O&M; $375 million for Mississippi River and Tributaries; $25 million for Investigations; $25 million for the Regulatory Program; and $100 million for the Formerly Utilized Sites Remedial Action Program. The ARRA funds were allocated to more than 800 projects in 49 states, the District of Columbia, and Puerto Rico, and 400 of those projects have been completed.

Nearly all of the $4.6 billion of these funds have been obligated, leaving only a small amount, as authorized, for contract supervision and administration, as well as known contract claims and modifications. As of last month, more than $3.1 billion of the total had been expended, primarily payments to contractors for work already completed. Of the more than 2,100 recipients of the Corps ARRA funds, 99.8 percent submitted a report last quarter as required under the Act and provisions of ARRA contracts.

The projects funded by ARRA provide important support to the Nation's small businesses in their economic recovery. Of the total ARRA funds, small business awards account for about 51 percent of the ARRA funds obligated and about 72 percent of the total contract actions.

The Corps achievements to date with ARRA funds include improvement of 28 important commercial navigation harbors and channels; repair or improvement of dozens of hydropower projects; accelerated completion of site clean-up at 9 FUSRAP sites; completion of 822 periodic inspections of federally constructed levee systems, including both systems maintained by the Corps and those maintained by local sponsors; and completion of important work to restore 57 aquatic ecosystems.

CONCLUSION

In summary, the President's FY 2012 Budget for the Army Civil Works program is a performance-based budget that supports water resources investments that will yield long-term returns for the Nation.

Mr. Chairman and Members of the Subcommittee, I look forward to working with this Subcommittee in support of the President's Budget. Thank you.